

**CITY OF WAYNESBORO, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2017**

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**CITY OF WAYNESBORO, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2017**

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## ***INTRODUCTORY SECTION***

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**CITY OF WAYNESBORO, VIRGINIA**  
**(As of June 30, 2017)**

**COUNCIL**

Bruce Allen, Mayor  
Terry Short Jr., Vice Mayor  
Elzena Anderson  
Jeffrey Freeman  
Alvin Marks Jr  
Julia Bortle, Clerk

**OFFICIALS**

Michael G. Hamp, II	City Manager/City Auditor
Stephanie M. Beverage	City Treasurer
Donald R. Coffey	Commissioner of the Revenue
Mary Garris	City Assessor
Todd G. Patrick	City Attorney
David L. Ledbetter	Commonwealth's Attorney
Dr. Jeffrey Cassell	Superintendent of Schools
Elizabeth Middleton	Director of Social Services
Joe Harris, Jr.	Sheriff
Nicole A. Briggs	Clerk of Circuit Court

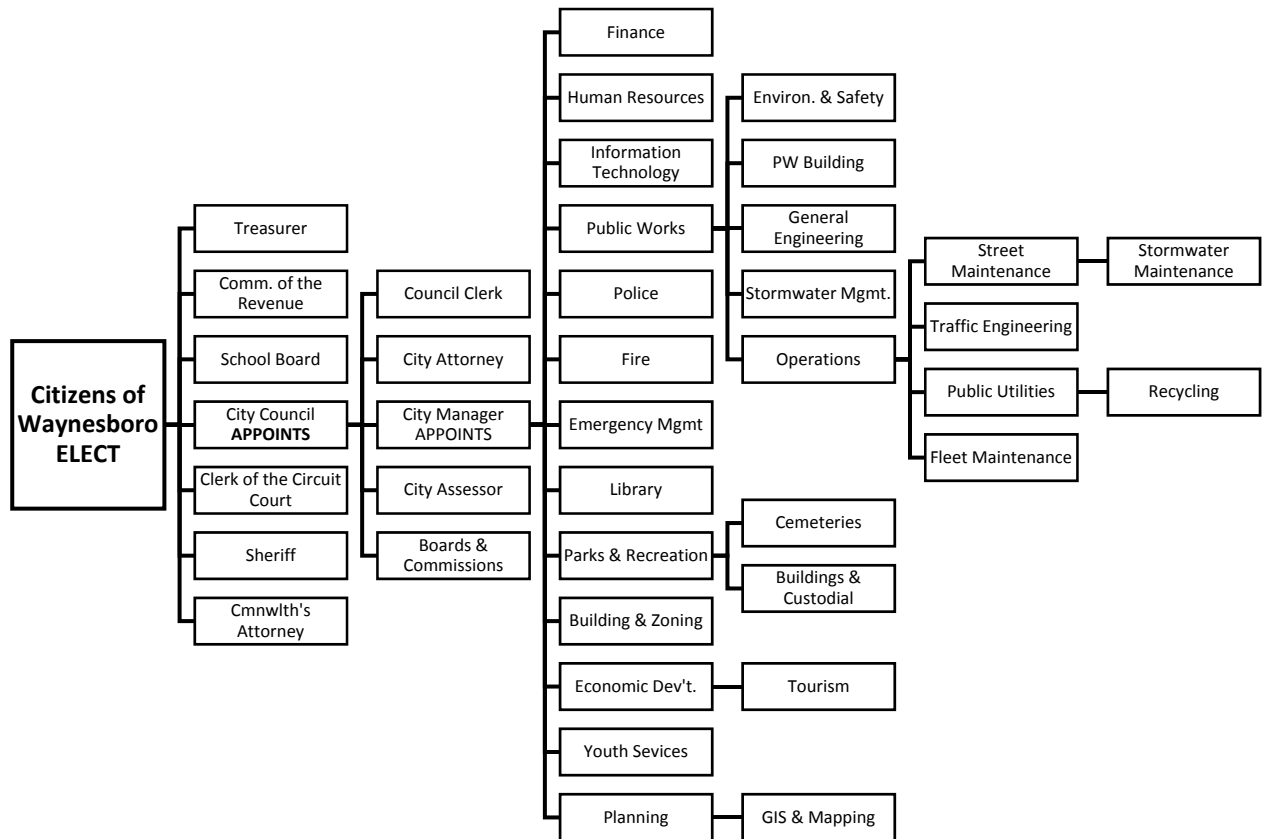
**SCHOOL BOARD**

Kathryn E. Maneval, Chair  
William M. Foster  
Shelly Laurenzo  
Douglas B. Norcross  
Harry Richard Wheeler, Jr.  
Diana L. Williams  
William B. Staton, Jr., Clerk

**ECONOMIC DEVELOPMENT AUTHORITY**

Perry Fridley, Chair  
Mary Sullivan, Vice Chair  
Gregory Hitchin, Secretary/Treasurer  
James Hyson  
Kris Krupa  
Tami Radecke  
George Reed  
Tom Reider

**City of Waynesboro, Virginia**  
**Organizational Structure – June 30, 2017**



**BOARDS AND COMMISSIONS APPOINTED BY CITY COUNCIL**

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

**OTHER AGENCIES & BOARDS**

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

## ***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Virginia (the "City"), as of and for the year ended June 30, 2017, 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, which represent 4.3%, 7.6%, and 5.6%, respectively, of the assets, net position, and revenues of the City's Business-type Activities - Enterprise Funds. The City's share of this undivided interest and joint venture component represents the entirety of the City's ACSA Joint Landfill Fund. Those 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 solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining funds information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Employer's Share of Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Employer's Share of Net Pension Liability VRS Teachers Retirement Plan, and the Schedule of Funding Progress on pages 3a through 3k and 62 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the City's basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit by us and the other auditors in the audit of the 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, based on our audit and the report of other auditors, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 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.

*Didawick & Company, P.C.*

November 29, 2017

The management of the City of Waynesboro offers the readers of the City of Waynesboro's financial statements this narrative overview and analysis of the City's financial position for the fiscal year ended June 30, 2017. This analysis is a cursory overview and is meant to be considered as a companion document to the *Financial Statements* and *Notes* that follow.

### Financial Highlights

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$71,744,179. Of this amount, \$9,238,420 (unrestricted net position) may be used to satisfy the primary government's obligations to citizens and creditors for business-type activities. *Refer to the Government-wide Financial Analysis on page 3c for further discussion of this highlight.*
- The City's total net position related to the primary government increased by \$3,349,061 compared to FY16.
- As of the end of FY17, the City's governmental funds reported a combined ending fund balance of \$20,283,774 – a decrease of \$459,059 in comparison to the prior year. Of this amount, \$2,151,621 is shown as a decrease to the fund balance of the General Fund, \$866,152 as an increase to the fund balance of Self-funded Health Insurance Fund, and \$826,410 as an increase to the fund balance of Other Governmental Funds.
- At the end of FY17, **unassigned** fund balance for the General Fund was \$9,323,445. The City established fiscal policy guidelines related to General Fund unassigned fund balances during this fiscal year. The policy states that the unassigned fund balance in the General Fund on June 30<sup>th</sup> of any fiscal year will be no less than 110% of two (2) months of regular operating expenditures. Accordingly, General Fund unassigned fund balance should be no less than \$8,042,427. As of the close of fiscal year 2017, the unassigned fund balance in the General Fund exceeds the fiscal policy guideline by \$1,281,018.
- The unassigned fund balance in the General Fund of \$9,323,445 equals approximately 22% of the General Fund's total expenditures.
- The City's total long-term liabilities at the close of the FY17, including governmental and business type activities, were \$78,776,722. During fiscal year 2017, the city retired a total of \$4,524,420, predominantly through principal reductions. Over the same period, the City added a total of \$3,622,795 in new long-term obligations, primarily due to an increase in net pension liability. At the close of the fiscal year, the amount of debt principal payments due within one year was \$4,745,777. (See Note 9 for relevant disclosures regarding the City's long-term debt.)

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Waynesboro's basic financial statements which are comprised of three main components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparisons, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements. Condensed comparative information is provided this year and will continue to be added, the goal being to achieve a ten-year comparison for all information reported. (See pages 104-123).

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

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

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

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

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

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

- **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. These two statements, read together, will give the reader a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City has two major governmental funds--the General Fund and the Self-funded Health Insurance Fund, and nine non-major governmental funds. Fund financial statements immediately follow the government-wide financial statement section. Detailed statements of the non-major funds begin on page 66 of this report.
- **Proprietary funds.** The City of Waynesboro maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-like activities in the governmental-wide financial statements. The City of Waynesboro uses enterprise funds to account for water, sewer, refuse collection, stormwater, and the joint Augusta County Service Authority landfill operations. Internal Service funds are used to report activities of the City's Store and Equipment funds which account for inventory supplies for City operations and maintenance of the City's equipment fleet, respectively. It is important to note that the proprietary funds are accounted for on a full accrual basis, whereas the governmental funds are accounted for using a modified accrual basis.
- **Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds include accounting for agencies such as the First Aid Crew and the Central Shenandoah Criminal Justice Training Academy. Fiduciary funds are accounted for on a full accrual basis; their financial statements can be found on pages 78-80 in the *combining statements* section of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes can be found following the Basic Financial Statements section of this report beginning on page 19.



### Government-Wide Financial Analysis

As noted earlier, a comparison of net position over several years can serve as a useful indicator of a government's financial position. In the case of the City, total primary government assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71,744,179 at the close of fiscal year 2017. Capital assets (e.g., land, buildings, machinery, and equipment) in FY17 comprise approximately 71% of total assets, which is comparative to FY16. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although their value is reported net of related debt, it should be noted that the resources needed to repay this debt must be derived from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	33,024,016	32,254,325	13,040,125	11,934,754	46,064,141	44,189,079
Capital assets	42,617,777	41,229,657	66,930,220	69,464,880	109,547,997	110,694,537
<b>Total assets</b>	<b>75,641,793</b>	<b>73,483,982</b>	<b>79,970,345</b>	<b>81,399,634</b>	<b>155,612,138</b>	<b>154,883,616</b>
Deferred charges	429,711	493,286	849,714	927,257	1,279,425	1,420,543
Deferred losses	3,930,356	2,326,515	784,976	529,367	4,715,332	2,855,882
<b>Total deferred outflows of resources</b>	<b>4,360,067</b>	<b>2,819,801</b>	<b>1,634,690</b>	<b>1,456,624</b>	<b>5,994,757</b>	<b>4,276,425</b>
Current and other liabilities	7,035,121	6,657,634	4,255,738	3,588,741	11,290,859	10,246,375
Long-term liabilities outstanding	38,259,712	36,993,772	35,771,233	37,087,612	74,030,945	74,081,384
<b>Total liabilities</b>	<b>45,294,833</b>	<b>43,651,406</b>	<b>40,026,971</b>	<b>40,676,353</b>	<b>85,321,804</b>	<b>84,327,759</b>
Unearned revenue	1,582,470	1,307,646	-	-	1,582,470	1,307,646
Deferred gains	2,478,188	4,186,162	480,254	943,356	2,958,442	5,129,518
<b>Total deferred inflows of resources</b>	<b>4,060,658</b>	<b>5,493,808</b>	<b>480,254</b>	<b>943,356</b>	<b>4,540,912</b>	<b>6,437,164</b>
Net position:						
Invested in capital assets, net of related debt	33,791,619	31,418,630	31,859,390	32,896,027	65,651,009	64,314,657
Restricted	1,967,706	1,793,293	-	-	1,967,706	1,793,293
Unrestricted	(5,112,956)	(6,053,354)	9,238,420	8,340,522	4,125,464	2,287,168
<b>Total net position</b>	<b>30,646,369</b>	<b>27,158,569</b>	<b>41,097,810</b>	<b>41,236,549</b>	<b>71,744,179</b>	<b>68,395,118</b>

### Summary of Net Position

As shown in the summary table above, it would appear that the primary government does not have the resources to meet its ongoing obligations to citizens and creditors because the negative value of its unrestricted assets is indicative of a deficit financial position. These numbers, however, are represented as such due to the dynamics of asset and liability reporting that exists between the governmental activities and the Schools, a Discrete Component Unit. Because Virginia School Boards do not have the authority to issue debt, the City is responsible for reporting all school-related debt which, at June 30, 2017, is \$17,325,616. Conversely, the holdings associated with this debt are reported by the Schools as part of its capital assets. If the debt related to the Schools was not included in the long term liabilities of the primary government, the total net position for governmental activities would be \$47,971,985 and the total net position for the primary government would be \$89,069,795.

Approximately 6.42% of the governmental activities net position represents resources that are subject to external restrictions on how they may be used. Grants, donations, perpetual care funds, and cash set aside for capital projects comprise the restricted assets of the City. Grants and donations are normally designated for a specific purpose. The perpetual care funds are restricted in accordance with the *Code of the City of Waynesboro*, §26-6, Perpetual Care Trust Fund Reserve. The funds held for debt service are in accordance with City Council and School Board resolutions.

Overall, the City's net position increased by \$3,349,061 compared to FY16. This increase is the net effect of a \$138,739 decrease in the net position of the business-type activities, and a \$3,487,800 increase in the net position of the governmental activities.

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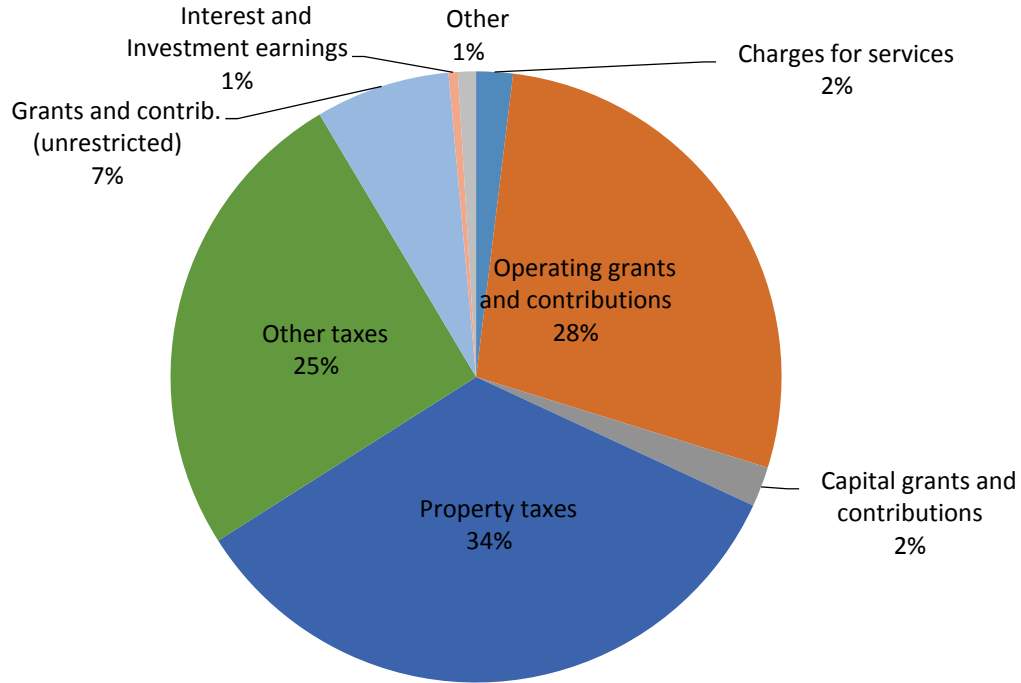
The table on the following page provides comparison information from FY16 to FY17 related to revenues and expenses of governmental and business-type activities. Revenues are broken down into program and general types. Program revenues consist of charges for services, operating grants and contributions, and capital contributions. General revenues include such sources as taxes on property, retail sales, business licenses, communications, meals, lodging, etc.

When compared to FY16, total revenues from Governmental Activities increased by \$1,523,010; with “operating grants and contributions” being the largest growth area. When compared to FY16, total expenses of Governmental Activities increased by \$4,698,431, “education” being the largest growth area (\$2.2M). Overall, the change in the Governmental net position was an increase of \$3,487,800 after transfers of \$1,197,197 are taken into consideration.

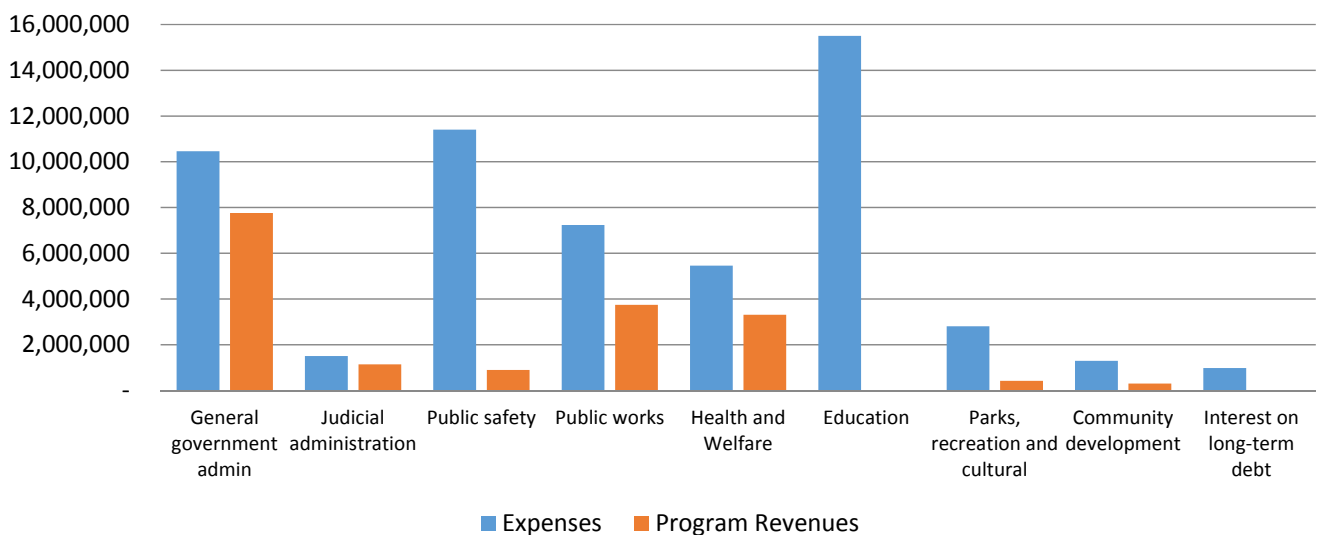
In comparison to FY16, Business-type revenues derived from charges for services increased in FY17 by \$605,674. Of the five business-type activity funds, the water fund saw the largest increase in expenses, primarily due to the replacement of water meters (\$352K).

City of Waynesboro, Virginia Changes in Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
<b>Revenues by source:</b>						
Program Revenues						
Charges for services	1,140,510	1,178,013	12,585,905	11,980,231	13,726,415	13,158,244
Operating grants and contributions	16,417,961	15,122,085	6,192	8,558	16,424,153	15,130,643
Capital grants and contributions	1,247,986	942,253	102,535	22,000	1,350,521	964,253
General Revenues						
Property taxes	20,084,623	19,577,555	-	-	20,084,623	19,577,555
Other taxes	14,990,687	14,978,904	-	-	14,990,687	14,978,904
Grants and contrib. (unrestricted)	4,190,347	5,043,586	-	-	4,190,347	5,043,586
Interest and Investment earnings	293,209	165,902	49,018	46,249	342,227	212,151
Other	583,157	417,172	35,331	52,830	618,488	470,002
Total Revenues	58,948,480	57,425,470	12,778,981	12,109,868	71,727,461	69,535,338
<b>Expenses by activity:</b>						
Governmental activity						
General government admin	10,482,872	9,900,958	-	-	10,482,872	9,900,958
Judicial administration	1,501,243	1,393,274	-	-	1,501,243	1,393,274
Public safety	11,404,402	10,574,111	-	-	11,404,402	10,574,111
Public works	7,233,241	6,813,144	-	-	7,233,241	6,813,144
Health and Welfare	5,455,336	5,325,427	-	-	5,455,336	5,325,427
Education	15,501,962	13,275,982	-	-	15,501,962	13,275,982
Parks, recreation and cultural	2,808,386	2,935,329	-	-	2,808,386	2,935,329
Community development	1,292,122	644,256	-	-	1,292,122	644,256
Interest on long-term debt	981,433	1,100,085	-	-	981,433	1,100,085
Business-type activities						
Water	-	-	3,792,452	2,946,249	3,792,452	2,946,249
Sewer	-	-	5,498,658	5,452,764	5,498,658	5,452,764
Landfill operations	-	-	751,715	610,135	751,715	610,135
Garbage	-	-	1,039,989	909,655	1,039,989	909,655
Stormwater	-	-	637,709	917,556	637,709	917,556
Total Expenses	56,660,997	51,962,566	11,720,523	10,836,359	68,381,520	62,798,925
Change in net assets before transfers	2,287,483	5,462,904	1,058,458	1,273,509	3,345,941	6,736,413
Contributions to permanent fund	3,120	3,480	-	-	3,120	3,480
Middle River Regional Jail Buy-in	-	-	-	-	-	-
Transfers	1,197,197	865,986	(1,197,197)	(865,986)	-	-
Increase (decrease) in net position	3,487,800	6,332,370	(138,739)	407,523	3,349,061	6,739,893
Net position - beginning as adjusted	27,158,569	20,826,199	41,236,549	40,829,026	68,395,118	61,655,225
Net position -ending	30,646,369	27,158,569	41,097,810	41,236,549	71,744,179	68,395,118

### Revenues by Source - Governmental Activities

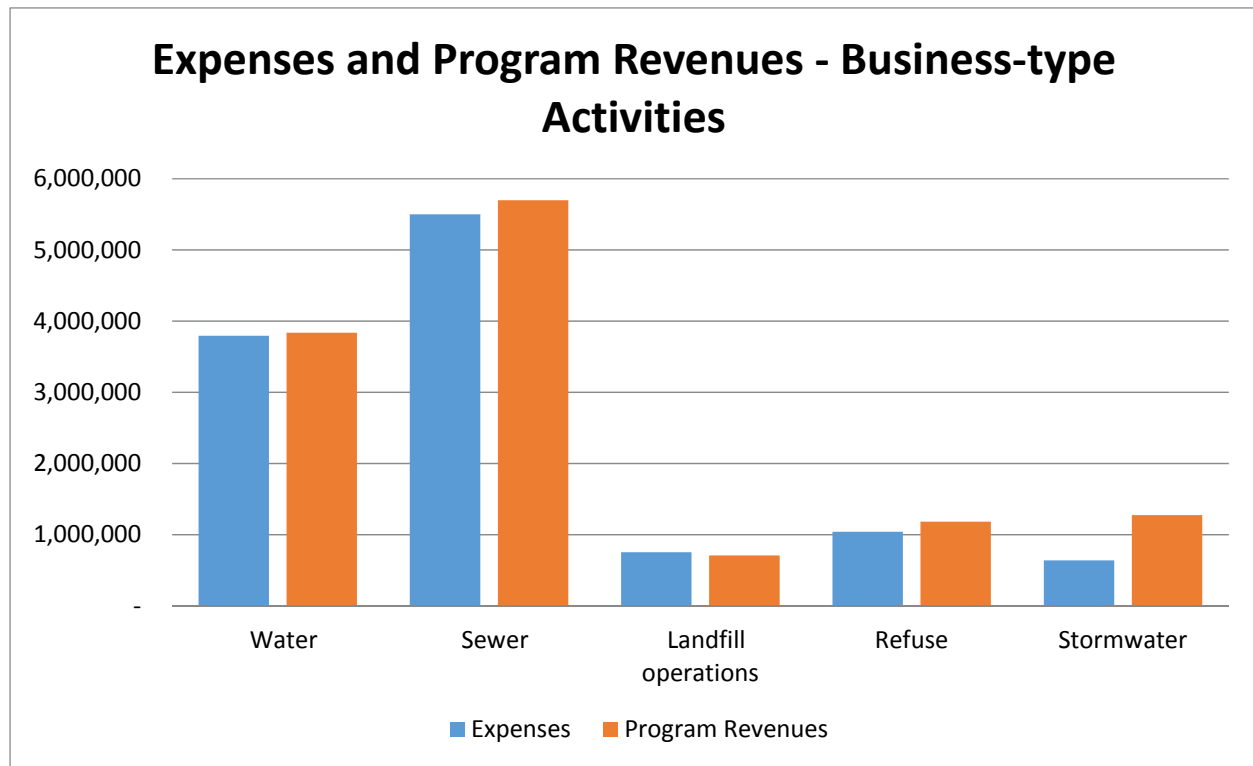


### Expenses and Program Revenues - Governmental Activities



The pie chart on the previous page provides a visual breakdown of revenues by source for governmental activities indicating each source's percentage of total revenue. The bar chart depicts program revenues available during FY17 compared to the expenses incurred for governmental activities during FY17. The difference between program revenue and expenses or merely the lack of program revenues for some expenses is compensated for by non-programmatic/non-categorical General Fund revenues.

As depicted in the bar graph below, revenues exceeded associated expenditures for all business-type activities in FY17 except for the joint Augusta County Service Authority Landfill Operations Fund. The Landfill Fund did not generate enough revenue during FY17 to cover operating costs and debt service. A rate increase was implemented in FY17 to address the annual deficits in the Sewer Fund that began in FY13.



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY17, the City's governmental funds reported a combined ending fund balance of \$20,283,774, a decrease of \$459,059 in comparison to the prior year. Approximately 46% of this total amount (\$9,323,445) constitutes unassigned fund balance, representing the portion of fund balance that has not been earmarked in some fashion by statute, outside body, or Council ordinance. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending. Major restrictions, commitments or assignments include funds for capital projects (\$2,934,999), cemetery perpetual care (\$589,149), economic development authority (\$367,318) and Youth & Family Services (\$267,299). Council took action during FY17 to commit \$3,067,213 of unassigned fund balance for several different purposes, mostly to fund future non-recurring expenditures. The fund balance commitments included Governmental Equipment Replacement, Capital Projects Reserve, Governmental Facility Maintenance, Technology Reserve, and renovations for Waynesboro High School.

**General Fund.** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,323,445, while total fund balance was \$14,168,492. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents approximately 22% of total fund expenditures, while total fund balance represents approximately 32% of the total fund expenditures.

The fund balance of the City's General Fund decreased by \$2,151,621 during FY17. Further analysis reveals that the City budgeted for a net reduction of fund balance of \$4,900,914 in FY17, though that figure was not realized, as actual revenues (including insurance recoveries and net transfers) exceeded the budgeted revenue amount by \$1,093,690, and actual expenditures were \$1,655,603 less than budgeted. By netting the difference between the excess of actual revenues over budgeted revenues (\$1,093,690) and actual expenses versus budgeted expenditures and net transfers (\$1,655,603), which totals \$2,749,293. With the budgeted decrease in fund balance (\$4,900,914), the actual decrease in fund balance can be calculated as (\$2,151,621). This is an important concept in understanding the impact of budgeted & actual figures when considering changes in fund balance. (See exhibit 7 on page 12 for further details).

**Self-funded Health Insurance Fund.** The Self-funded Health Insurance Fund is the self-funded health insurance fund of the City. At the end of FY17, fund balance was \$2,392,697. The net change in fund balance was an increase of \$866,152.

**Other non-major funds.** As of June 30, 2017, the fund balance for the other governmental funds was \$3,722,585. This fund balance amount represents 36% of the total of all other non-major fund expenditures. The net change in fund balance was an increase of \$826,410. (See Exhibit 17 on page 68 for detailed information on other non-major funds' fund balances.)

**Proprietary funds.** At the end of FY17, the total net position of the enterprise funds was \$42,379,352. This figure represents an increase in net position of \$19,636 compared to FY16. The total net assets of the internal services fund at the end of FY17 were \$2,459,760 which represents a decrease from FY16 of \$5,204. For a more detailed accounting of the activities of these funds, refer to the Exhibits beginning on page 13 of this report.

### Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes revenues and annual appropriations for the proprietary funds as well as the accounts that comprise the general fund. The following points summarize the budgeting changes from the original to the final budget. Exhibit 7 on page 12 of the main body of this report delineates the changes from original budget to final and a detailed comparison of final budget versus actual revenues and expenses.

- General Fund final budgeted revenues were \$381,427 greater than originally budgeted revenues. The increase is comprised primarily of additional appropriations for revenues received from the state.
- General Fund final budgeted expenses were \$3,032,599 greater than originally budgeted expenses. The primary factors in the increase are transfers to the school fund for unspent prior year appropriations (\$736k) and engineering services for Waynesboro High School renovations (\$500k); re-appropriation of unspent FY16 street maintenance funds (\$527k); increases in general government administration for the purchase of real property related to Waynesboro High School renovations (\$462k); an appropriation of \$50,000 for the Comprehensive Plan; an appropriation for brine making equipment (\$102k); and adjustments made at the time FY16 encumbrances were rolled to the new fiscal year (\$236k).
- General Fund's actual revenues were \$996,541 greater than final budgeted revenues, representing a variance of approximately 2.2%. Significant sales tax, property tax, meals tax, and business license tax receipts over the budgeted amounts helped lead to this variance.
- General Fund's actual expenditures were \$1,655,603 less than final budgeted expenditures, representing a variance of 3.6%. This variance is due to a multitude of factors, including a decrease in general insurance costs, general vacancy savings in salaries and fringe benefits, reduced expenses of Information Technology computer equipment and purchased services, street paving not completed during FY17, as well as a reduction in Middle River Regional Jail expenses.

### Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets includes land, buildings, improvements other than buildings, equipment, and construction work in progress. The City had a total investment in capital assets of \$109,547,997 for its governmental and business-type activities as of June 30, 2017.

Total capital assets attributed to governmental activities increased by \$1,388,120, due primarily to continuing work on a variety of capital project. The total capital assets attributed to the business-type activities decreased by \$2,534,660, due to depreciation and retirements exceeding the amount of asset additions during FY17. (See note 7, which begins on page 31, for detailed information regarding the City's capital assets)

Major capital asset events during fiscal year 2017 included the following:

- The Constitution Park Improvements, 5<sup>th</sup> Street Stormwater and Safe Routes to Schools projects were completed.
- The replacement of the Enterprise Software Planning System continued.
- Work continued on the Madison/Ohio Stormwater project, the Chatham Stormwater Drainage project, and expansion of the South River Greenway.
- New capital projects were started, including the South Corridor and Basic Park road projects.
- The City purchased two properties located at 1100 and 1018 W. Main Street to be used during the renovation of Waynesboro High School.
- New vehicles were purchased for multiple departments, including street sweeper truck for the Stormwater and Fleet funds, Salt Brine Equipment for Public Works, a backhoe for Parks & Recreation, and several vehicles for the Public Safety and Parks & Recreation departments.

	Governmental		Business-type			
	Activities		Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	8,989,196	8,739,798	386,268	386,268	9,375,464	9,126,066
Buildings	8,751,489	8,787,219	42,660,833	43,689,333	51,412,322	52,476,552
Improvements other than buildings	2,502,299	2,692,921	22,252,183	23,805,904	24,754,482	26,498,825
Machinery and equipment	2,873,216	2,290,454	1,494,644	1,376,899	4,367,860	3,667,353
Infrastructure	15,858,754	15,537,290	0	0	15,858,754	15,537,290
Construction in Progress	3,642,823	3,181,975	136,292	206,476	3,779,115	3,388,451
<b>Total Capital Assets</b>	<b>42,617,777</b>	<b>41,229,657</b>	<b>66,930,220</b>	<b>69,464,880</b>	<b>109,547,997</b>	<b>110,694,537</b>

**Long-term debt.** As of June 30, 2017, the City of Waynesboro held no ratings from Moody's Investor Service or Standard & Poor's Ratings Services. Ratings are only issued when bonds are in the process of being sold. Moody's issues ratings from Aaa to C to designate the relative investment qualities of bonds, with numerical (1-3) modifiers that indicate the obligation ranking within a rating category; Standard & Poor's issues ratings from AAA to D.

The Code of Virginia and the City's Charter limit the amount of general obligation debt that may be issued to ten percent of the total assessed value of taxable real property. Based on this limitation, the City's outstanding GO debt cannot exceed \$182,156,821. See page 117 of this report for historic debt margin comparisons.

City of Waynesboro Outstanding Debt						
	Governmental		Business-type			
	Activities		Activities		Total	
	2017	2016	2017	2016	2017	2016
GO bonds	25,363,711	27,313,134	13,007,540	13,422,539	38,371,251	40,735,673
Literary loans	750,000	1,000,000	0	0	750,000	1,000,000
Capital Leases	0	0	0	0	0	0
VA Revolving Loans	0	0	21,671,412	22,713,574	21,671,412	22,713,574
<b>Total O/S Debt</b>	<b>26,113,711</b>	<b>28,313,134</b>	<b>34,678,952</b>	<b>36,136,113</b>	<b>60,792,663</b>	<b>64,449,247</b>

The table above provides comparative information related to the City's long-term outstanding debt. The decrease from 2016 to 2017 for total debt outstanding for the City is the result of total debt retirements exceeding the amount of debt issued for FY17. As of June 30, 2017, the City had long-term debt outstanding of \$60,792,663; \$34,678,952 was for business-type activities and \$26,113,711 for governmental activities. The amount of debt principal payments due within one year for governmental activities is \$2,150,272, and \$2,524,026 for business-type activities. These debt payments were budgeted as expenditures in the FY 2017 annual appropriation ordinance. Of the total outstanding debt listed in the governmental activities column, \$8,788,094 is related to general government capital projects. The remaining debt outstanding is related to School Board—component unit projects. (See Note 9, beginning on page 34, for relevant disclosures regarding the City's outstanding debt.)

#### Economic Factors and Next Year's Budget and Rates

- The fiscal year 2018 general fund budget was adopted at \$49,646,305, an increase of \$2,694,895 over the FY17 budget.
- Real property tax rate was increased \$0.87 on every \$100.00 of assessed value, an increase of \$0.07 for calendar year 2017.
- Personal property tax rate remained the same for FY18.
- The fiscal year 2018 budget included a 1 % pay increase for most full-time City employees effective July 10, 2017.



- 
- The City's water base and usage fees were increased by 10% effective July 1, 2017; sewer base fee was increased by 8% and usage fees were increased by 7% effective July 1, 2017.
  - The original fiscal year 2018 budget called for the use of \$1,189,166 of fund balance in the general fund to balance the budget. In addition, \$848,050 of encumbrances were rolled from fiscal year 2017, bringing the total budgeted use of fund balance to \$2,037,216.
  - According to the Virginia Employment Commission, the unemployment rate for the City of Waynesboro as of October 2017 was 3.5%, a 12.5% decrease from October of 2016. This compares favorably to the national rate of 4.1% for the same period, and is the same as the Commonwealth's rate of 3.5%.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Waynesboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance, 503 W. Main Street, Room 201, Waynesboro, VA 22980.

Copies of this report may be downloaded from the City's website at [www.waynesboro.va.us](http://www.waynesboro.va.us).

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## ***BASIC FINANCIAL STATEMENTS***

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***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

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**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,703,098	\$ 9,101,861	\$ 30,804,959	\$ 2,238,109
Investments	1,477	-	1,477	-
Receivable (net of allowance for uncollectibles):				
Taxes, including penalties	330,024	-	330,024	-
Accounts	985,910	2,229,828	3,215,738	158,954
Notes	4,651,996	-	4,651,996	-
Interest	54,316	-	54,316	-
Due from external parties	12,372	-	12,372	-
Due from other governments	2,232,763	-	2,232,763	1,200,317
Due from component unit	216,151	-	216,151	-
Internal balances	1,281,542	(1,281,542)	-	-
Inventories	965,218	-	965,218	-
Restricted assets:				
Permanently restricted:				
Cash and cash equivalents	589,149	-	589,149	-
Investment in landfill joint venture	-	2,989,978	2,989,978	-
Capital assets not being depreciated:				
Land	8,989,196	386,268	9,375,464	274,493
Construction in progress	3,642,823	136,292	3,779,115	-
Capital assets, net of accumulated depreciation:				
Buildings and systems	8,751,489	42,660,833	51,412,322	34,902,625
Improvements other than buildings	2,502,299	22,252,183	24,754,482	1,222,882
Machinery and equipment	2,873,216	1,494,644	4,367,860	969,562
Infrastructure	15,858,754	-	15,858,754	-
Total assets	<u>75,641,793</u>	<u>79,970,345</u>	<u>155,612,138</u>	<u>40,966,942</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	429,711	849,714	1,279,425	-
Deferred loss on VRS pension	3,930,356	784,976	4,715,332	4,872,102
Total deferred outflows of resources	<u>4,360,067</u>	<u>1,634,690</u>	<u>5,994,757</u>	<u>4,872,102</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	4,258,810	1,300,359	5,559,169	2,325,631
Accrued interest payable	339,067	414,874	753,941	17,822
Due to primary government	-	-	-	216,151
Due to other governments	78,667	-	78,667	-
Unearned revenue	153,305	-	153,305	-
Noncurrent liabilities:				
Due within one year	2,205,272	2,540,505	4,745,777	261,598
Due in more than one year	38,259,712	35,771,233	74,030,945	37,721,091
Total liabilities	<u>45,294,833</u>	<u>40,026,971</u>	<u>85,321,804</u>	<u>40,542,293</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue - taxes receivable	1,582,470	-	1,582,470	-
Deferred gain on VRS pension	2,478,188	480,254	2,958,442	2,179,393
Total deferred inflows of resources	<u>4,060,658</u>	<u>480,254</u>	<u>4,540,912</u>	<u>2,179,393</u>

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

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

Exhibit 1 (cont'd)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>NET POSITION</b>				
Net investment in capital assets	33,791,619	31,859,390	65,651,009	35,391,084
Restricted for:				
Judicial administration	107,636	-	107,636	-
Public safety	573,204	-	573,204	-
Public works	496,277	-	496,277	-
Parks, recreation and cultural	19,673	-	19,673	-
Community development	282	-	282	-
Capital projects	181,485	-	181,485	-
Perpetual care:				
Nonexpendable	589,149	-	589,149	-
Unrestricted	(5,112,956)	9,238,420	4,125,464	(32,273,726)
Total net position	<u>\$ 30,646,369</u>	<u>\$ 41,097,810</u>	<u>\$ 71,744,179</u>	<u>\$ 3,117,358</u>

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



**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

Exhibit 2

Functions/Programs	Program Revenues					Net (Expenses) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
<b>Primary government:</b>									
Governmental activities:									
General government administration	\$ 10,482,872	\$ 13,226	\$ 7,742,498	\$ -	\$ (2,727,148)		\$ (2,727,148)		
Judicial administration	1,501,243	160,160	981,159	-	(359,924)		(359,924)		
Public safety	11,404,402	363,657	531,829	-	(10,508,916)		(10,508,916)		
Public works	7,233,241	18,651	3,721,190	582,098	(2,911,302)		(2,911,302)		
Health and welfare	5,455,336	110,564	3,195,439	-	(2,149,333)		(2,149,333)		
Education	15,501,962	-	-	-	(15,501,962)		(15,501,962)		
Parks, recreation and cultural	2,808,386	264,999	154,073	428,796	(1,960,518)		(1,960,518)		
Community development	1,292,122	209,253	91,773	237,092	(754,004)		(754,004)		
Interest on long-term debt	981,433	-	-	-	(981,433)		(981,433)		
Total governmental activities	56,660,997	1,140,510	16,417,961	1,247,986	(37,854,540)		(37,854,540)		
Business-type activities:									
Water	3,792,452	3,802,813	-	32,175	-	\$ 42,536	42,536		
Sewer	5,498,658	5,654,003	-	43,200	-	198,545	198,545		
Landfill operations	751,715	706,647	-	-	-	(45,068)	(45,068)		
Garbage	1,039,989	1,175,056	6,192	-	-	141,259	141,259		
Stormwater	637,709	1,247,386	-	27,160	-	636,837	636,837		
Total business-type activities	11,720,523	12,585,905	6,192	102,535	-	974,109	974,109		
Total primary government	\$ 68,381,520	\$ 13,726,415	\$ 16,424,153	\$ 1,350,521	(37,854,540)		(36,880,431)		
<b>Component units:</b>									
School board	38,262,381	743,310	21,239,894	-	-			\$ (16,279,177)	
Total component unit	\$ 38,262,381	\$ 743,310	\$ 21,239,894	\$ -	-			(16,279,177)	

## General revenues:

## Taxes:

General property	20,084,623	-	-	-	20,084,623	-	-	-	
Sales	5,396,441	-	-	-	5,396,441	-	-	-	
Utility	1,030,149	-	-	-	1,030,149	-	-	-	
Business license	2,130,404	-	-	-	2,130,404	-	-	-	
Hotel and meals	5,109,283	-	-	-	5,109,283	-	-	-	
Tobacco	357,547	-	-	-	357,547	-	-	-	
Other	966,863	-	-	-	966,863	-	-	-	
Miscellaneous	549,244	-	-	-	549,244	21,862	571,106	561,014	
Payment from City of Waynesboro	4,190,347	-	-	-	4,190,347	-	-	15,465,866	
Grants and contributions not restricted to specific programs	293,209	-	-	-	293,209	-	-	-	
Unrestricted investment earnings	33,913	-	-	-	33,913	49,018	342,227	32,233	
Gain (loss) on disposal of capital assets	3,120	-	-	-	3,120	13,469	47,382	-	
Contributions to permanent fund principal	1,197,197	-	-	-	1,197,197	-	3,120	-	
Transfers	41,342,340	-	-	-	41,342,340	(1,197,197)	-	-	
Total general revenues and transfers	3,487,800	-	-	-	3,487,800	(1,112,848)	40,229,492	16,059,113	
Change in net position	27,158,569	-	-	-	27,158,569	(138,739)	3,349,061	(220,064)	
Net position - beginning	\$ 30,646,369	-	-	-	\$ 30,646,369	41,236,549	68,395,118	3,337,422	
Net position - ending					\$ 41,097,810	\$ 41,097,810	\$ 71,744,179	\$ 3,117,358	

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

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***FUND FINANCIAL STATEMENTS***

**CITY OF WAYNESBORO, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

Exhibit 3

	General Fund	Self-Funded Health Insurance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,250,011	\$ 2,889,859	\$ 2,791,664	\$ 20,931,534
Investments	1,477	-	-	1,477
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	330,024	-	-	330,024
Accounts	696,358	9,898	259,187	965,443
Due from other funds	1,408,036	-	-	1,408,036
Due from component unit - School Board	216,151	-	-	216,151
Due from external parties	12,372	-	-	12,372
Due from other governments	1,371,362	-	861,401	2,232,763
Restricted assets:				
Cash and cash equivalents	-	-	589,149	589,149
<b>Total assets</b>	<b>\$ 19,285,791</b>	<b>\$ 2,899,757</b>	<b>\$ 4,501,401</b>	<b>\$ 26,686,949</b>
<b>LIABILITIES</b>				
Accounts payable	2,005,651	507,060	426,264	2,938,975
Accrued payroll	936,376	-	44,990	981,366
Retainage payable	-	-	39,323	39,323
Deposits payable	2,500	-	-	2,500
Due to other funds	-	-	189,572	189,572
Due to other governments	-	-	78,667	78,667
Amounts held for others	124,183	-	-	124,183
Unearned revenues	153,305	-	-	153,305
Compensated absences	15,126	-	-	15,126
<b>Total liabilities</b>	<b>\$ 3,237,141</b>	<b>\$ 507,060</b>	<b>\$ 778,816</b>	<b>\$ 4,523,017</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue - taxes receivable	\$ 1,880,158	\$ -	\$ -	\$ 1,880,158
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund principal	-	-	589,149	589,149
Restricted for:				
Judicial administration	107,636	-	-	107,636
Public safety	297,088	-	-	297,088
Public works	496,277	-	-	496,277
Parks, recreation and cultural	19,673	-	-	19,673
Community development	282	-	-	282
Shenandoah Valley Animal Center	-	-	276,116	276,116
Capital projects	-	-	253,983	253,983
Committed to:				
General government administration	1,650,030	-	-	1,650,030
Public works	300,000	-	-	300,000
Health and welfare	47,936	-	-	47,936
Parks, recreation and cultural	2,770	-	-	2,770
Community development	1,120,838	-	-	1,120,838
EDA revolving loans	-	-	30,964	30,964
Capital projects	-	-	2,681,016	2,681,016
Revenue stabilization	500,000	-	-	500,000

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

Exhibit 3 (cont'd)

	General Fund	Self-Funded Health Insurance Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES (cont'd)</b>				
Assigned to:				
General government administration	\$ 75,142	\$ -	\$ -	\$ 75,142
Judicial administration	725	-	-	725
Public safety	109,301	-	-	109,301
Public works	52,980	-	-	52,980
Parks, recreation and cultural	7,747	-	-	7,747
Community development	56,622	-	-	56,622
Youth and family services	-	-	267,299	267,299
CAPSAW	-	-	161,604	161,604
Self-funded health insurance	-	2,392,697	-	2,392,697
Economic Development Authority	-	-	367,318	367,318
Debt service	-	-	4,405	4,405
Unassigned:				
General	9,323,445	-	(909,269)	8,414,176
 Total fund balances	 \$ 14,168,492	 \$ 2,392,697	 \$ 3,722,585	 \$ 20,283,774
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 19,285,791	 \$ 2,899,757	 \$ 4,501,401	 \$ 26,686,949

**CITY OF WAYNESBORO, VIRGINIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

	Exhibit 4
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 20,283,774
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,381,285
Receivables, including interest receivable, are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	4,706,312
Other long-term assets and deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,599,248
Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	3,741,302
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(40,624,254)
Other long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,441,298)</u>
Net position of governmental activities	<u>\$ 30,646,369</u>

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 5

	General Fund	Self-Funded Health Insurance Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ 20,010,239	\$ -	\$ -	\$ 20,010,239
Other local taxes	15,006,512	-	-	15,006,512
Permits, privilege fees and regulatory licenses	192,623	-	-	192,623
Fines and forfeitures	143,191	-	-	143,191
Revenue from use of money and property	304,776	23,074	9,332	337,182
Charges for services	320,172	-	10,950	331,122
Miscellaneous	728,597	7,530,251	172,589	8,431,437
Recovered costs	47,968	-	700,690	748,658
Intergovernmental:				
Commonwealth	9,261,283	-	2,880,078	12,141,361
Federal	166,379	-	1,743,219	1,909,598
<b>Total revenues</b>	<b>46,181,740</b>	<b>7,553,325</b>	<b>5,516,858</b>	<b>59,251,923</b>
<b>EXPENDITURES</b>				
Current:				
General government administration	4,502,944	6,919,655	-	11,422,599
Judicial administration	1,474,245	-	-	1,474,245
Public safety	10,271,848	-	1,067,884	11,339,732
Public works	4,884,239	-	2,710,573	7,594,812
Health and welfare	515,624	-	4,951,384	5,467,008
Education	15,501,962	-	-	15,501,962
Parks, recreation, and cultural	3,268,620	-	-	3,268,620
Community development	915,670	-	408,397	1,324,067
Debt service:				
Principal retirement	2,034,599	-	698,371	2,732,970
Interest and fiscal charges	498,031	-	558,404	1,056,435
<b>Total expenditures</b>	<b>43,867,782</b>	<b>6,919,655</b>	<b>10,395,013</b>	<b>61,182,450</b>
Excess (deficiency) of revenues over (under) expenditures	2,313,958	633,670	(4,878,155)	(1,930,527)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	95,628	-	-	95,628
Capital debt issued	-	-	533,547	533,547
Transfers in	1,200,578	232,482	5,174,399	6,607,459
Transfers out	(5,761,785)	-	(3,381)	(5,765,166)
<b>Total other financing sources and uses</b>	<b>(4,465,579)</b>	<b>232,482</b>	<b>5,704,565</b>	<b>1,471,468</b>
Net change in fund balances	(2,151,621)	866,152	826,410	(459,059)
Fund balance - beginning	16,320,113	1,526,545	2,896,175	20,742,833
Fund balance - ending	\$ 14,168,492	\$ 2,392,697	\$ 3,722,585	\$ 20,283,774

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

**CITY OF WAYNESBORO, VIRGINIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

	Exhibit 6
Net change in fund balances - total governmental funds (Exhibit 5)	\$ (459,059)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (3,165,964) exceeded depreciation (1,797,375) in the current period.	1,368,589
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(429,864)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,199,423
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	655,540
Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>153,171</u>
Change in net position of governmental activities	<u>\$ 3,487,800</u>



**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2017**

	Exhibit 7			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 19,676,766	\$ 19,676,766	\$ 20,010,239	\$ 333,473
Other local taxes	14,675,733	14,675,733	15,006,512	330,779
Permits, privilege fees and regulatory licenses	207,335	207,335	192,623	(14,712)
Fines and forfeitures	198,038	198,038	143,191	(54,847)
Revenue from use of money and property	185,536	185,536	304,776	119,240
Charges for services	285,948	288,580	320,172	31,592
Miscellaneous	687,366	713,651	728,597	14,946
Recovered costs	28,188	28,188	47,968	19,780
Intergovernmental:				
Commonwealth	8,858,862	9,208,882	9,261,283	52,401
Federal	-	2,490	166,379	163,889
	<u>44,803,772</u>	<u>45,185,199</u>	<u>46,181,740</u>	<u>996,541</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government administration	4,143,853	4,645,231	4,502,944	142,287
Judicial administration	1,540,557	1,549,870	1,474,245	75,625
Public safety	10,412,329	10,744,052	10,271,848	472,204
Public works	4,958,105	5,642,991	4,884,239	758,752
Health and welfare	492,676	494,949	515,624	(20,675)
Education	14,207,257	15,501,962	15,501,962	-
Parks, recreation and cultural	3,224,744	3,347,397	3,268,620	78,777
Community development	978,132	1,063,800	915,670	148,130
Debt service:				
Principal retirement	2,034,634	2,034,634	2,034,599	35
Interest and fiscal charges	498,499	498,499	498,031	468
	<u>42,490,786</u>	<u>45,523,385</u>	<u>43,867,782</u>	<u>1,655,603</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>2,312,986</u>	<u>(338,186)</u>	<u>2,313,958</u>	<u>2,652,144</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	-	69,985	95,628	25,643
Transfers in	1,201,104	1,201,104	1,200,578	(526)
Transfers out	(3,775,177)	(5,833,817)	(5,761,785)	72,032
	<u>(2,574,073)</u>	<u>(4,562,728)</u>	<u>(4,465,579)</u>	<u>97,149</u>
Total other financing sources and uses				
Net change in fund balances	(261,087)	(4,900,914)	(2,151,621)	2,749,293
Fund balance - beginning	<u>261,087</u>	<u>4,900,914</u>	<u>16,320,113</u>	<u>11,419,199</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,168,492</u>	<u>\$ 14,168,492</u>

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

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

Exhibit 8

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,941,485	\$ 4,611,285	\$ 1,549,091	\$ 9,101,861	\$ 771,564
Accounts receivable (net of allowance for uncollectibles)	626,175	870,821	732,832	2,229,828	20,467
Inventory	-	-	-	-	965,218
Total current assets	<u>3,567,660</u>	<u>5,482,106</u>	<u>2,281,923</u>	<u>11,331,689</u>	<u>1,757,249</u>
Noncurrent assets:					
Equity interest in joint venture	-	-	2,989,978	2,989,978	-
Capital assets:					
Land	342,088	44,180	-	386,268	-
Buildings	9,019,357	43,318,078	113,453	52,450,888	-
Improvements other than buildings	18,908,891	34,375,069	-	53,283,960	-
Machinery and equipment	893,404	2,075,451	1,428,545	4,397,400	7,887,870
Construction in progress	-	136,292	-	136,292	-
Less accumulated depreciation	(13,512,276)	(29,322,586)	(889,726)	(43,724,588)	(5,651,378)
Total capital assets (net of accumulated depreciation)	<u>15,651,464</u>	<u>50,626,484</u>	<u>652,272</u>	<u>66,930,220</u>	<u>2,236,492</u>
Total noncurrent assets	<u>15,651,464</u>	<u>50,626,484</u>	<u>3,642,250</u>	<u>69,920,198</u>	<u>2,236,492</u>
Total assets	<u>19,219,124</u>	<u>56,108,590</u>	<u>5,924,173</u>	<u>81,251,887</u>	<u>3,993,741</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	702,750	146,964	-	849,714	-
Deferred loss on VRS pension	244,968	284,886	255,122	784,976	58,507
Total deferred outflows of resources	<u>947,718</u>	<u>431,850</u>	<u>255,122</u>	<u>1,634,690</u>	<u>58,507</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	559,817	139,716	132,385	831,918	140,730
Accrued payroll	67,869	69,225	122,345	259,439	16,607
Accrued interest payable	118,555	296,319	-	414,874	-
Deposits payable	207,435	-	1,567	209,002	-
Due to other funds	-	-	-	-	1,218,464
Compensated absences	500	3,500	12,479	16,479	4,000
General obligation bonds - current	401,867	437,382	-	839,249	-
Revenue bonds payable - current	-	1,684,777	-	1,684,777	-
Total current liabilities	<u>1,356,043</u>	<u>2,630,919</u>	<u>268,776</u>	<u>4,255,738</u>	<u>1,379,801</u>
Noncurrent liabilities:					
Compensated absences	54,165	54,947	55,909	165,021	8,774
Net OPEB obligation	39,339	41,966	49,076	130,381	11,631
Net pension liability	650,629	756,652	672,032	2,079,313	155,392
General obligation bonds payable (net of unamortized premium and deferred amount on refunding)	11,354,159	5,530,195	-	16,884,354	-
Revenue bonds payable	-	16,512,164	-	16,512,164	-
Total noncurrent liabilities	<u>12,098,292</u>	<u>22,895,924</u>	<u>777,017</u>	<u>35,771,233</u>	<u>175,797</u>
Total liabilities	<u>13,454,335</u>	<u>25,526,843</u>	<u>1,045,793</u>	<u>40,026,971</u>	<u>1,555,598</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred gain on VRS pension	154,458	179,628	146,168	480,254	36,890
Total deferred outflows of resources	<u>154,458</u>	<u>179,628</u>	<u>146,168</u>	<u>480,254</u>	<u>36,890</u>

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	Business-type Activities - Enterprise Funds				Exhibit 8 (cont'd)
					Governmental
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Activities Internal Service Fund
<b>NET POSITION</b>					
Net investment in capital assets	4,598,188	26,608,930	652,272	31,859,390	2,236,492
Unrestricted	<u>1,959,861</u>	<u>4,225,039</u>	<u>4,335,062</u>	<u>10,519,962</u>	<u>223,268</u>
Total net position	<u>\$ 6,558,049</u>	<u>\$ 30,833,969</u>	<u>\$ 4,987,334</u>	42,379,352	<u>\$ 2,459,760</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(1,281,542)</u>	
Net position of business-type activities				<u>\$ 41,097,810</u>	

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**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 9

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,802,813	\$ 5,654,003	\$ 3,129,089	\$ 12,585,905	\$ 1,661,731
Miscellaneous	9,580	1,567	10,715	21,862	35,955
Total operating revenues	<u>3,812,393</u>	<u>5,655,570</u>	<u>3,139,804</u>	<u>12,607,767</u>	<u>1,697,686</u>
<b>OPERATING EXPENSES</b>					
Personal services	1,009,386	1,134,451	1,066,926	3,210,763	215,829
Contractual services	811,670	374,297	600,015	1,785,982	122,401
Other supplies and expenses	716,925	894,580	279,615	1,891,120	1,318,501
Depreciation	778,517	2,140,213	88,887	3,007,617	434,976
Total operating expenses	<u>3,316,498</u>	<u>4,543,541</u>	<u>2,035,443</u>	<u>9,895,482</u>	<u>2,091,707</u>
Operating income (loss)	<u>495,895</u>	<u>1,112,029</u>	<u>1,104,361</u>	<u>2,712,285</u>	<u>(394,021)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental:					
Commonwealth	-	-	6,192	6,192	-
Interest income	15,417	27,539	6,062	49,018	-
Gain (loss) on disposal of assets	139	-	13,330	13,469	33,913
Gain (loss) on equity interest	-	-	(292,439)	(292,439)	-
Interest and fiscal charges	<u>(464,319)</u>	<u>(909,908)</u>	<u>-</u>	<u>(1,374,227)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(448,763)</u>	<u>(882,369)</u>	<u>(266,855)</u>	<u>(1,597,987)</u>	<u>33,913</u>
Income before contributions and transfers	<u>47,132</u>	<u>229,660</u>	<u>837,506</u>	<u>1,114,298</u>	<u>(360,108)</u>
Capital contributions	32,175	43,200	27,160	102,535	-
Transfers in	224,808	-	-	224,808	354,904
Transfers out	<u>(387,350)</u>	<u>(641,748)</u>	<u>(392,907)</u>	<u>(1,422,005)</u>	<u>-</u>
Change in net position	(83,235)	(368,888)	471,759	19,636	(5,204)
Total net position - beginning	<u>6,641,284</u>	<u>31,202,857</u>	<u>4,515,575</u>		<u>2,464,964</u>
Total net position - ending	<u>\$ 6,558,049</u>	<u>\$ 30,833,969</u>	<u>\$ 4,987,334</u>		<u>\$ 2,459,760</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(158,375)</u>	
Change in net position of business-type activities				<u>\$ (138,739)</u>	

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 10

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers and users	\$ 3,678,450	\$ 5,564,382	\$ 3,076,816	\$ 12,319,648	\$ -
Cash received from interfund services provided	-	-	-	-	1,646,420
Cash paid to suppliers	(737,608)	(1,222,131)	(864,506)	(2,824,245)	(1,449,573)
Cash paid to employees	(1,421,522)	(1,345,624)	(1,052,355)	(3,819,501)	(268,999)
Other receipts (payments)	9,580	1,567	10,715	21,862	35,955
Net cash provided (used) by operating activities	1,528,900	2,998,194	1,170,670	5,697,764	(36,197)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Subsidy from state grant	-	-	6,192	6,192	-
Transfer from other funds	224,808	-	-	224,808	127,812
Transfer to other funds	(387,350)	(641,748)	(392,907)	(1,422,005)	-
Net cash provided (used) by noncapital financing activities	(162,542)	(641,748)	(386,715)	(1,191,005)	127,812
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale of capital assets	139	-	13,330	13,469	54,200
Acquisition and construction of capital assets	(101,133)	(160,643)	(114,548)	(376,324)	(474,794)
Transfer from other funds	-	-	-	-	354,904
Principal paid on capital debt	(306,983)	(2,030,302)	-	(2,337,285)	-
Proceeds from capital debt	-	230,154	-	230,154	-
Interest paid on capital debt	(497,424)	(289,773)	-	(787,197)	-
Net cash provided (used) by capital and related financing activities	(905,401)	(2,250,564)	(101,218)	(3,257,183)	(65,690)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	15,417	27,539	6,062	49,018	-
Cash paid to joint venture	-	-	(366,475)	(366,475)	-
Net cash provided (used) by investing activities	15,417	27,539	(360,413)	(317,457)	-
Net increase (decrease) in cash and cash equivalents	476,374	133,421	322,324	932,119	25,925
Cash and cash equivalents - beginning of year	2,465,111	4,477,864	1,226,767	8,169,742	745,639
Cash and cash equivalents - end of year	\$ 2,941,485	\$ 4,611,285	\$ 1,549,091	\$ 9,101,861	\$ 771,564
Cash and cash equivalents at end of year is composed of the following:					
Cash and cash equivalents	\$ 2,941,485	\$ 4,611,285	\$ 1,549,091	\$ 9,101,861	\$ 771,564

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

						Exhibit 10 (cont'd)
Business-type Activities - Enterprise Funds					Governmental Activities	
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 495,895	\$ 1,112,029	\$ 1,104,361	\$ 2,712,285	\$ (394,021)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	778,517	2,140,213	88,887	3,007,617	434,976	
(Increase) decrease in accounts receivable	(115,525)	(89,621)	(52,445)	(257,591)	(15,311)	
(Increase) decrease in inventory	-	-	-	-	(71,350)	
(Increase) decrease in deferred loss on VRS pension	(72,832)	(80,031)	(102,746)	(255,609)	(12,952)	
Increase (decrease) in accounts payable	520,573	46,746	15,124	582,443	62,679	
Increase (decrease) in accrued payroll	3,612	(10,034)	65,839	59,417	1,362	
Increase (decrease) in net OPEB obligation	4,113	4,783	4,948	13,844	982	
Increase (decrease) in net pension liability	71,279	67,180	163,969	302,428	2,069	
(Increase) decrease in deferred gain on VRS pension	(155,270)	(188,973)	(118,859)	(463,102)	(45,078)	
Increase (decrease) in deposits payable	(8,838)	-	172	(8,666)	-	
Increase (decrease) in compensated absences	7,376	(4,098)	1,420	4,698	447	
Total Adjustments	1,033,005	1,886,165	66,309	2,985,479	357,824	
Net cash provided (used) by operating activities	\$ 1,528,900	\$ 2,998,194	\$ 1,170,670	\$ 5,697,764	\$ (36,197)	
<b>Noncash investing, capital, and financing activities:</b>						
Capital contributions of water and sewer lines from developers	\$ 32,175	\$ 43,200	\$ -	\$ 75,375	\$ -	

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2017**

	Exhibit 11
	Total Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 268,285
Accounts receivable	<u>14,942</u>
Total assets	<u><u>283,227</u></u>
<b>LIABILITIES</b>	
Accounts payable	1,720
Payroll taxes and fringes payable	269,135
Due to external parties	<u>12,372</u>
Total liabilities	<u><u>\$ 283,227</u></u>

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



**CITY OF WAYNESBORO, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**Blended Component Unit:**

The Waynesboro Economic Development Authority (the "Authority") was established under the Industrial Development and Revenue Bond Act of the *Code of Virginia* and has the responsibility to promote industry and develop trade by inducing manufacturing, industrial, and other commercial enterprises to locate or remain in the City. The City appoints all seven members of the Authority's Board of Directors. In fiscal year 2009, the Authority issued a \$6.25 million note payable to finance an incentive grant that will be payable solely from financial assistance made available by the City to the Authority. This note was refunded by the City in fiscal year 2015. Additionally, the Authority is authorized to issue revenue bonds upon application by qualified applicants for acquiring, constructing, equipping, and rehabilitating certain facilities as provided in Chapter 49 of the Industrial Development and Revenue Bond Act as set forth in the Code. Upon issuance, the proceeds of the bonds are loaned to the applicant, who then agrees to repay the bonds as set forth in the Loan Agreement executed, in connection, with the issuance of the bonds. Section 15.2-4909 of the Code specifically provides that the bonds shall not be deemed to constitute debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the locality issuing the bonds. Such bonds are payable solely from the revenues and moneys pledged for such purpose by the applicant, and are secured by a deed of trust, line of credit, and/or other pledge of the applicant's assets.

Separate financial statements of this component unit are not available.

**Discretely Presented Component Unit:**

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

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

Separate financial statements of this component unit are not available.

**Undivided Interests and Joint Ventures:**

The City, along with the City of Staunton and the County of Augusta, is a participant in the Augusta Regional Landfill (the "Landfill"). The Landfill, which has both an undivided interest component and joint venture component, was formed to develop regional refuse disposal, including the development of facilities and systems for recycling, waste reduction, and disposal alternatives with the goal of acquiring, financing, constructing, and operating/maintaining regional solid waste disposal areas, systems, and facilities. Assets, liabilities, net position, revenues and expenses of the undivided interest component are reported by the City in its ACSA Joint Landfill Fund. Likewise, the City's investment in the joint venture component of the Landfill, which is an explicit, measurable, equity interest, is reported as an asset in the ACSA Joint Landfill Fund and totaled \$2,915,942 as of June 30, 2016. Complete financial statements of the Augusta Regional Landfill can be obtained from the entity's administrative offices by contacting the Augusta County Service Authority, P.O. Box 859, Verona, VA 24482-0859.

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**A. Reporting Entity (cont'd)**

**Undivided Interests and Joint Ventures: (cont'd)**

The City, in conjunction with the City of Staunton, City of Harrisonburg, County of Augusta, and the County of Rockingham, is a participant in the Middle River Regional Jail Authority, but has no equity interest in the venture. Capital and operating costs are allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. In accordance with the service agreement, the Authority has divided its charges to member jurisdictions into an operating and debt service component. The City paid the Jail Authority \$1,351,631 for fiscal year 2017.

The City, in conjunction with the City of Staunton and the County of Augusta, is a participant in a Regional Animal Shelter, with equity interest in the Regional Animal Shelter Land Trust. Capital and operating costs are allocated annually based on percentage of ownership for each locality. Activity is shown in a special revenue fund, named Shenandoah Valley Animal Service Center. The City transferred funds to the Regional Animal Shelter in the amount of \$63,282 for fiscal year 2017.

**Excluded Organizations:**

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

- Waynesboro Redevelopment Housing Authority

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency fund financial statements, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unearned revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

*Debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Debt service funds consist of the Debt Revenue Fund. The Debt Revenue Fund is considered a major fund for fiscal year 2015 financial reporting purposes.

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

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

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

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

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

*Fiduciary Funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds reported by the City include the Payroll Fringes, Shenandoah Valley Police Academy, and First Aid Crew Funds.

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

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

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

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

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

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

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

**1. *Deposits and Investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

**2. *Receivables and Payables***

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (cont'd)**

3. *Inventories*

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

4. *Property Taxes*

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

5. *Allowance for Uncollectible Accounts*

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$696,111 at June 30, 2017, and consisted of the following:

General Fund – taxes	\$ 369,208
Water Fund – utility billings	165,469
Sewer Fund – utility billings	126,971
Garbage Fund – utility billings	<u>34,463</u>
Total	<u>\$ 696,111</u>

6. *Use of Estimates*

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

7. *Restricted Assets*

Cash investments of \$589,149 in the Cemetery Care Fund, a permanent fund, are non-spendable and thus restricted. Only earnings may be used by the City to fund the cemetery maintenance costs.

8. *Capital Assets*

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year. Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (cont'd)**

**9. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements that present financial position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The government has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred loss on VRS pension reported in the government-wide statement of net position and the enterprise funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt, or the new debt whichever is shorter. The City's net pension liability is calculated using a measurement date of June 30, 2016. Employer contributions made after this date are reported as deferred outflows of resources. The City's employer share of fiscal year 2017 VRS contributions will be reported as part of total pension expense 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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has two items that qualify for reporting in this category, unearned revenue – taxes receivable and deferred gain on VRS pension. The unearned revenue – taxes receivable, is reported in the governmental funds balance sheet. The governmental funds report unearned revenue – taxes receivable from property taxes and other receivables not collected within 45 days of year end and collection in the current fiscal year of property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide statement of net position, unearned revenue – taxes receivable is reported for collection in the current fiscal year of property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are earned. The deferred gain on VRS pension reported in the government-wide statement of net position and the enterprise funds statement of net position represents the net difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over future periods.

**10. Compensated Absences**

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

City employees, under the Sick Leave Policy, earn sick leave at the rate of 8 hours per month. No benefits or pay is received for unused sick leave upon termination. City employees, under the Annual Leave Policy, earn varying amounts of annual leave dependent upon years of service. Accumulated annual leave up to 288 hours is paid upon termination. City employees, under the Paid Time Off Policy, earn varying amounts of paid time off dependent upon years of service. Accumulated paid time off up to the maximum permitted carry over amount, based upon years of service, is paid upon termination. Law enforcement, fire protection, and emergency response personnel may accrue up to 480 hours of compensatory time within a fiscal year. All other employees eligible for compensatory time may accrue up to 240 hours of compensatory time within a fiscal year. Upon termination of service from the City an employee will be paid for any accrued compensatory time at the employee's base rate of pay in effect when earned.

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (cont'd)**

**11. Long-term Obligations**

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

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

**12. Fund Equity**

Financial policies - For fiscal year 2017, a formal policy regarding the general fund's fund balance was adopted by the City. The City does not intend to use General Fund equity (unassigned fund balance) to finance current operations. The City will maintain a fund balance for cash liquidity purposes that will provide sufficient cash flow to minimize the need for short term tax anticipation borrowing. Unassigned fund balance in the General Fund on June 30<sup>th</sup> of any fiscal year will be no less than 110% of two months of regular operating expenditures for that fiscal year. This calculation for fiscal year 2017, using Exhibit 5 expenditures totaled \$8,037,896. The General fund balance as of June 30, 2017 was \$9,323,445 which is in excess of the minimum balance. When an expenditure is incurred where multiple unrestricted categories could be used, the City follows the subsequent order of use: committed amounts are used first, followed by assigned amounts, then unassigned amounts.

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

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

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

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

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

**13. Net Position**

Net position is assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (cont'd)**

14. *Component Unit – School Board Capital Asset and Debt Presentation*

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

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

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any new property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. As of June 30, 2017, the City does not record the School Board's capital assets; they are reported as capital assets of the Component Unit – School Board.

15. *Component Unit – Open Lines of Credit*

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

16. *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 City's Retirement Plan and the additions to/deductions from the City'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.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position." The details of this \$3,741,302 difference in the primary government are as follows:

Net position of the internal service funds	\$ 2,459,760
Add: Internal receivable representing costs in excess of charges to business-type activities - prior years	1,123,167
Add: Internal receivable representing costs in excess of charges to business-type activities - current year	<u>158,375</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 3,741,302</u>

Another element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of these \$40,624,254 and \$37,996,732 differences for the primary government and discretely presented component unit-school board, respectively, are as follows:



**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (cont'd)**

	Primary Government	Component Unit School Board
Bonds payable	\$ 26,250,718	\$ -
Less: Discount on bonds payable	(137,007)	-
Plus: Issuance premium	708,658	-
Capital leases payable	-	1,978,478
Landfill closure liability	1,747,258	-
Accrued interest payable	339,067	17,822
Net OPEB obligation	597,538	3,110,000
Net pension liability	10,283,542	32,122,481
Compensated absences	834,480	767,951
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 40,624,254</u>	<u>\$ 37,996,732</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states, “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of these \$2,199,423 and \$227,188 differences in the primary government and discretely presented component unit-school board, respectively, are as follows:

	Primary Government	Component Unit School Board
Debt issued or incurred:		
Issuance of general obligation bonds	\$ (533,547)	\$ -
Principal repayments:		
General obligation debt	2,732,970	-
Capital lease	-	227,188
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,199,423</u>	<u>\$ 227,188</u>

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$655,540 and \$50,617 differences for the primary government and discretely presented component unit-school board, respectively, are as follows:

	Primary Government	Component Unit School Board
Compensated absences	\$ (28,925)	\$ (48,054)
Accrued interest	22,633	2,047
Landfill post-closure care liability	27,294	-
Increase in net OPEB obligation	(65,006)	(340,000)
(Increase)/decrease in net pension liability	627,022	(3,675,431)
Increase/(Decrease) in deferred outflows	2,461,451	2,544,689
(Increase)/Decrease in deferred inflows	(2,441,298)	1,567,366
Amortization of issuance premium	115,944	-
Amortization of deferred charge on refunding	(63,575)	-
Net adjustment to increase/decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 655,540</u>	<u>\$ 50,617</u>

Another element of that reconciliation states, "Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities." The details of this \$153,171 difference in the primary government are as follows:

Change in net position of the internal service funds	\$ (5,204)
Add: Loss from costs in excess of charges to business-type activities	<u>158,375</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 153,171</u>

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds except the Economic Development fund, and the permanent fund, which are not budgeted. All annual appropriations lapse at fiscal year-end. The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the City Manager submits to City Council a proposed budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of a budget resolution.
4. The budget resolution places legal restrictions on expenditures at the function level (i.e. General Government Admin., Public Safety, etc.) The appropriations for each function can be revised only by the City Council.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budget data presented in the accompanying financial statements includes the original budget and the revised budget as of June 30, 2017.
7. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)**

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2017, the Shenandoah Valley Animal Service Center Fund, School Operating Fund, and the School Cafeteria Fund had expenditures exceeding appropriations.

**C. Deficit Fund Balance**

At June 30, 2017, the School Construction Fund had a deficit balance of \$196,048.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

The City's rated debt investments as of June 30, 2017 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Quality Ratings</u>	
		<u>AAAm</u>	<u>Unrated</u>
<u>Primary Government</u>			
Local Government Investment Pool	\$ 1,477	\$ 1,477	\$ -
Total Fair Value	<u>\$ 1,477</u>	<u>\$ 1,477</u>	<u>\$ -</u>

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

*Interest Rate Risk* – As of June 30, 2016, the City had investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
<u>Primary Government</u>				
Local Government Investment Pool	\$ 1,477	\$ 1,477	\$ -	\$ -
Total Fair Value	<u>\$ 1,477</u>	<u>\$ 1,477</u>	<u>\$ -</u>	<u>\$ -</u>

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

Fair Value:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has recurring fair value measurements as of June 30, 2017, for its Local Government Investment Pool, as Level 1 totaling \$1,477. The City's Local Government Investment Pool classified in Level 1 of the fair value hierarchy is valued using prices quoted in active markets for those securities.

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**5. DUE FROM OTHER GOVERNMENTS**

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

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
School Funds	\$ -	\$ 559,228
State sales taxes	-	641,089
Local sales taxes	930,538	-
Communications tax	201,344	-
Public assistance grants	57,562	-
Comprehensive Services Act funds	179,743	-
Other State funds	222,981	-
Total Due from the Commonwealth	<u>1,592,168</u>	<u>1,200,317</u>
Federal Government:		
Community Services Block Grant	22,276	-
Community Development Block Grant	32,384	-
Public assistance grants	49,368	-
Department of Health & Human Services	29,848	-
Department of Transportation	463,800	-
Victim Witness	35,419	-
Other federal funds	7,500	-
Total Due from the Federal Government	<u>640,595</u>	<u>-</u>
Total Due from Other Governments	<u>\$ 2,232,763</u>	<u>\$ 1,200,317</u>

**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Inter-fund balances at June 30, 2017 consisted of the following:

Primary Government:

    Due to General Fund from:

Non-major governmental funds	\$ 189,572
Non-major Internal Service Fund	1,218,464
Total due to General Fund from other funds for cash advances	<u>\$ 1,408,036</u>

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

Inter-fund transfers for the year ended June 30, 2017 consisted of the following:

Primary Government:

    Transfers to General Fund from:

Non-major governmental funds	\$ 3,381
Water Fund for operations	387,350
Sewer Fund for operations	417,715
Non-major enterprise funds for operations	392,132
Total transfers to General Fund	<u>\$ 1,200,578</u>

    Transfers to Water Fund from:

Sewer Fund for operations	\$ 224,033
Refuse Fund for operations	775
Total transfers to Water Fund	<u>\$ 224,808</u>

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)**

Transfers to non-major governmental funds from:	
General Fund for welfare assistance	\$ 1,815,750
General Fund for Shenandoah Valley Animal Service Center	63,282
General Fund for Economic Development Authority	322,179
General Fund for debt service	1,256,775
General Fund for capital projects	<u>1,716,413</u>
Total transfers to non-major governmental funds	<u>\$ 5,174,399</u>

Transfers to non-major Internal Service Fund from:	
General Fund for equipment purchases	<u>\$ 354,904</u>

Component Unit School Board:	
Transfers to School Textbook Fund from:	
School Operating Fund	<u>\$ 327,447</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**7. CAPITAL ASSETS**

PRIMARY GOVERNMENT

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 8,739,798	\$ 249,398	\$ -	\$ 8,989,196
Construction in progress	<u>3,181,975</u>	<u>2,433,255</u>	<u>(1,972,407)</u>	<u>3,642,823</u>
Total capital assets not being depreciated	<u>11,921,773</u>	<u>2,682,653</u>	<u>(1,972,407)</u>	<u>12,632,019</u>
Capital assets, being depreciated				
Buildings	15,573,908	291,562	-	15,865,470
Improvements other than buildings	5,779,907	-	-	5,779,907
Equipment	11,220,194	1,375,017	(324,556)	12,270,655
Infrastructure	<u>54,026,636</u>	<u>1,263,934</u>	<u>-</u>	<u>55,290,570</u>
Total capital assets being depreciated	<u>86,600,645</u>	<u>2,930,513</u>	<u>(324,556)</u>	<u>89,206,602</u>
Less accumulated depreciation for:				
Buildings	(6,786,689)	(327,292)	-	(7,113,981)
Improvements other than buildings	(3,086,986)	(190,622)	-	(3,277,608)
Equipment	(8,929,740)	(771,967)	304,268	(9,397,439)
Infrastructure	<u>(38,489,346)</u>	<u>(942,470)</u>	<u>-</u>	<u>(39,431,816)</u>
Total accumulated depreciation	<u>(57,292,761)</u>	<u>(2,232,351)</u>	<u>304,268</u>	<u>(59,220,844)</u>
Total capital assets being depreciated, net	<u>29,307,884</u>	<u>698,162</u>	<u>(20,288)</u>	<u>29,985,758</u>
Governmental activities capital assets, net	<u>\$ 41,229,657</u>	<u>\$ 3,380,815</u>	<u>\$ (1,992,695)</u>	<u>\$ 42,617,777</u>

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**7. CAPITAL ASSETS (cont'd)**

PRIMARY GOVERNMENT (cont'd)

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

Governmental activities:	
General government administration	\$ 158,633
Judicial administration	67,859
Public safety	412,584
Public works	1,255,011
Health and welfare	817
Parks, recreation, and cultural	228,578
Community development	<u>108,869</u>
Total depreciation expense – governmental activities	<u>\$ 2,232,351</u>

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 386,268	\$ -	\$ -	\$ 386,268
Construction in progress	<u>206,476</u>	<u>62,820</u>	<u>(133,004)</u>	<u>136,292</u>
Total capital assets not being depreciated	<u>592,744</u>	<u>62,820</u>	<u>(133,004)</u>	<u>522,560</u>
Capital assets, being depreciated:				
Buildings	52,450,888	-	-	52,450,888
Improvements other than buildings	53,130,835	153,125	-	53,283,960
Equipment	<u>4,139,308</u>	<u>390,016</u>	<u>(131,924)</u>	<u>4,397,400</u>
Total capital assets being depreciated	<u>109,721,031</u>	<u>543,141</u>	<u>(131,924)</u>	<u>110,132,248</u>
Less accumulated depreciation for:				
Buildings	(8,761,555)	(1,028,500)	-	(9,790,055)
Improvements other than buildings	(29,324,931)	(1,706,846)	-	(31,031,777)
Equipment	<u>(2,762,409)</u>	<u>(272,271)</u>	<u>131,924</u>	<u>(2,902,756)</u>
Total accumulated depreciation	<u>(40,848,895)</u>	<u>(3,007,617)</u>	<u>131,924</u>	<u>(43,724,588)</u>
Total capital assets being depreciated, net	<u>68,872,136</u>	<u>(2,464,476)</u>	<u>-</u>	<u>66,407,660</u>
Business-type activities capital assets, net	<u>\$ 69,464,880</u>	<u>\$ (2,401,656)</u>	<u>\$ (133,004)</u>	<u>\$ 66,930,220</u>

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

Business-type activities:	
Water	\$ 778,517
Sewer	2,140,213
Garbage	81,908
Stormwater	<u>6,979</u>
Total depreciation expense – business-type activities	<u>\$ 3,007,617</u>

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**7. CAPITAL ASSETS (cont'd)**

COMPONENT UNIT - SCHOOL BOARD

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 274,493	\$ -	\$ -	\$ 274,493
Total capital assets not being depreciated	<u>274,493</u>	<u>-</u>	<u>-</u>	<u>274,493</u>
Capital assets, being depreciated:				
Buildings	51,968,079	44,383	-	52,012,462
Improvements other than buildings	4,238,508	96,592	-	4,335,100
Equipment	3,976,290	189,398	-	4,165,688
Total capital assets being depreciated	<u>60,182,877</u>	<u>330,373</u>	<u>-</u>	<u>60,513,250</u>
Less accumulated depreciation for:				
Buildings	(16,140,489)	(969,348)	-	(17,109,837)
Improvements other than buildings	(2,957,336)	(154,882)	-	(3,112,218)
Equipment	(3,005,044)	(191,082)	-	(3,196,126)
Total accumulated depreciation	<u>(22,102,869)</u>	<u>(1,315,312)</u>	<u>-</u>	<u>(23,418,181)</u>
Total capital assets being depreciated, net	<u>38,080,008</u>	<u>(984,939)</u>	<u>-</u>	<u>37,095,069</u>
School Board capital assets, net	<u>\$ 38,354,501</u>	<u>\$ (984,939)</u>	<u>\$ -</u>	<u>\$ 37,369,562</u>

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

Governmental activities:	
Education	<u>\$ 1,315,312</u>

**8. UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of fiscal year 2017, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Grant revenue received, but not spent by June 30, 2017 (General Fund)	\$ 153,305
Total deferred revenue for governmental funds	<u>\$ 153,305</u>

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**9. LONG-TERM DEBT**

PRIMARY GOVERNMENT

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

	Governmental Activities					
Year Ending	General Obligation Bonds		Virginia Revolving Loans		State Literary Loans	
			Taxable G.O. Bonds			
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,753,064	\$ 941,617	\$ 37,482	\$ -	\$ 250,000	\$ 22,500
2019	1,606,545	868,902	37,481	-	250,000	15,000
2020	1,645,637	800,802	37,481	-	250,000	7,500
2021	1,698,989	732,431	37,481	-	-	-
2022	1,752,170	659,640	37,481	-	-	-
2023-2027	14,558,586	1,695,036	187,408	-	-	-
2028-2032	1,599,089	80,634	187,408	-	-	-
2033-2037	-	-	187,408	-	-	-
	<u>\$ 24,614,080</u>	<u>\$ 5,779,062</u>	<u>\$ 749,630</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 45,000</u>
	Business-Type Activities					
Year Ending	General Obligation Bonds		Virginia Revolving Loans		Sewer Revenue Bonds	
			Taxable G.O. Bonds			
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 432,276	\$ 569,467	\$ 318,175	\$ 107,170	\$ 1,636,274	\$ 78,436
2019	441,977	549,316	327,791	97,554	1,640,128	74,992
2020	456,910	529,867	337,699	87,646	1,645,683	70,290
2021	485,957	510,187	347,906	77,439	1,651,247	64,917
2022	505,970	486,793	358,421	66,924	1,656,819	58,579
2023-2027	2,932,379	2,028,763	1,961,305	165,420	8,372,983	188,170
2028-2032	3,467,070	1,315,044	-	-	6,164,333	36,882
2033-2037	3,485,000	608,434	-	-	102,427	6,017
2038-2042	800,000	19,000	-	-	-	-
	<u>\$ 13,007,539</u>	<u>\$ 6,616,871</u>	<u>\$ 3,651,297</u>	<u>\$ 602,153</u>	<u>\$ 22,869,894</u>	<u>\$ 578,283</u>

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

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**9. LONG-TERM DEBT (cont'd)**

PRIMARY GOVERNMENT (cont'd)

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the City and Blended Component Unit, Economic Development Authority for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due within one year
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 27,097,051	\$ -	\$ 2,482,970	\$ 24,614,081	\$ 1,753,064
Unamortized Bond Premium	824,602	-	115,944	708,658	109,726
VRA Loan - Taxable G.O. Bond	216,083	670,554	-	886,637	49,722
Unamortized Bond Discount	-	(137,007)	-	(137,007)	(12,240)
State Literary Loans	1,000,000	-	250,000	750,000	250,000
Liability for Landfill Closure	1,774,552	-	27,294	1,747,258	-
Net OPEB Obligation	543,181	65,988	-	609,169	-
Net Pension Liability	7,830,255	2,608,679	-	10,438,934	-
Compensated Absences	826,288	89,912	68,946	847,254	55,000
Total Governmental Activities	<u>\$ 40,112,012</u>	<u>\$ 3,298,126</u>	<u>\$ 2,945,154</u>	<u>\$ 40,464,984</u>	<u>\$ 2,205,272</u>
<u>Business-type Activities</u>					
General Obligation Bonds	\$ 13,422,540	\$ -	\$ 415,000	\$ 13,007,540	\$ 432,276
Unamortized Bond Premium	1,359,995	-	118,403	1,241,592	114,006
VRA Loan - Taxable G.O. Bond	3,960,137	-	308,840	3,651,297	318,175
VRA Loan - Sewer Revenue Bond	24,253,186	-	1,383,292	22,869,894	2,275,732
Unamortized Bond Discount	(5,499,748)	-	(649,969)	(4,849,779)	(616,163)
Net OPEB Obligation	116,537	13,844	-	130,381	-
Net Pension Liability	1,776,885	302,427	-	2,079,313	-
Compensated Absences	176,802	8,398	3,700	181,500	16,479
Total Business-type Activities	<u>\$ 39,566,334</u>	<u>\$ 324,669</u>	<u>\$ 1,579,266</u>	<u>\$ 38,311,738</u>	<u>\$ 2,540,505</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds, which totaled \$175,797 at June 30, 2017, are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

<u>Details of Long-Term Indebtedness</u>	<u>Govern- mental</u>	<u>Business- type</u>
General Obligation Bonds:		
\$4,341,667 General Obligation School Bonds – Series 2001A (Waynesboro High School), issued November 15, 2001, maturing annually through July 15, 2021, bearing interest from 3.10% to 5.35% payable semiannually.	\$ 1,205,374	\$ -

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**9. LONG-TERM DEBT (cont'd)**

PRIMARY GOVERNMENT (cont'd)

Details of Long-Term Indebtedness (cont'd)

General Obligation Bonds: (cont'd)

\$6,364,713 General Obligation School Bonds – Series 2007A (Kate Collins Middle School), issued November 8, 2007, maturing annually through July 15, 2027, bearing interest at a 5.10% fixed interest rate payable semiannually. The bonds are shown net of unamortized premium of \$106,609.

<u>Govern- mental</u>	<u>Business- type</u>
\$ 3,845,427	\$ -

\$5,870,000 General Obligation Public Improvement Bonds – Series 2008 (General) issued November 21, 2008, maturing annually through October 1, 2018, bearing interest from 3.125% to 5.201% payable semiannually. The bond is shown net of unamortized premium of \$15,604.

550,605	-
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\$1,370,000 General Obligation Public Improvement Bonds – Taxable Build America Bonds, Series 2010A (General, Sewer) issued December 7, 2010, maturing annually through 2031.

410,000	960,000
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\$1,925,000 General Obligation Public Improvement Bonds – Tax-Exempt Series 2010B (General City and Schools – Westwood Hills Elementary, Sewer) issued December 7, 2010, maturing annually through 2031. The bond is shown net of unamortized premium of \$7,786 for governmental activities and unamortized premium of \$18,221 for business-type activities.

367,787	858,221
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\$3,519,000 General Obligation Public Improvement Bonds - Series 2011 (General) issued October 31, 2011, maturing with monthly installments of \$25,955 through October 28, 2026, bearing an interest rate of 3.96%.

2,427,428	-
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\$11,570,000 General Obligation Public Improvement Bonds - Series 2014A (Schools – Kate Collins Middle School) issued September 11, 2014, maturing annually through August 1, 2024, bearing an interest rate of 3.20%.

11,130,000	-
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\$16,045,000 General Obligation Public Improvement Bonds - Series 2015 (General, Water, Sewer) issued April 13, 2015, maturing with annual installments through October 1, 2037, bearing interest from 2.625% to 5.125%. The bonds are shown net of unamortized premium of \$578,658 for governmental activities and unamortized premium of \$1,046,545 for business-type activities.

<u>5,386,118</u>	<u>12,254,085</u>
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Total General Obligation Bonds

<u>25,322,739</u>	<u>14,072,306</u>
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(Notes Continued on Next Page)

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
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**9. LONG-TERM DEBT (cont'd)**

PRIMARY GOVERNMENT (cont'd)

Details of Long-Term Indebtedness (cont'd)

	<u>Govern- mental</u>	<u>Business- type</u>
State Literary Fund Loans:		
\$5,000,000 Literary Fund Loan (Schools – Westwood Hills Elementary) issued April 28, 2000, due in annual installments of \$250,000 through June 1, 2020 with interest payable annually at 3%.	<u>750,000</u>	<u>-</u>
Virginia Revolving Loans:		
\$6,245,039 General Obligation Public Improvement Bonds – Series 2006A (Sewer) issued March 17, 2006, maturing annually through January 1, 2027, bearing interest at a 3.0% fixed interest rate payable semiannually.	-	3,651,297
\$14,594,900 Sewer Revenue Bond – Series 2008 issued February 28, 2008, maturing semi-annually through January 1, 2031. Unamortized discount of \$2,653,810 is based on imputed interest rate of 4.41%.	-	7,562,620
\$2,125,000 Sewer Revenue Bond – Series 2008B issued November 21, 2008, maturing annually through October 1, 2018, bearing interest from 3.125% to 5.375% payable semiannually. The bond is shown net of an unamortized premium of \$1,662.	-	196,662
\$14,624,858 Sewer Revenue Bond – Series 2009 issued June 10, 2009, maturing semi-annually through December 1, 2030. Unamortized discount of \$2,082,626 is based on imputed interest rate of 3.55%.	-	7,789,153
\$845,260 Sewer Revenue Bond – Series 2014 issued June 23, 2014, maturing semi-annually through December 1, 2030. Unamortized discount of \$113,343 is based on imputed interest rate of 3.12%.	-	472,911
\$1,295,000 Sewer Revenue Bond – Series 2015 issued April 28, 2015, maturing with annual installments beginning in 2019 through October 1, 2028, bearing interest from 3.125% through 5.125%. The bond is shown net of unamortized premium of \$175,164.	-	1,465,164
\$808,932 Sewer Revenue Bond – Series 2015 issued June 18, 2015, maturing semi-annually through February 1, 2036.	-	710,432
\$749,630 General Obligation Public Improvement Bonds – Series 2015B issued June 8, 2015, maturing semi-annually through March 1, 2037. Unamortized discount of \$137,007 is based on imputed interest rate of 2.05%.	<u>749,630</u>	<u>-</u>
Total Virginia Revolving Loans	<u>749,630</u>	<u>21,848,239</u>
Liability for Municipal Solid Waste Landfill Closure	<u>1,747,258</u>	<u>-</u>
Net OPEB Obligation	<u>609,169</u>	<u>130,381</u>
Net Pension Liability	<u>10,438,934</u>	<u>2,079,312</u>
Compensated Absences	<u>847,254</u>	<u>181,500</u>
Total Primary Government Long-Term Debt	<u>\$ 40,464,984</u>	<u>\$ 38,311,738</u>

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
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**9. LONG-TERM DEBT (cont'd)**

PRIMARY GOVERNMENT (cont'd)

COMPONENT UNIT SCHOOL BOARD

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

Year Ending June 30	Governmental Activities	
	Capital Leases	
	Principal	Interest
2018	\$ 239,598	\$ 103,454
2019	252,686	90,366
2020	266,490	76,563
2021	281,047	62,005
2022	296,400	46,653
2023-2024	642,257	43,847
	<u>\$ 1,978,478</u>	<u>\$ 422,888</u>

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

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2017:

Governmental Activities	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due within one year
Capital Leases	\$ 2,205,666	\$ -	\$ 227,188	\$ 1,978,478	\$ 239,598
Net OPEB Obligation	2,770,000	340,000	-	3,110,000	-
Net Pension Liability	28,447,050	3,675,431	-	32,122,481	-
Compensated Absences	719,897	73,855	22,022	771,730	22,000
Total Governmental Activities	<u>\$ 34,142,613</u>	<u>\$ 4,089,286</u>	<u>\$ 249,210</u>	<u>\$ 37,982,689</u>	<u>\$ 261,598</u>

COMPONENT UNIT SCHOOL BOARD

Details of Long-Term Indebtedness

Capital Lease:

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

\$ 1,978,478

Net OPEB Obligation 3,110,000

Net Pension Liability 32,122,481

Compensated Absences 771,730

Total Component Unit School Board Long-Term Debt \$ 37,982,689

**CITY OF WAYNESBORO, VIRGINIA**  
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**10. CAPITAL LEASES**

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

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 343,052
2019	343,052
2020	343,052
2021	343,052
2022	343,052
Thereafter	<u>686,107</u>
Total minimum lease payments	\$ 2,401,367
Less: amount representing interest	<u>(422,889)</u>
Present value of minimum lease payments	<u>\$ 1,978,478</u>

**11. CONTINGENT LIABILITIES**

Federal programs in which the City participates were audited in accordance with provisions of the Title 2 US Code of Federal Regulations Part 200, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no material matters of noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests that may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
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**12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

Construction Commitments and Other Significant Commitments

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

	<u>Governmental</u>
Estimated project costs financed \$	6,009,199
Costs incurred through 6-30-17	<u>(5,972,578)</u>
Estimated remaining costs	<u>\$ 36,621</u>

The City has encumbered funds in the General Fund in the following categories, included in fund balance at June 30, 2017:

<u>Function</u>	<u>Restricted</u>	<u>Assigned</u>
General government administration	\$ -	\$ 75,142
Internal Services	-	-
Judicial administration	-	726
Public safety	-	109,301
Public works	58,900	52,979
Parks, recreation and cultural	-	7,747
Community development	-	<u>56,622</u>
Total	<u>\$ 58,900</u>	<u>\$ 302,517</u>

Encumbrances in other funds at June 30, 2017, are as follows:

<u>Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	\$ 1,330,725
Water Fund	102,815
Sewer Fund	219,076
Nonmajor Enterprise Funds	<u>183,761</u>
Total	<u>\$ 1,836,377</u>

Blended Component Unit Commitments - Economic Development Authority

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**13. DEFINED BENEFIT PENSION PLAN**

***Plan Description***

All full-time, salaried permanent employees of the City and public school divisions 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.

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>  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>  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>  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 WAYNESBORO, VIRGINIA**  
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<p><b>Eligible Members</b>  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>Eligible Members</b>  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>Eligible Members</b> 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-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul>
<p><b>Hybrid Opt-In Election</b>  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>Hybrid Opt-In Election</b>  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>*Non-Eligible Members</b>  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>



**CITY OF WAYNESBORO, VIRGINIA**  
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<p><b>Retirement Contributions</b>  Employees contribute 5% 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% member contribution but all employees will be paying the full 5% 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><b>Retirement Contributions</b>  Employees contribute 5% 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% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b>  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>
<p><b>Creditable Service</b>  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>Creditable Service</b>  Same as Plan 1.</p>	<p><b>Creditable Service</b>  <b>Defined Benefit Component:</b>  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>  Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**CITY OF WAYNESBORO, VIRGINIA**  
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<p><b>Vesting</b>  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>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>  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><u><b>Defined Contributions Component:</b></u>  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> <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>
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**CITY OF WAYNESBORO, VIRGINIA**  
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<p><b>Calculating the Benefit</b>  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>  See definition under Plan 1.</p>	<p><b>Calculating the Benefit <u>Defined Benefit Component</u>:</b> See definition under Plan 1</p> <p><b><u>Defined Contribution Component</u>:</b>  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>
<p><b>Average Final Compensation A</b>  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 A</b>  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>  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 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 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 <u>Defined Benefit Component</u>: 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>  Not applicable.</p>

**CITY OF WAYNESBORO, VIRGINIA**  
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<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age 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 <u>Defined Benefit Component:</u> 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>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <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>  <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 <u>Defined Benefit Component:</u> 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>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility 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>Earliest Reduced Retirement Eligibility 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>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> 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>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**CITY OF WAYNESBORO, VIRGINIA**  
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<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <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> <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>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</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>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit</u></b></p> <p><b><u>Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution</u></b></p> <p><b><u>Component:</u></b> 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>
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**CITY OF WAYNESBORO, VIRGINIA**  
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<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% 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>  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> 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>
<p><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.</p>	<p><b>Purchase of Prior Service</b>  Same as Plan 1.</p>	<p><b>Purchase of Prior Service <u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Hybrid Retirement Plan members are ineligible for ported service.</li> <li><input type="checkbox"/> The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li><input type="checkbox"/> 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 on- year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p>

**CITY OF WAYNESBORO, VIRGINIA**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

***Employees Covered by Benefit Terms - City***

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	283
Inactive members:	
Vested inactive members	75
Non-vested inactive members	100
Inactive members active elsewhere in VRS	<u>149</u>
Total inactive members	324
Active members	309
Total covered employees	916

***Employees Covered by Benefit Terms – School Board – Non-professional employees***

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	44
Inactive members:	
Vested inactive members	3
Non-vested inactive members	20
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	29
Active members	42
Total covered employees	115

***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 the City and School Board by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2017 was 5.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014. The School Board's non-professional employee pension plan contractually required contribution rate for the year ended June 30, 2017 was 5.27% of covered employee compensation for its non-professional employees. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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. Contribution to the pension plan from the City were \$1,340,706 and \$1,805,158 for the years ended June 30, 2017 and June 30, 2016, respectively. Contribution to the pension plan from the School Board's non-professional employees were \$39,131 and \$42,664 for the years ended June 30, 2017 and June 30, 2016, respectively.

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

***Contributions (cont'd)***

Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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 89.84% of the actuarial rate for the year ended June 30, 2017. Contribution to the pension plan from the school division were \$2,598,021 and \$2,151,749 for the years ended June 30, 2017 and June 30, 2016, respectively.

***Net Pension Liability***

The City and School Board's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

***Actuarial Assumptions – General Employees – City and School Board***

The total pension liability for General Employees in the City's and School Board's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35% (3.5% - 5.95% School Board Professional)
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

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

**Largest 10 – Non-LEOS:**

**Pre-Retirement:**

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

School Board - 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:**

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

School Board - RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

**Post-Disablement:**

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

School Board - RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year 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.



**CITY OF WAYNESBORO, VIRGINIA**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

***Actuarial Assumptions – General Employees (cont'd)***

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, 2015 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 – 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 City's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

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

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.

**CITY OF WAYNESBORO, VIRGINIA**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

***Actuarial Assumptions – Public Safety Employees (cont'd)***

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, 2015 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

***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%
Total	100.00%		5.83%

Inflation

2.50%

\* Expected arithmetic nominal return

8.33%

**CITY OF WAYNESBORO, VIRGINIA**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

***Long-Term Expected Rate of Return (cont'd)***

\* 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%.

***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 City's 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, 2015	\$ 69,675,431	\$ 59,849,784	\$ 9,825,647
Changes for the year:			
Service cost	1,418,197	-	1,418,197
Interest	4,735,848	-	4,735,848
Differences between expected and actual expenses	133,586	-	133,586
Contributions - employer	-	1,802,969	(1,802,969)
Contributions - employee	-	683,362	(683,362)
Net investment income	-	1,009,564	(1,009,564)
Benefit payments, including refunds of employee contributions	(4,040,910)	(4,040,910)	-
Administrative expenses	-	(37,703)	37,703
Other changes	-	(435)	435
Net Changes	2,246,721	(583,153)	2,829,874
Balances at June 30, 2016	\$ 71,922,152	\$ 59,266,631	\$ 12,655,521

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**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

***Changes in Net Pension Liability – School Board Non-professional***

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2015	\$ 3,494,498	\$ 3,508,448	\$ (13,950)
Changes for the year:			
Service cost	101,863	-	101,863
Interest	237,820	-	237,820
Differences between expected and actual expenses	(20,577)	-	(20,577)
Contributions - employer	-	63,505	(63,505)
Contributions - employee	-	35,593	(35,593)
Net investment income	-	59,822	(59,822)
Benefit payments, including refunds of employee contributions	(194,135)	(194,135)	-
Administrative expenses	-	(2,219)	2,219
Other changes	-	(26)	26
Net Changes	<u>124,971</u>	<u>(37,460)</u>	<u>162,431</u>
Balances at June 30, 2016	<u>\$ 3,619,469</u>	<u>\$ 3,470,988</u>	<u>\$ 148,481</u>

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

The following presents the net pension liability of the City and School Board (non-professional) using the discount rate of 7.00%, as well as what 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>(6.00%)</b>	<b>Rate (7.00%)</b>	<b>(8.00%)</b>
<b>City's Net Pension Liability</b>	<b>\$21,684,780</b>	<b>\$12,655,521</b>	<b>\$5,142,894</b>
<b>School Board–Non-Professional Net Pension Liability</b>	<b>\$566,727</b>	<b>\$148,481</b>	<b>\$(205,463)</b>

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

The following presents the School Board's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the School Board'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>(6.00%)</b>	<b>Rate (7.00%)</b>	<b>(8.00%)</b>
<b>School Board – Professional Net Pension Liability</b>	<b>\$45,580,000</b>	<b>\$31,974,000</b>	<b>\$20,767,000</b>

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**CITY OF WAYNESBORO, VIRGINIA**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

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

For the year ended June 30, 2017, the City's recognized pension expense of \$74,330. At June 30, 2017, the City 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>
Differences between expected and actual experience	\$ 89,205	\$ 1,196,804
Net difference between projected and actual earnings on plan investments	1,527,412	-
Employer contributions subsequent to the measurement date	<u>1,340,706</u>	<u>-</u>
Total	\$ 2,957,323	\$ 1,196,804

\$1,340,706 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30**

2018	\$ (1,152,830)
2019	43,974
2020	903,833
2021	624,836
Thereafter	-

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions – School Board – Non-professional***

For the year ended June 30, 2017, the School Board's non-professional pension plan recognized pension expense of \$(20,380). At June 30, 2017, the School Board 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>
Differences between expected and actual experience	\$ -	\$ 64,393
Net difference between projected and actual earnings on plan investments	89,950	-
Employer contributions subsequent to Measurement Date	<u>39,131</u>	<u>-</u>
Total	<u>\$ 129,081</u>	<u>\$ 64,393</u>

\$39,131 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30**

2017	\$(58,213)
2018	(5,891)
2019	53,189
2020	36,472
Thereafter	-

**CITY OF WAYNESBORO, VIRGINIA**  
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**13. DEFINED BENEFIT PENSION PLAN (cont'd)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – School Board - Professional***

At June 30, 2017, the school division reported a liability of \$31,974,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.22816% as compared to 0.22613% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,516,000. Since there was a change in proportionate share between measurement dates, 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.

At June 30, 2017, 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>
Differences between expected and actual experience	\$ -	\$ 1,035,000
Net difference between projected and actual earnings on plan investments	1,826,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	319,000	1,080,000
Employer contributions subsequent to the measurement date	<u>2,598,021</u>	<u>-</u>
Total	<u>\$ 4,743,021</u>	<u>\$ 2,115,000</u>

\$2,598,021 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30**

2016	\$(448,000)
2017	(448,000)
2018	556,000
2019	420,000
Thereafter	(50,000)

***Pension Plan Data and Fiduciary Net Position***

Detailed information about the City's Retirement Plan and VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**14. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2017. All claims are paid in full at the time of damage. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended desired levels.

**CITY OF WAYNESBORO, VIRGINIA**  
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**14. RISK MANAGEMENT (cont'd)**

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

During 2015 the City established a self-funded health insurance fund to account for health insurance claims for employees and retirees. The fund is reported as a special revenue fund and revenues are from payroll deductions and retiree contributions. Claims are paid as they become due and the fund has generated a surplus of \$2,392,697 to pay out future health insurance claims. The City has an individual stop loss limit of \$100,000.

**15. SURETY BONDS**

<u>Travelers Casualty and Surety Company of America – Surety</u>	<u>Amount</u>
Treasurer/Finance Director	\$ 500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	103,000
Sheriff/Jail Supervisor/Jail Officer	30,000
<u>Selective Insurance Company of America – Surety</u>	
Treasurer	20,000
<u>VML Insurance Program – Surety</u>	
All School Board employees – Blanket Bond	250,000

**16. LANDFILL CLOSURE AND POSTCLOSURE COSTS**

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

The \$1,747,258 reported as landfill closure and post-closure care liability at June 30, 2017, represents the cumulative amount reported to date based on the estimated costs of post-closure care for the old City landfill. This amount is based on what it would cost to perform all closure and post-closure care from 2008 through 2017 based upon a DEQ-approved inflation rate. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**17. OTHER POST-EMPLOYMENT BENEFITS**

**PRIMARY GOVERNMENT**

Plan Description

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

Funding Policy

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

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**17. OTHER POST-EMPLOYMENT BENEFITS (cont'd)**

**PRIMARY GOVERNMENT (cont'd)**

**Annual OPEB Cost and Net OPEB Obligation**

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$288,000 for fiscal year 2017. The annual employer contributions for fiscal year 2017 were \$208,000.

The City has elected not to pre-fund OPEB liabilities. The funding policy of the City is to contribute to the plan the net claims paid during the year. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 289,000
Interest on net OPEB obligation	26,000
Adjustment to annual required contribution	<u>(27,000)</u>
Annual OPEB cost (expense)	288,000
Estimated Contributions made	<u>(208,000)</u>
Increase (decrease) in net OPEB obligation	80,000
Net OPEB obligation, beginning of year	<u>652,000</u>
Net OPEB obligation, end of year	<u>\$ 732,000</u>

**Trend Information:**

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 237,000	88.2%	\$ 643,000
June 30, 2016	241,000	96.3%	652,000
June 30, 2017	288,000	72.2%	732,000

**Funded Status and Funding Progress:**

As of July 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefit was \$3,740,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,740,000. For the fiscal year ended June 30, 2016, the covered payroll (annual payroll of active employees covered by the plan) was \$12,635,000, and the ratio of the UAAL to the covered payroll was 29.6%.

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

**Actuarial Methods and Assumptions:**

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



**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**17. OTHER POST-EMPLOYMENT BENEFITS (cont'd)**

**PRIMARY GOVERNMENT (cont'd)**

Actuarial Methods and Assumptions (cont'd):

In the July 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2016 was 30 years.

The following additional simplifying assumptions were made:

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

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

*Economic Assumptions* – Medical Per Capita costs and premiums are assumed to increase 7.00% for Pre-Medicare coverage in 2016. This rate decreases 0.5% per year until an ultimate rate of 5.0% is reached.

**COMPONENT UNIT SCHOOL BOARD**

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$633,000 for fiscal year 2017. The annual employer contributions for fiscal year 2017 were \$293,000.

The School Board has elected not to pre-fund OPEB liabilities. The funding policy of the School Board is to contribute to the plan the net claims paid during the year. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 637,000
Interest on net OPEB obligation	111,000
Adjustment to annual required contribution	<u>(115,000)</u>
Annual OPEB cost (expense)	633,000
Estimated Contributions made	<u>(293,000)</u>
Increase (decrease) in net OPEB obligation	340,000
Net OPEB obligation, beginning of year	<u>2,770,000</u>
Net OPEB obligation, end of year	<u><u>\$ 3,110,000</u></u>

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**17. OTHER POST-EMPLOYMENT BENEFITS (cont'd)**

**COMPONENT UNIT SCHOOL BOARD (cont'd)**

Trend Information:

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2015	\$ 589,000	39.4%	\$ 2,418,000
June 30, 2016	612,000	42.5%	2,770,000
June 30, 2017	633,000	46.2%	3,110,000

Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefit was \$6,305,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,305,000. For the fiscal year ended June 30, 2016, the covered payroll (annual payroll of active employees covered by the plan) was \$16,769,000, and the ratio of the UAAL to the covered payroll was 37.6%.

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

Actuarial Methods and Assumptions:

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

In the July 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2016 was 30 years.

The following additional simplifying assumptions were made:

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

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

*Economic Assumptions* – Medical Per Capita costs and premiums are assumed to increase 7.00% for Pre-Medicare coverage in 2016. This rate decreases 0.5% per year until an ultimate rate of 5.0% is reached.

**CITY OF WAYNESBORO, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**18. NOTES RECEIVABLE**

The Blended Component Unit, Economic Development Authority, reports a note receivable related to revolving notes entered into with numerous local businesses. These notes were the result of USDA Rural Development grant funds received by the EDA to encourage small business growth in the City. The EDA matched the grant funds received from the USDA at 10% of each note. The revolving notes will be paid back to the EDA over three years with an annual interest rate of 3%. At June 30, 2017, the outstanding balance of the notes was \$30,964.

During fiscal year 2015, the City entered into a buy-in agreement with other localities related to the Middle River Regional Jail Authority. The City reports a note receivable related to this buy-in agreement. The note will be paid back to the City over ten years with an annual interest rate of 2.17%. At June 30, 2017, the outstanding balance of the note was \$4,621,032.

**19. CONDUIT DEBT OBLIGATION**

During fiscal year 2013, the Blended Component Unit, Economic Development Authority, issued a revenue bond for the purpose of constructing and rehabilitating facilities deemed to be in the public interest. The bond is payable solely from the revenues of the projects and the bond shall not be deemed to constitute debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the locality issuing the bond. All of the EDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bond for the benefit of the bondholder. The EDA neither receives nor disburses funds related to the bond. The EDA does not retain either the benefit of asset ownership or the liability for bond liquidation. Accordingly, the EDA does not recognize associated assets, liabilities, income, or interest expense in the financial statements. The EDA will receive bond administration fees annually at a rate of 1/8th of 1% of the outstanding principal balance. At June 30, 2017, \$4,946,165 of such conduit bonds were outstanding.

**20. TAX ABATEMENTS/REBATES**

The City enters into property tax abatements/rebate agreements with local businesses under the Code of Virginia Section 15.2-953. Under the Code, localities may grant property tax abatements/rebates to spur economic development within the City to benefit the city and its citizens. For the fiscal year ended June 30, 2017, the City abated/rebated property taxes totaling \$312,669 under this program, including the following:

- Lumos-Spring real estate taxes abated/rebates totaled \$16,322. This agreement was entered into on 7/11/2011 and the incentive is in effect until 2019. This incentive is incremental based upon 100% real estate taxes with annual employment threshold.
- PGI real estate taxes and machinery and tools taxes abated/rebates totaled \$261,791. This agreement was entered into on 6/14/2010 and the incentive is in effect until 2017. The incentive is incremental and based upon 80% of real estate and machinery and tools taxes.
- Wayne Theatre Alliance real estate taxes abated/rebates totaled \$34,556. This agreement was entered into on 1/28/2008 and the incentive is in effect until 2019.

**21. NEW ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued the following statements which will be effective for the year ended June 30, 2018. Management has not yet evaluated the effects, if any, of adopting these standards:

GASB Statement No. 85, Omnibus 2017, will address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits OPEB).

GASB Statement No. 86, Certain Debt Extinguishment Issues, will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

**22. SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 29, 2017, which is the date the financial statements were available to be issued.

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***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF WAYNESBORO, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND RELATED RATIOS**

<b>CITY</b>	<b>Exhibit 12</b>		
	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 1,418,197	\$ 1,364,584	\$ 1,410,687
Interest	4,735,848	4,846,873	4,674,679
Differences between expected and actual experience	133,586	(3,886,254)	-
Benefit payments, including refunds of employee contributions	<u>(4,040,910)</u>	<u>(3,781,641)</u>	<u>(3,469,259)</u>
Net change in total pension liability	2,246,721	(1,456,438)	2,616,107
Total pension liability - beginning	<u>69,675,431</u>	<u>71,131,869</u>	<u>68,515,762</u>
Total pension liability ending (a)	<u>71,922,152</u>	<u>69,675,431</u>	<u>71,131,869</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,802,969	\$ 1,747,952	\$ 1,694,304
Contributions - employee	683,362	635,125	637,148
Net investment income	1,009,564	2,660,724	8,097,319
Benefit payments, including refunds of employee contributions	(4,040,910)	(3,781,641)	(3,469,259)
Administrative expense	(37,703)	(37,243)	(44,224)
Other	<u>(435)</u>	<u>(557)</u>	<u>427</u>
Net change in plan fiduciary net position	(583,153)	1,224,360	6,915,715
Plan fiduciary net position - beginning	<u>59,849,784</u>	<u>58,625,424</u>	<u>51,709,709</u>
Plan fiduciary net position - ending (b)	<u>59,266,631</u>	<u>59,849,784</u>	<u>58,625,424</u>
City of Waynesboro's net pension liability - ending (a) - (b)	<u>\$ 12,655,521</u>	<u>\$ 9,825,647</u>	<u>\$ 12,506,445</u>
Plan fiduciary net position as a percentage of the total pension liability	82.40%	85.90%	82.42%
Covered payroll	13,015,233	12,776,149	12,048,335
City of Waynesboro's net pension liability as a percentage of covered-employee payroll	<u>97.24%</u>	<u>76.91%</u>	<u>103.80%</u>
<b>SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL)</b>			
	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 101,863	\$ 106,501	\$ 103,795
Interest	237,820	243,416	234,497
Differences between expected and actual experience	(20,577)	(205,893)	-
Benefit payments, including refunds of employee contributions	<u>(194,135)</u>	<u>(253,809)</u>	<u>(167,926)</u>
Net change in total pension liability	124,971	(109,785)	170,366
Total pension liability - beginning	<u>3,494,498</u>	<u>3,604,283</u>	<u>3,433,917</u>
Total pension liability ending (a)	<u>3,619,469</u>	<u>3,494,498</u>	<u>3,604,283</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 63,505	\$ 80,835	\$ 108,104
Contributions - employee	35,593	45,591	48,472
Net investment income	59,822	155,645	476,157
Benefit payments, including refunds of employee contributions	(194,135)	(253,809)	(167,926)
Administrative expense	(2,219)	(2,229)	(2,557)
Other	<u>(26)</u>	<u>(32)</u>	<u>25</u>
Net change in plan fiduciary net position	(37,460)	26,001	462,275
Plan fiduciary net position - beginning	<u>3,508,448</u>	<u>3,482,447</u>	<u>3,020,172</u>
Plan fiduciary net position - ending (b)	<u>3,470,988</u>	<u>3,508,448</u>	<u>3,482,447</u>
City of Waynesboro's net pension liability - ending (a) - (b)	<u>\$ 148,481</u>	<u>\$ (13,950)</u>	<u>\$ 121,836</u>
Plan fiduciary net position as a percentage of the total pension liability	95.90%	100.40%	96.62%
Covered payroll	721,229	958,934	958,709
City of Waynesboro's net pension liability as a percentage of covered-employee payroll	<u>20.59%</u>	<u>-1.45%</u>	<u>12.71%</u>

(1) The Schedule of Employer's Share of Net Pension Liability and Related Ratios is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data are available. However, additional years will be included as they become available.

**CITY OF WAYNESBORO, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**CITY**

Exhibit 13

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Contributions as a % of Covered Employee Payroll</b>
2017	1,340,706	1,340,706	-	13,071,409	10.26%
2016	1,805,158	1,805,158	-	13,085,870	13.79%
2015	1,747,904	1,747,904	-	12,629,097	13.84%
2014	1,689,566	1,689,566	-	12,405,040	13.62%
2013	1,720,190	1,720,190	-	12,629,879	13.62%
2012	1,279,264	1,279,264	-	11,812,229	10.83%
2011	1,272,361	1,272,361	-	11,748,488	10.83%
2010	1,029,138	1,029,138	-	12,266,246	8.39%
2009	1,068,435	1,068,435	-	12,734,625	8.39%
2008	1,010,547	1,010,547	-	12,073,446	8.37%

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

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Contributions as a % of Covered Employee Payroll</b>
2017	39,131	39,131	-	783,810	4.99%
2016	42,664	42,664	-	1,128,679	3.78%
2015	126,426	126,426	-	1,439,930	8.78%
2014	113,413	113,413	-	1,020,815	11.11%
2013	104,921	104,921	-	944,381	11.11%
2012	79,415	79,415	-	948,806	8.37%
2011	75,813	75,813	-	905,767	8.37%
2010	66,424	66,424	-	946,217	7.02%
2009	73,746	73,746	-	1,050,510	7.02%
2008	70,246	70,246	-	994,981	7.06%

**SCHOOL BOARD COMPONENT UNIT (TEACHERS)**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Contributions as a % of Covered Employee Payroll</b>
2017	2,598,021	2,598,021	-	18,019,016	14.42%
2016	2,151,749	2,151,749	-	22,649,987	9.50%
2015	3,267,648	3,267,648	-	22,535,503	14.50%
2014	2,299,687	2,299,687	-	19,722,871	11.66%
2013	1,978,240	1,978,240	-	16,966,037	11.66%
2012	1,043,343	1,043,343	-	16,482,505	6.33%
2011	636,450	636,450	-	16,194,666	3.93%
2010	1,091,369	1,091,369	-	12,387,843	8.81%
2009	1,436,378	1,436,378	-	16,303,954	8.81%
2008	1,645,962	1,645,962	-	15,980,218	10.30%

**CITY OF WAYNESBORO, VIRGINIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**VRS TEACHER RETIREMENT PLAN**

	Exhibit 14		
	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	22.81600%	0.22613%	0.23839%
Employer's Proportionate Share of Net Pension Liability (Asset)	31,974,000	28,462,000	28,809,000
Employer's Covered-Employee Payroll	19,855,454	20,250,896	19,173,097
Employer's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	161.03%	140.55%	150.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

(1) The Schedule of Employer's Share of Net Pension Liability is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data are available. However, additional years will be included as they become available.



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

<b>CITY</b>						<b>Exhibit 15</b>
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	53,915,812	67,499,856	13,584,044	79.88%	12,048,335	112.75%
June 30, 2015	58,040,392	69,800,278	11,759,886	83.15%	12,776,149	92.05%
June 30, 2016	60,439,085	71,834,855	11,395,770	84.14%	13,015,233	87.56%

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	3,202,688	3,411,860	209,172	93.87%	958,709	21.82%
June 30, 2015	3,402,380	3,475,267	72,887	97.90%	958,934	7.60%
June 30, 2016	3,539,654	3,233,553	(306,101)	109.47%	721,229	-42.44%

**CITY POST-EMPLOYMENT BENEFITS PLAN**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	-	2,547,000	2,547,000	0.00%	11,981,000	21.26%
July 1, 2014	-	2,739,000	2,739,000	0.00%	12,387,000	22.11%
July 1, 2016	-	3,740,000	3,740,000	0.00%	12,635,000	29.60%

**SCHOOL BOARD COMPONENT UNIT POST-EMPLOYMENT BENEFITS PLAN**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	-	6,616,000	6,616,000	0.00%	17,260,000	38.33%
July 1, 2014	-	5,782,000	5,782,000	0.00%	17,785,000	32.51%
July 1, 2016	-	6,305,000	6,305,000	0.00%	16,769,000	37.60%

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

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**NONMAJOR GOVERNMENTAL FUNDS****SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

**DEBT SERVICE FUNDS**

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

**CAPITAL PROJECT FUNDS**

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

**PERMANENT FUNDS**

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

**CITY OF WAYNESBORO, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Youth and Family Services Fund	Special Revenue Community Action Partnership of Staunton, Augusta & Waynesboro Fund	Shenandoah Valley Animal Service Center Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,340	\$ -	\$ 234,567	\$ 295,125	\$ 131,982
Accounts receivable	-	-	43,556	-	209,448
Due from other governments	106,929	179,743	29,848	48,697	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 129,269</u>	<u>\$ 179,743</u>	<u>\$ 307,971</u>	<u>\$ 343,822</u>	<u>\$ 341,430</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	-	119,440	11,979	103,551	49,017
Accrued payroll	-	-	28,693	-	16,297
Retainage payable	-	-	-	-	-
Due to other funds	129,269	60,303	-	-	-
Due to other governments	-	-	-	78,667	-
Total liabilities	<u>129,269</u>	<u>179,743</u>	<u>40,672</u>	<u>182,218</u>	<u>65,314</u>
Fund Balances:					
Nonspendable:					
Permanent fund principal	-	-	-	-	-
Restricted for:					
Shenandoah Valley Animal Center	-	-	-	-	276,116
Capital projects	-	-	-	-	-
Committed to:					
EDA revolving loans	-	-	-	-	-
Capital projects	-	-	-	-	-
Assigned to:					
Youth and family services	-	-	267,299	-	-
CAPSAW	-	-	-	161,604	-
Economic Development Authority	-	-	-	-	-
Debt service	-	-	-	-	-
Unassigned:	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>267,299</u>	<u>161,604</u>	<u>276,116</u>
Total liabilities and fund balances	<u>\$ 129,269</u>	<u>\$ 179,743</u>	<u>\$ 307,971</u>	<u>\$ 343,822</u>	<u>\$ 341,430</u>

Exhibit 16

Economic Development Authority Fund		Debt Service Debt Revenue Fund	Capital Projects Capital Improvements Fund	Permanent Cemetery Care Fund	Total Nonmajor Governmental Funds
	Total				
\$ 414,174	\$ 1,098,188	\$ 4,405	\$ 1,689,071	\$ -	\$ 2,791,664
6,183	259,187	-	-	-	259,187
-	365,217	-	496,184	-	861,401
-	-	-	-	589,149	589,149
<u>\$ 420,357</u>	<u>\$ 1,722,592</u>	<u>\$ 4,405</u>	<u>\$ 2,185,255</u>	<u>\$ 589,149</u>	<u>\$ 4,501,401</u>
22,075	306,062	-	120,202	-	426,264
-	44,990	-	-	-	44,990
-	-	-	39,323	-	39,323
-	189,572	-	-	-	189,572
-	78,667	-	-	-	78,667
<u>22,075</u>	<u>619,291</u>	<u>-</u>	<u>159,525</u>	<u>-</u>	<u>778,816</u>
-	-	-	-	589,149	589,149
-	276,116	-	-	-	276,116
-	-	-	253,983	-	253,983
30,964	30,964	-	-	-	30,964
-	-	-	2,681,016	-	2,681,016
-	267,299	-	-	-	267,299
-	161,604	-	-	-	161,604
367,318	367,318	-	-	-	367,318
-	-	4,405	-	-	4,405
-	-	-	(909,269)	-	(909,269)
<u>398,282</u>	<u>1,103,301</u>	<u>4,405</u>	<u>2,025,730</u>	<u>589,149</u>	<u>3,722,585</u>
<u>\$ 420,357</u>	<u>\$ 1,722,592</u>	<u>\$ 4,405</u>	<u>\$ 2,185,255</u>	<u>\$ 589,149</u>	<u>\$ 4,501,401</u>

**CITY OF WAYNESBORO, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	Special Revenue				
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Youth and Family Services Fund	Community Action Partnership of Staunton, Augusta & Waynesboro Fund	Shenandoah Valley Animal Service Center Fund
<b>REVENUES</b>					
Revenue from use of money and property	\$ -	\$ -	\$ 1,904	\$ 1,577	\$ 1
Charges for services	-	-	-	-	10,950
Miscellaneous	-	-	34,312	11,485	98,003
Recovered costs	-	-	275,084	110,564	315,042
Intergovernmental:					
Commonwealth	829,922	1,189,786	117,385	98,400	2,487
Federal	662,497	76,490	94,841	243,503	-
Total revenues	1,492,419	1,266,276	523,526	465,529	426,483
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	604,535	-	463,349
Public works	-	-	-	-	-
Health and welfare	2,165,719	2,273,726	60,913	451,026	-
Community development	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,165,719	2,273,726	665,448	451,026	463,349
Excess (deficiency) of revenues over (under) expenditures	(673,300)	(1,007,450)	(141,922)	14,503	(36,866)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital debt issued	-	-	-	-	-
Transfers in	673,300	1,007,450	135,000	-	63,282
Transfers out	-	-	-	-	-
Total other financing sources and uses	673,300	1,007,450	135,000	-	63,282
Net change in fund balances	-	-	(6,922)	14,503	26,416
Fund balance - beginning	-	-	274,221	147,101	249,700
Fund balance - ending	\$ -	\$ -	\$ 267,299	\$ 161,604	\$ 276,116



## Exhibit 17

Economic Development Authority Fund		Debt Service Debt Revenue Fund	Capital Projects Capital Improvements Fund	Permanent Cemetery Care Fund	Total Nonmajor Governmental Funds
	Total				
\$ 2,041	\$ 5,523	\$ -	\$ 428	\$ 3,381	\$ 9,332
-	10,950	-	-	-	10,950
25,669	169,469	-	-	3,120	172,589
-	700,690	-	-	-	700,690
60,000	2,297,980	-	582,098	-	2,880,078
-	1,077,331	-	665,888	-	1,743,219
87,710	4,261,943	-	1,248,414	6,501	5,516,858
-	1,067,884	-	-	-	1,067,884
-	-	-	2,710,573	-	2,710,573
-	4,951,384	-	-	-	4,951,384
408,397	408,397	-	-	-	408,397
-	-	698,371	-	-	698,371
-	-	558,404	-	-	558,404
408,397	6,427,665	1,256,775	2,710,573	-	10,395,013
(320,687)	(2,165,722)	(1,256,775)	(1,462,159)	6,501	(4,878,155)
-	-	-	533,547	-	533,547
322,179	2,201,211	1,256,775	1,716,413	-	5,174,399
-	-	-	-	(3,381)	(3,381)
322,179	2,201,211	1,256,775	2,249,960	(3,381)	5,704,565
1,492	35,489	-	787,801	3,120	826,410
396,790	1,067,812	4,405	1,237,929	586,029	2,896,175
\$ 398,282	\$ 1,103,301	\$ 4,405	\$ 2,025,730	\$ 589,149	\$ 3,722,585

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2017**

	Virginia Public Assistance Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	933,060	933,060	829,922	(103,138)
Federal	733,119	733,119	662,497	(70,622)
	<u>1,666,179</u>	<u>1,666,179</u>	<u>1,492,419</u>	<u>(173,760)</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Health and welfare	2,411,727	2,411,727	2,165,719	246,008
Total expenditures	<u>2,411,727</u>	<u>2,411,727</u>	<u>2,165,719</u>	<u>246,008</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(745,548)</u>	<u>(745,548)</u>	<u>(673,300)</u>	<u>72,248</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>745,548</u>	<u>745,548</u>	<u>673,300</u>	<u>(72,248)</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Community Action Partnership of Staunton, Augusta and Waynesboro Fund</b>				
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 1,577	\$ 1,577
Charges for services	-	-	-	-
Miscellaneous	-	-	11,485	11,485
Recovered costs	113,963	110,564	110,564	-
Intergovernmental:				
Commonwealth	269,850	343,843	98,400	(245,443)
Federal	-	-	243,503	243,503
	<u>383,813</u>	<u>454,407</u>	<u>465,529</u>	<u>11,122</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Health and welfare	420,550	486,015	451,026	34,989
Total expenditures	<u>420,550</u>	<u>486,015</u>	<u>451,026</u>	<u>34,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,737)</u>	<u>(31,608)</u>	<u>14,503</u>	<u>46,111</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(36,737)	(31,608)	14,503	46,111
Fund balance - beginning	<u>36,737</u>	<u>31,608</u>	<u>147,101</u>	<u>115,493</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,604</u>	<u>\$ 161,604</u>

Exhibit 18

Comprehensive Services Act Fund				Youth and Family Services Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 999	\$ 999	\$ 1,904	\$ 905
-	-	-	-	37,113	45,421	34,312	(11,109)
-	-	-	-	287,500	295,000	275,084	(19,916)
1,404,600	1,404,600	1,189,786	(214,814)	117,385	117,385	117,385	-
-	-	76,490	76,490	125,000	125,000	94,841	(30,159)
1,404,600	1,404,600	1,266,276	(138,324)	567,997	583,805	523,526	(60,279)
-	-	-	-	764,604	777,337	604,535	172,802
2,420,000	2,420,000	2,273,726	146,274	87,204	87,204	60,913	26,291
2,420,000	2,420,000	2,273,726	146,274	851,808	864,541	665,448	199,093
(1,015,400)	(1,015,400)	(1,007,450)	7,950	(283,811)	(280,736)	(141,922)	138,814
1,015,400	1,015,400	1,007,450	(7,950)	135,000	135,000	135,000	-
-	-	-	-	(148,811)	(145,736)	(6,922)	138,814
-	-	-	-	148,811	145,736	274,221	128,485
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,299	\$ 267,299
Shenandoah Valley Animal Service Center Fund							
Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)				
\$ -	\$ -	\$ 1	\$ 1				
-	17,379	10,950	(6,429)				
-	4,381	98,003	93,622				
-	256,745	315,042	58,297				
-	2,349	2,487	138				
-	-	-	-				
-	280,854	426,483	145,629				
-	333,440	463,349	(129,909)				
-	-	-	-				
-	333,440	463,349	(129,909)				
-	(52,586)	(36,866)	15,720				
-	52,586	63,282	10,696				
-	-	26,416	26,416				
-	-	249,700	249,700				
\$ -	\$ -	\$ 276,116	\$ 276,116				

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR DEBT SERVICE FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 19

	Debt Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Debt Service:				
Principal retirement	698,371	698,371	698,371	-
Interest and fiscal charges	558,404	558,404	558,404	-
Total expenditures	1,256,775	1,256,775	1,256,775	-
Excess (deficiency) of revenues over (under) expenditures	(1,256,775)	(1,256,775)	(1,256,775)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,256,775	1,256,775	1,256,775	-
Total other financing sources and uses	1,256,775	1,256,775	1,256,775	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	4,405	4,405
Fund balance - ending	\$ -	\$ -	\$ 4,405	\$ 4,405

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 20

	Capital Improvements Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 428	\$ 428
Intergovernmental:				
Commonwealth	-	-	582,098	582,098
Federal	-	-	665,888	665,888
Total revenues	-	-	1,248,414	1,248,414
<b>EXPENDITURES</b>				
Current:				
Public works	-	2,772,854	2,710,573	62,281
Total expenditures	-	2,772,854	2,710,573	62,281
Excess (deficiency) of revenues over (under) expenditures	-	(2,772,854)	(1,462,159)	1,310,695
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	-	533,547	533,547
Transfers in	-	1,716,413	1,716,413	-
Total other financing sources and uses	-	1,716,413	2,249,960	533,547
Net change in fund balances	-	(1,056,441)	787,801	1,844,242
Fund balance - beginning	-	1,056,441	1,237,929	181,488
Fund balance - ending	\$ -	\$ -	\$ 2,025,730	\$ 2,025,730

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**PERMANENT FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 21

	Cemetery Care Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ 3,907	\$ 3,907	\$ 3,381	\$ (526)
Miscellaneous	-	-	3,120	3,120
Total revenues	<u>3,907</u>	<u>3,907</u>	<u>6,501</u>	<u>2,594</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,907</u>	<u>3,907</u>	<u>6,501</u>	<u>2,594</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(3,907)</u>	<u>(3,907)</u>	<u>(3,381)</u>	<u>526</u>
Total other financing sources and uses	<u>(3,907)</u>	<u>(3,907)</u>	<u>(3,381)</u>	<u>526</u>
Net change in fund balances	-	-	3,120	3,120
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>586,029</u>	<u>586,029</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 589,149</u>	<u>\$ 589,149</u>

**NONMAJOR ENTERPRISE FUNDS**

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

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

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

**CITY OF WAYNESBORO, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2017**

Exhibit 22

	Garbage Fund	ACSA Joint Landfill Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 847,659	\$ 406,090	\$ 295,342	\$ 1,549,091
Accounts receivable (net of allowance for uncollectibles)	200,711	86,347	445,774	732,832
Total current assets	<u>1,048,370</u>	<u>492,437</u>	<u>741,116</u>	<u>2,281,923</u>
Noncurrent assets:				
Equity interest in joint venture	-	2,989,978	-	2,989,978
Capital assets:				
Buildings	113,453	-	-	113,453
Machinery and equipment	1,281,111	-	147,434	1,428,545
Less accumulated depreciation	(882,461)	-	(7,265)	(889,726)
Total capital assets (net of accumulated depreciation)	<u>512,103</u>	<u>-</u>	<u>140,169</u>	<u>652,272</u>
Total noncurrent assets	<u>512,103</u>	<u>2,989,978</u>	<u>140,169</u>	<u>3,642,250</u>
Total assets	<u>1,560,473</u>	<u>3,482,415</u>	<u>881,285</u>	<u>5,924,173</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on VRS pension	144,030	23,302	87,790	255,122
Total deferred outflows of resources	<u>144,030</u>	<u>23,302</u>	<u>87,790</u>	<u>255,122</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	8,681	107,664	16,040	132,385
Accrued payroll	41,059	58,663	22,623	122,345
Deposits payable	1,567	-	-	1,567
Compensated absences	500	11,979	-	12,479
Total current liabilities	<u>51,807</u>	<u>178,306</u>	<u>38,663</u>	<u>268,776</u>
Noncurrent liabilities:				
Compensated absences	24,678	12,779	18,452	55,909
Net OPEB obligation	22,403	25,027	1,646	49,076
Net pension liability	382,540	56,324	233,168	672,032
Total noncurrent liabilities	<u>429,621</u>	<u>94,130</u>	<u>253,266</u>	<u>777,017</u>
Total liabilities	<u>481,428</u>	<u>272,436</u>	<u>291,929</u>	<u>1,045,793</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred gain on VRS pension	90,814	-	55,354	146,168
Total deferred inflows of resources	<u>90,814</u>	<u>-</u>	<u>55,354</u>	<u>146,168</u>
<b>NET POSITION</b>				
Net investment in capital assets	512,103	-	140,169	652,272
Unrestricted	620,158	3,233,281	481,623	4,335,062
Total net position	<u>\$ 1,132,261</u>	<u>\$ 3,233,281</u>	<u>\$ 621,792</u>	<u>\$ 4,987,334</u>



**CITY OF WAYNESBORO, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 23

	Garbage Fund	ACSA Joint Landfill Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,175,056	\$ 706,647	\$ 1,247,386	\$ 3,129,089
Miscellaneous	5,372	3,343	2,000	10,715
Total operating revenues	<u>1,180,428</u>	<u>709,990</u>	<u>1,249,386</u>	<u>3,139,804</u>
<b>OPERATING EXPENSES</b>				
Personal services	678,013	-	388,913	1,066,926
Contractual services	12,113	459,276	128,626	600,015
Other supplies and expenses	171,722	-	107,893	279,615
Depreciation	81,908	-	6,979	88,887
Total operating expenses	<u>943,756</u>	<u>459,276</u>	<u>632,411</u>	<u>2,035,443</u>
Operating income (loss)	<u>236,672</u>	<u>250,714</u>	<u>616,975</u>	<u>1,104,361</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental:				
Commonwealth	6,192	-	-	6,192
Interest income	4,057	1,182	823	6,062
Gain (loss) on disposal of assets	13,330	-	-	13,330
Gain (loss) on equity interest	-	(292,439)	-	(292,439)
Total nonoperating revenues (expenses)	<u>23,579</u>	<u>(291,257)</u>	<u>823</u>	<u>(266,855)</u>
Income before contributions and transfers	<u>260,251</u>	<u>(40,543)</u>	<u>617,798</u>	<u>837,506</u>
Capital contributions	-	-	27,160	27,160
Transfers out	<u>(180,052)</u>	<u>-</u>	<u>(212,855)</u>	<u>(392,907)</u>
Change in net position	80,199	(40,543)	432,103	471,759
Total net position - beginning	<u>1,052,062</u>	<u>3,273,824</u>	<u>189,689</u>	<u>4,515,575</u>
Total net position - ending	<u>\$ 1,132,261</u>	<u>\$ 3,233,281</u>	<u>\$ 621,792</u>	<u>\$ 4,987,334</u>

**CITY OF WAYNESBORO, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 24

	Garbage Fund	ACSA Joint Landfill Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers and users	\$ 1,145,719	\$ 695,404	\$ 1,235,693	\$ 3,076,816
Cash paid to suppliers	(177,353)	(441,894)	(245,259)	(864,506)
Cash paid to employees	(696,330)	60,632	(416,657)	(1,052,355)
Other receipts (payments)	<u>5,372</u>	<u>3,343</u>	<u>2,000</u>	<u>10,715</u>
Net cash provided (used) by operating activities	<u>277,408</u>	<u>317,485</u>	<u>575,777</u>	<u>1,170,670</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Subsidy from state grant	6,192	-	-	6,192
Transfer to other funds	<u>(180,052)</u>	<u>-</u>	<u>(212,855)</u>	<u>(392,907)</u>
Net cash provided (used) by noncapital financing activities	<u>(173,860)</u>	<u>-</u>	<u>(212,855)</u>	<u>(386,715)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	13,330	-	-	13,330
Acquisition and construction of capital assets	<u>-</u>	<u>-</u>	<u>(114,548)</u>	<u>(114,548)</u>
Net cash provided (used) by capital and related financing activities	<u>13,330</u>	<u>-</u>	<u>(114,548)</u>	<u>(101,218)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	4,057	1,182	823	6,062
Cash paid to joint venture	<u>-</u>	<u>(366,475)</u>	<u>-</u>	<u>(366,475)</u>
Net cash provided by investing activities	<u>4,057</u>	<u>(365,293)</u>	<u>823</u>	<u>(360,413)</u>
Net increase (decrease) in cash and cash equivalents	120,935	(47,808)	249,197	322,324
Cash and cash equivalents - beginning of year	<u>726,724</u>	<u>453,898</u>	<u>46,145</u>	<u>1,226,767</u>
Cash and cash equivalents - end of year	<u>\$ 847,659</u>	<u>\$ 406,090</u>	<u>\$ 295,342</u>	<u>\$ 1,549,091</u>
Cash and cash equivalents at end of year is composed of the following:				
Cash and cash equivalents	\$ 847,659	\$ 406,090	\$ 295,342	\$ 1,549,091

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 24 (cont'd)

	Nonmajor Garbage Fund	ACSA Joint Landfill Fund	ACSA Joint Landfill Fund	Totals
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 236,672	\$ 250,714	\$ 616,975	\$ 1,104,361
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	81,908	-	6,979	88,887
(Increase) decrease in accounts receivable	(29,509)	(11,243)	(11,693)	(52,445)
(Increase) decrease in deferred loss on VRS pension	(59,117)	(11,775)	(31,854)	(102,746)
Increase (decrease) in accounts payable	6,482	17,382	(8,740)	15,124
Increase (decrease) in accrued payroll	6,003	58,663	1,173	65,839
Increase (decrease) in net OPEB obligation	2,419	1,055	1,474	4,948
Increase (decrease) in net pension liability	96,751	22,313	44,905	163,969
Increase (decrease) in deferred gain on VRS pension	(61,973)	(11,592)	(45,294)	(118,859)
Increase (decrease) in deposits payable	172	-	-	172
Increase (decrease) in compensated absences	(2,400)	1,968	1,852	1,420
Total Adjustments	<u>40,736</u>	<u>66,771</u>	<u>(41,198)</u>	<u>66,309</u>
Net cash provided (used) by operating activities	<u>\$ 277,408</u>	<u>\$ 317,485</u>	<u>\$ 575,777</u>	<u>\$ 1,170,670</u>

**Noncash investing, capital, and financing activities:**

Developer-contributed capital	\$ -	\$ -	\$ 27,160	\$ 27,160
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**FIDUCIARY FUNDS****AGENCY FUNDS**

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

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

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

**CITY OF WAYNESBORO, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**June 30, 2017**

Exhibit 25

	Payroll Fringes Fund	Shenandoah Valley Police Academy Fund	First Aid Crew Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 268,285	\$ -	\$ -	\$ 268,285
Accounts receivable	850	-	14,092	14,942
Total assets	<u>\$ 269,135</u>	<u>\$ -</u>	<u>\$ 14,092</u>	<u>\$ 283,227</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 1,720	\$ 1,720
Payroll taxes and fringes payable	269,135	-	-	269,135
Due to external parties	-	-	12,372	12,372
Total liabilities	<u>\$ 269,135</u>	<u>\$ -</u>	<u>\$ 14,092</u>	<u>\$ 283,227</u>

**CITY OF WAYNESBORO, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 26

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Payroll Fringes Fund</b>				
Assets:				
Cash and cash equivalents	\$ 311,322	\$ 9,041,979	\$ 9,085,016	\$ 268,285
Accounts receivable	2,101	6,156	7,407	850
Total assets	<u>\$ 313,423</u>	<u>\$ 9,048,135</u>	<u>\$ 9,092,423</u>	<u>\$ 269,135</u>
Liabilities:				
Payroll taxes and fringes payable	<u>\$ 313,423</u>	<u>\$ 9,034,572</u>	<u>\$ 9,078,860</u>	<u>\$ 269,135</u>
Total liabilities	<u>\$ 313,423</u>	<u>\$ 9,034,572</u>	<u>\$ 9,078,860</u>	<u>\$ 269,135</u>
<b>Shenandoah Valley Police Academy Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 387,092	\$ 387,092	\$ -
Accounts receivable	71,670	299,167	370,837	-
Due from other governments	16,255	-	16,255	-
Total assets	<u>\$ 87,925</u>	<u>\$ 686,259</u>	<u>\$ 774,184</u>	<u>\$ -</u>
Liabilities:				
Accrued payroll	\$ 28,353	\$ -	\$ 28,353	\$ -
Due to external parties	43,317	-	43,317	-
Net OPEB obligation	16,255	-	16,255	-
Total liabilities	<u>\$ 87,925</u>	<u>\$ -</u>	<u>\$ 87,925</u>	<u>\$ -</u>
<b>First Aid Crew Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 18,607	\$ 18,607	\$ -
Accounts receivable	4,123	28,576	18,607	14,092
Total assets	<u>\$ 4,123</u>	<u>\$ 47,183</u>	<u>\$ 37,214</u>	<u>\$ 14,092</u>
Liabilities:				
Accounts payable	\$ 1,803	\$ 28,576	\$ 28,659	\$ 1,720
Due to external parties	2,320	12,372	2,320	12,372
Total liabilities	<u>\$ 4,123</u>	<u>\$ 40,948</u>	<u>\$ 30,979</u>	<u>\$ 14,092</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 311,322	\$ 9,447,678	\$ 9,490,715	\$ 268,285
Accounts receivable	77,894	333,899	396,851	14,942
Due from other governments	16,255	-	16,255	-
Total assets	<u>\$ 405,471</u>	<u>\$ 9,781,577</u>	<u>\$ 9,903,821</u>	<u>\$ 283,227</u>
Liabilities:				
Accounts payable	\$ 1,803	\$ 28,576	\$ 28,659	\$ 1,720
Accrued payroll	28,353	-	28,353	-
Payroll taxes and fringes payable	313,423	9,034,572	9,078,860	269,135
Due to external parties	45,637	12,372	45,637	12,372
Net OPEB obligation	16,255	-	16,255	-
Total liabilities	<u>\$ 405,471</u>	<u>\$ 9,075,520</u>	<u>\$ 9,197,764</u>	<u>\$ 283,227</u>

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

School Operating Fund – to account for the operations and maintenance of the seven city-owned schools. Financing is provided by state and federal funds, and by appropriations from the City's general revenues. State and federal education funds received may be used only for this purpose.

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

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

**NONMAJOR GOVERNMENTAL FUNDS****CAPITAL PROJECTS FUNDS**

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

**FIDUCIARY FUNDS****PRIVATE-PURPOSE TRUST FUNDS**

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

**AGENCY FUNDS**

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

**CITY OF WAYNESBORO, VIRGINIA**  
**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

Exhibit 27

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,351,821	\$ 409,352	\$ 456,833	\$ 20,103	\$ 2,238,109
Accounts receivable	156,135	2,819	-	-	158,954
Due from other governments	<u>1,193,769</u>	<u>6,548</u>	<u>-</u>	<u>-</u>	<u>1,200,317</u>
Total assets	<u>\$ 2,701,725</u>	<u>\$ 418,719</u>	<u>\$ 456,833</u>	<u>\$ 20,103</u>	<u>\$ 3,597,380</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable	370,450	11,633	110	-	382,193
Accrued payroll	1,882,723	60,715	-	-	1,943,438
Due to primary government	-	-	-	216,151	216,151
Compensated absences	<u>3,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,779</u>
Total liabilities	<u>2,256,952</u>	<u>72,348</u>	<u>110</u>	<u>216,151</u>	<u>2,545,561</u>
Fund balances:					
Committed to:					
Education	444,773	-	-	-	444,773
Assigned to:					
Education	-	346,371	456,723	-	803,094
Unassigned:	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,048)</u>	<u>(196,048)</u>
Total fund balances	<u>444,773</u>	<u>346,371</u>	<u>456,723</u>	<u>(196,048)</u>	<u>1,051,819</u>
Total liabilities and fund balances	<u>\$ 2,701,725</u>	<u>\$ 418,719</u>	<u>\$ 456,833</u>	<u>\$ 20,103</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,369,562
Other long-term assets and deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,872,102
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(37,996,732)
Deferred inflows of resources related to the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,179,393)</u>
Net position of governmental activities	<u>\$ 3,117,358</u>

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 28

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue from use of money and property	\$ 43,856	\$ -	\$ -	\$ -	\$ 43,856
Charges for services	68,257	354,021	-	-	422,278
Miscellaneous	536,131	12,851	409	-	549,391
Recovered costs	321,032	-	-	-	321,032
Intergovernmental:		-			
Local	15,465,866	-	-	-	15,465,866
Commonwealth	17,692,755	38,206	-	-	17,730,961
Federal	<u>2,413,923</u>	<u>1,095,010</u>	<u>-</u>	<u>-</u>	<u>3,508,933</u>
Total revenues	<u>36,541,820</u>	<u>1,500,088</u>	<u>409</u>	<u>-</u>	<u>38,042,317</u>
<b>EXPENDITURES</b>					
Current:					
Education	35,124,645	1,469,289	198,322	-	36,792,256
Capital projects	439,760	-	-	-	439,760
Debt Service:					
Principal retirement	227,188	-	-	-	227,188
Interest and fiscal charges	<u>115,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,865</u>
Total expenditures	<u>35,907,458</u>	<u>1,469,289</u>	<u>198,322</u>	<u>-</u>	<u>37,575,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>634,362</u>	<u>30,799</u>	<u>(197,913)</u>	<u>-</u>	<u>467,248</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	19,822	-	-	-	19,822
Transfers in	-	-	327,447	-	327,447
Transfers out	<u>(327,447)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(327,447)</u>
Total other financing sources and uses	<u>(307,625)</u>	<u>-</u>	<u>327,447</u>	<u>-</u>	<u>19,822</u>
Net change in fund balances	326,737	30,799	129,534	-	487,070
Fund balance (deficit) - beginning	<u>118,036</u>	<u>315,572</u>	<u>327,189</u>	<u>(196,048)</u>	
Fund balance - ending	<u>\$ 444,773</u>	<u>\$ 346,371</u>	<u>\$ 456,723</u>	<u>\$ (196,048)</u>	

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (1,315,312) exceeded capital outlays (330,373) in the current period.

(984,939)

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

227,188

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

50,617

Change in net position of governmental activities

\$ (220,064)

CITY OF WAYNESBORO, VIRGINIA  
STATEMENT OF FIDUCIARY NET POSITION  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
FIDUCIARY FUNDS  
June 30, 2017

		Exhibit 29
	Private- Purpose Trust Kimler	Agency School Payroll Fringes
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 554,988
Restricted assets:		
Cash and cash equivalents	<u>13,416</u>	<u>-</u>
Total assets	<u>13,416</u>	<u>\$ 554,988</u>
<b>LIABILITIES</b>		
Payroll taxes and fringes payable	<u>-</u>	<u>554,988</u>
Total liabilities	<u>-</u>	<u>\$ 554,988</u>
<b>NET POSITION</b>		
Restricted for:		
Educational purposes	<u>\$ 13,416</u>	

CITY OF WAYNESBORO, VIRGINIA  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2017

	Exhibit 30
	Private- Purpose Trust Kimler
<b>ADDITIONS</b>	
Investment earnings:	
Interest	\$ 126
Total additions	<u>126</u>
<b>DEDUCTIONS</b>	
Education expenses	<u>-</u>
Total deductions	<u>-</u>
Change in net position	126
Net position - beginning	<u>13,290</u>
Net position - ending	<u>\$ 13,416</u>

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**MAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2017**

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from use of money and property	\$ 43,800	\$ 43,800	\$ 43,856	\$ 56
Charges for services	92,338	92,338	68,257	(24,081)
Miscellaneous	170,401	170,401	536,131	365,730
Recovered costs	195,000	195,000	321,032	126,032
Intergovernmental:				
Local	14,171,161	15,465,866	15,465,866	-
Commonwealth	17,528,552	17,566,809	17,692,755	125,946
Federal	2,410,919	2,480,971	2,413,923	(67,048)
Total revenues	<u>34,612,171</u>	<u>36,015,185</u>	<u>36,541,820</u>	<u>526,635</u>
<b>EXPENDITURES</b>				
Current:				
Education	33,984,117	34,223,224	35,124,645	(901,421)
Capital Projects	-	898,510	439,760	458,750
Debt service:				
Principal retirement	227,188	227,188	227,188	-
Interest and fiscal charges	<u>115,866</u>	<u>115,866</u>	<u>115,865</u>	<u>1</u>
Total expenditures	<u>34,327,171</u>	<u>35,464,788</u>	<u>35,907,458</u>	<u>(442,670)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>285,000</u>	<u>550,397</u>	<u>634,362</u>	<u>83,965</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	10,000	10,000	19,822	9,822
Transfers in	-	-	-	-
Transfers out	<u>(295,000)</u>	<u>(295,000)</u>	<u>(327,447)</u>	<u>(32,447)</u>
Total other financing sources and uses	<u>(285,000)</u>	<u>(285,000)</u>	<u>(307,625)</u>	<u>(22,625)</u>
Net change in fund balances	-	265,397	326,737	61,340
Fund balance - beginning	<u>-</u>	<u>(265,397)</u>	<u>118,036</u>	<u>383,433</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,773</u>	<u>\$ 444,773</u>

Exhibit 31

School Cafeteria Fund				School Textbook Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
				Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
344,863	344,863	354,021	9,158	-	-	-	-
8,002	8,002	12,851	4,849	-	-	409	409
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
28,671	28,671	38,206	9,535	-	-	-	-
1,051,028	1,051,028	1,095,010	43,982	-	-	-	-
1,432,564	1,432,564	1,500,088	67,524	-	-	409	409
1,432,564	1,432,564	1,469,289	(36,725)	290,000	290,000	198,322	91,678
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,432,564	1,432,564	1,469,289	(36,725)	290,000	290,000	198,322	91,678
-	-	30,799	30,799	(290,000)	(290,000)	(197,913)	92,087
-	-	-	-	-	-	-	-
-	-	-	-	290,000	290,000	327,447	37,447
-	-	-	-	-	-	-	-
-	-	-	-	290,000	290,000	327,447	37,447
-	-	30,799	30,799	-	-	129,534	129,534
-	-	315,572	315,572	-	-	327,189	327,189
\$ -	\$ -	\$ 346,371	\$ 346,371	\$ -	\$ -	\$ 456,723	\$ 456,723

CITY OF WAYNESBORO, VIRGINIA  
 COMBINING BALANCE SHEET  
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2017

Exhibit 32

	Capital Projects School Construction Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,103	\$ 20,103
Total assets	\$ 20,103	\$ 20,103
<b>LIABILITIES</b>		
Due to primary government	216,151	216,151
Total liabilities	216,151	216,151
<b>FUND BALANCES (deficits):</b>		
Unassigned:	(196,048)	(196,048)
Total fund balances (deficits)	(196,048)	(196,048)
Total liabilities and fund balances	\$ 20,103	\$ 20,103



CITY OF WAYNESBORO, VIRGINIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2017

Exhibit 33

	Capital Projects School Construction Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>		
Charges for services	\$ -	\$ -
Miscellaneous	-	-
Intergovernmental:		
Commonwealth	-	-
Federal	-	-
	<hr/>	<hr/>
Total revenues	-	-
	<hr/>	<hr/>
<b>EXPENDITURES</b>		
Current:		
Education	-	-
	<hr/>	<hr/>
Total expenditures	-	-
	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	-	-
	<hr/>	<hr/>
Net change in fund balances	-	-
Fund balance - beginning	(196,048)	(196,048)
	<hr/>	<hr/>
Fund balance - ending	\$ (196,048)	\$ (196,048)
	<hr/>	<hr/>

**CITY OF WAYNESBORO, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2017**

Exhibit 34

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>School Payroll Fringes Fund</b>				
Assets:				
Cash and cash equivalents	\$ 835,587	\$ 15,105,627	\$ 15,386,226	\$ 554,988
Accounts receivable	596	156,169	156,765	-
Total assets	<u>\$ 836,183</u>	<u>\$ 15,261,796</u>	<u>\$ 15,542,991</u>	<u>\$ 554,988</u>
Liabilities:				
Payroll taxes and fringes payable	836,183	15,261,796	15,542,991	554,988
Total liabilities	<u>\$ 836,183</u>	<u>\$ 15,261,796</u>	<u>\$ 15,542,991</u>	<u>\$ 554,988</u>

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

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**CITY OF WAYNESBORO, VIRGINIA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY\***  
**June 30, 2017**

Exhibit 35

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
<b>PRIMARY GOVERNMENT:</b>							
General government administration	\$ 5,172,591	\$ 864,640	\$ 1,838,600	\$ 50,600	\$ 997,802	\$ -	\$ 8,924,233
Judicial administration	-	-	3,396,648	55,638	112,485	-	3,564,771
Public safety	-	-	4,064,352	441,207	2,608,835	-	7,114,394
Public works	305,189	1,876,507	2,206,870	395,490	204,360	54,289,568	59,277,984
Health and welfare	-	-	423,440	208,400	-	-	631,840
Parks, recreation, and cultural	4,299	737,616	3,935,560	2,413,620	419,268	181,343	7,691,706
Community development	3,507,117	164,060	-	2,214,952	40,036	819,659	6,745,824
Total Primary Government	<u>\$ 8,989,196</u>	<u>\$ 3,642,823</u>	<u>\$ 15,865,470</u>	<u>\$ 5,779,907</u>	<u>\$ 4,382,786</u>	<u>\$ 55,290,570</u>	<u>\$ 93,950,752</u>

**COMPONENT UNIT SCHOOL BOARD:**

## Schools:

Education	\$ 274,493	\$ -	\$ 52,012,463	\$ 4,335,100	\$ 4,165,688	\$ -	\$ 60,787,744
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\* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included in governmental activities in the statement of net position.

**CITY OF WAYNESBORO, VIRGINIA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY\***  
**For the Year Ended June 30, 2017**

Exhibit 36

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets	
	June 30, 2016	Additions	Deductions	June 30, 2017	
<b><u>PRIMARY GOVERNMENT:</u></b>					
General government administration	\$ 7,939,869	\$ 984,364	\$ -	\$ 8,924,233	
Judicial administration	3,564,771	-	-	3,564,771	
Public safety	7,011,501	102,893	-	7,114,394	
Public works	57,932,086	1,345,898	-	59,277,984	
Health and welfare	631,840	-	-	631,840	
Parks, recreation, and cultural	7,084,667	607,039	-	7,691,706	
Community development	<u>6,620,052</u>	<u>125,772</u>	<u>-</u>	<u>6,745,824</u>	
 Total Primary Government	 \$ <u>90,784,786</u>	 \$ <u>3,165,966</u>	 \$ <u>-</u>	 \$ <u>93,950,752</u>	

**COMPONENT UNIT SCHOOL BOARD:**

Schools:					
Education	\$ <u>60,457,371</u>	\$ <u>330,373</u>	\$ <u>-</u>	\$ <u>60,787,744</u>	

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

## ***SUPPLEMENTAL DATA***

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**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Schedule 1
				Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,704,757	\$ 13,704,757	\$ 13,673,337	\$ (31,420)
Real and personal public service corporation property taxes	852,176	852,176	886,802	34,626
Personal property taxes	3,676,862	3,676,862	3,991,518	314,656
Mobile home taxes	5,900	5,900	5,929	29
Machinery and tools taxes	1,109,147	1,109,147	1,089,178	(19,969)
Rolling stock	22,813	22,813	34,622	11,809
Penalties	208,635	208,635	239,036	30,401
Interest	96,476	96,476	89,817	(6,659)
Total General Property Taxes	<u>19,676,766</u>	<u>19,676,766</u>	<u>20,010,239</u>	<u>333,473</u>
Other local taxes:				
Local sales and use tax	5,413,855	5,413,855	5,396,441	(17,414)
Consumers' utility taxes	1,035,290	1,035,290	1,030,149	(5,141)
Business license taxes	1,998,568	1,998,568	2,130,404	131,836
Motor vehicle licenses	416,555	416,555	425,491	8,936
Bank stock taxes	251,073	251,073	311,276	60,203
Taxes on recordation and wills	152,769	152,769	192,431	39,662
Lodging taxes	729,505	729,505	747,780	18,275
Restaurant food taxes	4,252,056	4,252,056	4,377,328	125,272
Tobacco taxes	391,268	391,268	357,547	(33,721)
Short-term rental taxes	4,794	4,794	3,872	(922)
Payments in lieu of tax	<u>30,000</u>	<u>30,000</u>	<u>33,793</u>	<u>3,793</u>
Total Other Local Taxes	<u>14,675,733</u>	<u>14,675,733</u>	<u>15,006,512</u>	<u>330,779</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	14,822	14,822	10,798	(4,024)
Permits and other licenses	<u>192,513</u>	<u>192,513</u>	<u>181,825</u>	<u>(10,688)</u>
Total Permits, Privilege Fees, and Regulatory Licenses	<u>207,335</u>	<u>207,335</u>	<u>192,623</u>	<u>(14,712)</u>
Fines and forfeitures:				
Parking fines	9,285	9,285	4,115	(5,170)
Fines and forfeitures	<u>188,753</u>	<u>188,753</u>	<u>139,076</u>	<u>(49,677)</u>
Total Fines and Forfeitures	<u>198,038</u>	<u>198,038</u>	<u>143,191</u>	<u>(54,847)</u>
Revenue from use of money and property:				
Revenue from use of money	141,898	141,898	260,803	118,905
Revenue from use of property	<u>43,638</u>	<u>43,638</u>	<u>43,973</u>	<u>335</u>
Total Revenue from Use of Money and Property	<u>185,536</u>	<u>185,536</u>	<u>304,776</u>	<u>119,240</u>
Charges for services:				
Commonwealth's attorney fees	2,623	2,623	2,900	277
Charges for court appointed attorney	12,000	12,000	14,029	2,029
Charges for maintenance of buildings and grounds	-	-	11,237	11,237
Charges for planning services	18,014	18,014	27,428	9,414
Charges for recreation	230,500	230,500	240,277	9,777
Charges for library	<u>22,811</u>	<u>25,443</u>	<u>24,301</u>	<u>(1,142)</u>
Total Charges for Services	<u>285,948</u>	<u>288,580</u>	<u>320,172</u>	<u>31,592</u>

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

Fund, Major and Minor Revenue Source	Schedule 1 (cont'd)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Miscellaneous revenue:				
Gifts and donations	\$ 3,306	\$ 28,839	\$ 27,106	\$ (1,733)
Other revenue	684,060	684,812	701,491	16,679
Total Miscellaneous Revenue	687,366	713,651	728,597	14,946
Recovered Costs	28,188	28,188	47,968	19,780
Total Revenue from Local Sources	35,944,910	35,973,827	36,754,078	780,251
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	1,925	1,925	2,172	247
Grantor tax	40,850	40,850	50,846	9,996
Sales tax on rental passenger vehicles	78,602	78,602	85,698	7,096
Personal property tax reimbursement	1,721,457	1,721,457	1,721,457	-
Assistance to localities with police departments	727,340	727,340	750,760	23,420
Rolling stock tax	17,038	17,038	15,383	(1,655)
Communications tax	1,286,515	1,286,515	1,224,712	(61,803)
Recordation tax	58,515	58,515	70,427	11,912
Total Non-categorical Aid	3,932,242	3,932,242	3,921,455	(10,787)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	389,032	389,032	395,827	6,795
Sheriff	281,732	281,732	298,708	16,976
Commissioner of the revenue	91,505	91,505	90,586	(919)
Treasurer	86,754	86,754	84,632	(2,122)
Clerk of circuit court	235,272	235,272	251,400	16,128
Registrar/Electoral board	35,719	35,719	37,029	1,310
Total Shared Expenses	1,120,014	1,120,014	1,158,182	38,168
Other categorical aid:				
Street and highway maintenance	3,432,488	3,714,998	3,714,998	-
Library	141,986	146,583	146,583	-
Four for Life	-	-	19,853	19,853
Virginia Arts	5,000	5,000	5,000	-
Fire Board funds	-	-	68,167	68,167
Drug seizure	-	-	9,390	9,390
Victim/witness	102,387	102,387	31,836	(70,551)
E-911 wireless	124,745	142,745	139,742	(3,003)
EMS grants	-	43,747	42,689	(1,058)
Other state funds	-	1,166	3,388	2,222
Total Other Categorical Aid	3,806,606	4,156,626	4,181,646	25,020
Total Categorical Aid	4,926,620	5,276,640	5,339,828	63,188
Total Revenue from the Commonwealth	8,858,862	9,208,882	9,261,283	52,401
Revenue from the Federal Government:				
Categorical aid:				
CDBG grant	-	-	31,773	31,773
DMV grants	-	-	11,721	11,721
Federal equitable sharing	-	-	11,774	11,774
FEMA disaster assistance	-	-	7,500	7,500
Forestry grants	-	2,490	2,490	-

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

Fund, Major and Minor Revenue Source	Schedule 1 (cont'd)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Revenue from the Federal Government: (cont'd)				
Categorical aid: (cont'd)				
Department of justice grants	\$ -	\$ -	\$ 32,305	\$ 32,305
Victim/witness	-	-	65,528	65,528
Other federal funds	-	-	3,288	3,288
Total Categorical Aid	-	2,490	166,379	163,889
Total Revenue from the Federal Government	-	2,490	166,379	163,889
Total General Fund	\$ 44,803,772	\$ 45,185,199	\$ 46,181,740	\$ 996,541
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from the Commonwealth:				
Other categorical aid:				
Welfare	933,060	933,060	829,922	(103,138)
Revenue from the Federal Government:				
Categorical aid:				
Welfare	733,119	733,119	662,497	(70,622)
Total Virginia Public Assistance Fund	\$ 1,666,179	\$ 1,666,179	\$ 1,492,419	\$ (173,760)
Comprehensive Services Act Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
CSA funds	1,404,600	1,404,600	1,189,786	(214,814)
Revenue from the Federal Government:				
Categorical aid:				
CSA funds	-	-	76,490	76,490
Total Comprehensive Services Act Fund	\$ 1,404,600	\$ 1,404,600	\$ 1,266,276	\$ (138,324)
Youth and Family Services Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	999	999	1,904	905
Miscellaneous revenue:				
Gifts and donations	37,113	45,421	34,312	(11,109)
Recovered Costs	287,500	295,000	275,084	(19,916)
Total Revenue from Local Sources	325,612	341,420	311,300	(30,120)
Revenue from the Commonwealth:				
Categorical aid:				
Juvenile crime control	117,385	117,385	117,385	-
Revenue from the Federal Government:				
Categorical aid:				
Substance abuse/mental health	125,000	125,000	94,841	(30,159)
Total Youth and Family Services Fund	\$ 567,997	\$ 583,805	\$ 523,526	\$ (60,279)

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

Fund, Major and Minor Revenue Source	Schedule 1 (cont'd)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Community Action Partnership of Staunton, Augusta and Waynesboro Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,577	\$ 1,577
Miscellaneous revenue:				
Other revenue	-	-	11,485	11,485
Recovered Costs	113,963	110,564	110,564	-
Total Revenue from Local Sources	113,963	110,564	123,626	13,062
Revenue from the Commonwealth:				
Categorical aid:				
EITC grant funding	27,250	45,443	10,000	(35,443)
CSBG grant	201,000	210,000	-	(210,000)
TANF grant	41,600	88,400	88,400	-
Total Revenue from the Commonwealth	269,850	343,843	98,400	(245,443)
Revenue from the Federal Government:				
Categorical aid:				
VITA grant	-	-	19,238	19,238
CSBG grant	-	-	224,265	224,265
Total Revenue from the Federal Government	-	-	243,503	243,503
Total Community Action Partnership of Staunton, Augusta and Waynesboro Fund	\$ 383,813	\$ 454,407	\$ 465,529	\$ 11,122
Shenandoah Valley Animal Service Center Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	1	1
Charges for services:				
Animal adoption fees	-	9,055	5,225	(3,830)
Animal control fees	-	8,324	5,725	(2,599)
Total Charges for Services	-	17,379	10,950	(6,429)
Miscellaneous revenue:				
Gifts and donations	-	419	94,737	94,318
Other revenue	-	3,962	3,266	(696)
Total Miscellaneous Revenue	-	4,381	98,003	93,622
Recovered Costs	-	256,745	315,042	58,297
Total Revenue from Local Sources	-	278,505	423,996	145,491
Revenue from the Commonwealth:				
Categorical aid:				
DMV grant	-	2,349	2,487	138
Total Shenandoah Valley Animal Service Center Fund	\$ -	\$ 280,854	\$ 426,483	\$ 145,629
Total Special Revenue Funds	\$ 4,022,589	\$ 4,389,845	\$ 4,174,233	\$ (215,612)

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Schedule 1 (cont'd)
				Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 428	\$ 428
Revenue from the Commonwealth:				
Categorical Aid:				
VA DEQ grants	-	-	582,098	582,098
Revenue from the Federal Government:				
Categorical aid:				
VDOT grants	-	-	446,721	446,721
CDBG grant	-	-	219,167	219,167
Total Revenue from the Federal Government	-	-	665,888	665,888
Total Capital Improvements Fund	\$ -	\$ -	\$ 1,248,414	\$ 1,248,414
Total Capital Projects Funds	\$ -	\$ -	\$ 1,248,414	\$ 1,248,414
Permanent Funds:				
Cemetery Care Fund:				
Revenue from local sources:				
Revenue from use of money	3,907	3,907	3,381	(526)
Miscellaneous revenue:				
Other revenue	-	-	3,120	3,120
Total Revenue from Local Sources	3,907	3,907	6,501	2,594
Total Perpetual Care Fund	\$ 3,907	\$ 3,907	\$ 6,501	\$ 2,594
Total Permanent Funds	\$ 3,907	\$ 3,907	\$ 6,501	\$ 2,594
Grand Total - Revenues - Primary Government	\$ 48,830,268	\$ 49,578,951	\$ 51,610,888	\$ 2,031,937
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 34,300	\$ 34,300	\$ 32,233	\$ (2,067)
Revenue from use of property	9,500	9,500	11,623	2,123
Total Revenue from Use of Money and Property	43,800	43,800	43,856	56
Charges for services:				
Charges for education	83,338	83,338	68,257	(15,081)
Charges for transportation	9,000	9,000	-	(9,000)
Total Charges for Services	92,338	92,338	68,257	(24,081)
Miscellaneous revenue:				
Gifts and donations	3,000	3,000	-	(3,000)
Other revenue	167,401	167,401	536,131	368,730
Total Miscellaneous Revenue	170,401	170,401	536,131	365,730
Recovered Costs	195,000	195,000	321,032	126,032
Total Revenue from Local Sources	501,539	501,539	969,276	467,737

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Schedule 1 (cont'd)
				Variance with Final Budget - Positive (Negative)
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Operating Fund: (cont'd)				
Revenue from Local Government:				
Contribution from City of Waynesboro	\$ 14,171,161	\$ 15,465,866	\$ 15,465,866	\$ -
Revenue from the Commonwealth:				
Categorical Aid:				
Adult education	63,598	63,598	52,233	(11,365)
At risk	706,667	706,667	693,611	(13,056)
Basic school aid	8,280,239	8,280,239	8,063,046	(217,193)
Early intervention	35,770	35,770	54,706	18,936
English as a second language	101,368	101,368	98,351	(3,017)
Foster children	53,125	53,125	45,304	(7,821)
GED funding	15,717	15,717	17,605	1,888
Gifted and talented children	94,649	94,649	92,260	(2,389)
Group life	31,550	31,550	34,598	3,048
Operating costs	363,858	363,858	226,025	(137,833)
Primary class size	624,956	624,956	622,032	(2,924)
Race to GED expansion	99,845	99,845	99,845	-
Remedial education	504,929	504,929	514,000	9,071
Share of state sales tax	3,519,697	3,519,697	3,464,002	(55,695)
Social security	528,460	528,460	515,120	(13,340)
Special education	690,400	690,400	1,115,839	425,439
Standards of learning	45,328	45,328	47,547	2,219
Teacher retirement	1,090,441	1,090,441	1,062,916	(27,525)
Technology initiative	256,000	256,000	241,375	(14,625)
Textbook payments	216,471	216,471	211,007	(5,464)
Vocational education	193,451	202,957	187,882	(15,075)
Other state funds	12,033	40,784	233,451	192,667
Total Revenue from the Commonwealth	17,528,552	17,566,809	17,692,755	125,946
Revenue from the Federal Government:				
Categorical Aid:				
Adult literacy	571,824	578,827	570,284	(8,543)
Title I	989,406	1,029,406	1,008,940	(20,466)
Title II - Teacher Quality	142,326	152,826	150,456	(2,370)
Title III	13,228	15,727	16,889	1,162
Title VIB	629,612	637,531	599,498	(38,033)
Vocational education	64,523	66,654	67,362	708
Other federal grants	-	-	494	494
Total Revenue from the Federal Government	2,410,919	2,480,971	2,413,923	(67,048)
Total School Operating Fund	\$ 34,612,171	\$ 36,015,185	\$ 36,541,820	\$ 526,635
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	344,863	344,863	354,021	9,158
Miscellaneous Revenue	8,002	8,002	12,851	4,849
Total Revenue from Local Sources	352,865	352,865	366,872	14,007
Revenue from the Commonwealth:				
School food programs	28,671	28,671	38,206	9,535

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

Fund, Major and Minor Revenue Source	Schedule 1 (cont'd)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Cafeteria Fund: (cont'd)				
Revenue from the Federal Government:				
School food programs	\$ 1,051,028	\$ 1,051,028	\$ 1,095,010	\$ 43,982
Total School Cafeteria Fund	\$ 1,432,564	\$ 1,432,564	\$ 1,500,088	\$ 67,524
School Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue	-	-	409	409
Total School Textbook Fund	\$ -	\$ -	\$ 409	\$ 409
Total Special Revenue Funds	\$ 36,044,735	\$ 37,447,749	\$ 38,042,317	\$ 594,568
Grand Total - Revenues - Component Unit School Board	\$ 36,044,735	\$ 37,447,749	\$ 38,042,317	\$ 594,568

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**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

				Schedule 2
Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City Council	\$ 90,698	\$ 90,998	\$ 72,939	\$ 18,059
Clerk of Council	61,087	61,187	61,775	(588)
Total Legislative	<u>151,785</u>	<u>152,185</u>	<u>134,714</u>	<u>17,471</u>
General and Financial Administration:				
Manager	421,131	871,250	893,274	(22,024)
City Attorney	149,216	149,216	160,231	(11,015)
Human Resources	346,468	353,300	336,344	16,956
Commissioner of Revenue	323,504	323,504	308,740	14,764
Assessor	266,829	266,829	230,761	36,068
Treasurer	309,108	309,108	312,652	(3,544)
Finance	720,409	755,186	754,847	339
Information Technology	955,379	964,393	918,225	46,168
Employee Health and Safety	10,000	10,000	5,138	4,862
Risk Management	316,909	316,909	279,739	37,170
Central Office	38,997	39,233	38,034	1,199
Total General and Financial Administration	<u>3,857,950</u>	<u>4,358,928</u>	<u>4,237,985</u>	<u>120,943</u>
Board of Elections:				
Electoral Board and Officials	134,118	134,118	130,245	3,873
Total General Government Administration	<u>4,143,853</u>	<u>4,645,231</u>	<u>4,502,944</u>	<u>142,287</u>
Judicial Administration:				
Courts:				
Circuit Court	79,527	79,527	62,403	17,124
General District Court	36,544	36,544	22,223	14,321
Juvenile and Domestic Relations	7,842	8,092	8,582	(490)
Clerk of the Circuit Court	372,256	375,498	379,058	(3,560)
Sheriff	434,042	439,863	427,351	12,512
Victim/Witness Assistance	106,327	106,327	77,231	29,096
Total Courts	<u>1,036,538</u>	<u>1,045,851</u>	<u>976,848</u>	<u>69,003</u>
Commonwealth Attorney:				
Commonwealth Attorney	504,019	504,019	497,397	6,622
Total Commonwealth Attorney	<u>504,019</u>	<u>504,019</u>	<u>497,397</u>	<u>6,622</u>
Total Judicial Administration	<u>1,540,557</u>	<u>1,549,870</u>	<u>1,474,245</u>	<u>75,625</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	4,671,983	4,740,975	4,736,281	4,694
Fire and Rescue Services:				
Fire Department	2,595,064	2,813,934	2,482,193	331,741
First Aid Crew	50,050	71,521	71,471	50
EMS Council	9,747	9,747	9,747	-
Total Fire and Rescue Services	<u>2,654,861</u>	<u>2,895,202</u>	<u>2,563,411</u>	<u>331,791</u>

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**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

				Schedule 2 (cont'd)
				Variance with Final Budget - Positive (Negative)
Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	
Primary Government: (cont'd)				
General Fund: (cont'd)				
Public Safety: (cont'd)				
Correction and Detention:				
Middle River Regional Jail	\$ 1,414,090	\$ 1,414,090	\$ 1,351,631	\$ 62,459
Juvenile Detention Home	132,000	132,000	132,492	(492)
Total Correction and Detention	1,546,090	1,546,090	1,484,123	61,967
Inspections:				
Inspector's Office	389,018	389,018	376,664	12,354
Other Protection:				
Emergency Operations Center	1,150,377	1,172,767	1,111,369	61,398
Total Public Safety	10,412,329	10,744,052	10,271,848	472,204
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Engineering/Administration	1,036,643	1,037,897	1,004,055	33,842
Public Works Operations Administration	112,776	112,776	104,267	8,509
Highways, Streets, Bridges, and Sidewalks	3,057,066	3,592,112	3,032,615	559,497
Traffic Engineering	386,030	449,979	361,931	88,048
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	4,592,515	5,192,764	4,502,868	689,896
Sanitation and Waste Removal:				
Landfill closure	167,413	177,813	119,935	57,878
Maintenance of General Buildings and Grounds:				
General Properties:				
Maintenance of buildings and grounds	198,177	272,414	261,436	10,978
Total Public Works	4,958,105	5,642,991	4,884,239	758,752
Health and Welfare:				
Health:				
Supplement of Local Health Department	206,626	206,626	206,626	-
Contribution to VCSB	140,208	140,208	140,208	-
Total Health	346,834	346,834	346,834	-
Welfare:				
Area Agency on Aging	25,250	27,523	27,523	-
Property Tax Relief-Elderly Handicapped	88,278	88,278	109,397	(21,119)
Other Contributions	32,314	32,314	31,870	444
Total Welfare	145,842	148,115	168,790	(20,675)
Total Health and Welfare	492,676	494,949	515,624	(20,675)
Education:				
Contributions to Community Organizations	750	750	750	-
Contribution to Community College	35,346	35,346	35,346	-
Contribution to City School Board	14,171,161	15,465,866	15,465,866	-
Total Education	14,207,257	15,501,962	15,501,962	-

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

				Schedule 2 (cont'd)
				Variance with Final Budget - Positive (Negative)
Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	
Primary Government: (cont'd)				
General Fund: (cont'd)				
Parks, Recreation and Cultural:				
Parks and Recreation:				
Administration	\$ 436,968	\$ 439,387	\$ 454,838	\$ (15,451)
Municipal Parks	776,352	808,206	717,990	90,216
Municipal Pools	142,603	148,178	143,553	4,625
Recreation Programs	194,550	216,372	209,674	6,698
Custodial	661,043	716,595	749,141	(32,546)
Cemeteries	128,343	136,680	131,166	5,514
Total Parks and Recreation	<u>2,339,859</u>	<u>2,465,418</u>	<u>2,406,362</u>	<u>59,056</u>
Library:				
Library Administration	<u>844,635</u>	<u>841,729</u>	<u>827,014</u>	<u>14,715</u>
Cultural Enrichment:				
Contributions	<u>40,250</u>	<u>40,250</u>	<u>35,244</u>	<u>5,006</u>
Total Parks, Recreation, and Cultural	<u>3,224,744</u>	<u>3,347,397</u>	<u>3,268,620</u>	<u>78,777</u>
Community Development:				
Planning and Community Development:				
City Planner	421,643	471,643	401,252	70,391
Contributions to Community Organizations	2,000	2,000	-	2,000
Tourism Department	219,133	232,373	229,744	2,629
Economic Development	291,304	313,732	240,096	73,636
Downtown Development	-	-	526	(526)
Shenandoah Valley Airport	<u>44,052</u>	<u>44,052</u>	<u>44,052</u>	<u>-</u>
Total Planning and Community Development	<u>978,132</u>	<u>1,063,800</u>	<u>915,670</u>	<u>148,130</u>
Total Community Development	<u>978,132</u>	<u>1,063,800</u>	<u>915,670</u>	<u>148,130</u>
Debt Service:				
Principal Retirement	2,034,634	2,034,634	2,034,599	35
Interest and Fiscal Charges	<u>498,499</u>	<u>498,499</u>	<u>498,031</u>	<u>468</u>
Total Debt Service	<u>2,533,133</u>	<u>2,533,133</u>	<u>2,532,630</u>	<u>503</u>
Total General Fund	<u>\$ 42,490,786</u>	<u>\$ 45,523,385</u>	<u>\$ 43,867,782</u>	<u>\$ 1,655,603</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Public Assistance	<u>\$ 2,411,727</u>	<u>\$ 2,411,727</u>	<u>\$ 2,165,719</u>	<u>\$ 246,008</u>
Comprehensive Services Act Fund:				
Health and Welfare:				
Welfare/Social Services:				
Comprehensive Services	<u>\$ 2,420,000</u>	<u>\$ 2,420,000</u>	<u>\$ 2,273,726</u>	<u>\$ 146,274</u>
Youth and Family Services Fund:				
Public Safety:				
Correction and Detention:				
Youth Services	646,654	659,387	492,207	167,180
VJCCA Programs	<u>117,950</u>	<u>117,950</u>	<u>112,328</u>	<u>5,622</u>
Total Public Safety	<u>764,604</u>	<u>777,337</u>	<u>604,535</u>	<u>172,802</u>

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**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

				Schedule 2 (cont'd)
				Variance with Final Budget - Positive (Negative)
Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	
Primary Government: (cont'd)				
Youth and Family Services Fund: (cont'd)				
Health and Welfare:				
Welfare/Social Services:				
Teen Pregnancy Prevention	\$ 87,204	\$ 87,204	\$ 60,913	\$ 26,291
Total Youth and Family Services Fund	\$ 851,808	\$ 864,541	\$ 665,448	\$ 199,093
Community Action Partnership of Staunton, Augusta and Waynesboro Fund:				
Health and Welfare:				
Welfare/Social Services:				
CAPSAW operations	420,550	486,015	451,026	34,989
Total Community Action Partnership of Staunton, Augusta and Waynesboro Fund	\$ 420,550	\$ 486,015	\$ 451,026	\$ 34,989
Shenandoah Valley Animal Service Center Fund:				
Public Safety:				
Other Protection:				
Animal Control	-	333,440	463,349	(129,909)
Total Shenandoah Valley Animal Service Center Fund	\$ -	\$ 333,440	\$ 463,349	\$ (129,909)
Total Special Revenue Funds	\$ 6,104,085	\$ 6,515,723	\$ 6,019,268	\$ 496,455
Debt Service Funds:				
Debt Revenue Fund:				
Debt Service:				
Principal Retirement	698,371	698,371	698,371	-
Interest and Fiscal Charges	558,404	558,404	558,404	-
Total Debt Service	1,256,775	1,256,775	1,256,775	-
Total Debt Revenue Fund	\$ 1,256,775	\$ 1,256,775	\$ 1,256,775	\$ -
Total Debt Service Funds	\$ 1,256,775	\$ 1,256,775	\$ 1,256,775	\$ -
Capital Projects Funds:				
Capital Improvements Fund:				
Public Works:				
Highways, Streets, Bridges, and Sidewalks	-	1,238,333	1,364,487	(126,154)
Other Public Works Improvements	-	1,534,521	1,346,086	188,435
Total Public Works	-	2,772,854	2,710,573	62,281
Total Capital Improvements Fund	\$ -	\$ 2,772,854	\$ 2,710,573	\$ 62,281
Total Capital Projects Funds	\$ -	\$ 2,772,854	\$ 2,710,573	\$ 62,281
Grand Total - Expenditures - Primary Government	\$ 49,851,646	\$ 56,068,737	\$ 53,854,398	\$ 2,214,339

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**CITY OF WAYNESBORO, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

				Schedule 2 (cont'd)
				Variance with
				Final Budget -
				Positive
Fund, Function, Activity, and Elements:	Original	Final	Actual	(Negative)
	Budget	Budget		
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration and Instruction of Schools:				
Classroom Instruction	\$ 26,534,079	\$ 26,563,273	\$ 26,539,460	\$ 23,813
Administration, Attendance, and Health	1,979,859	1,984,349	2,140,337	(155,988)
Total Administration and Instruction of Schools	28,513,938	28,547,622	28,679,797	(132,175)
Operating Costs:				
Pupil Transportation	1,159,938	1,157,500	1,173,251	(15,751)
Operation and Maintenance of School Plant	3,270,575	3,405,176	3,759,477	(354,301)
Technology	1,039,666	1,112,926	1,512,120	(399,194)
Total Operating Costs	5,470,179	5,675,602	6,444,848	(769,246)
Total Education	33,984,117	34,223,224	35,124,645	(901,421)
Capital Projects:				
Facilities	-	898,510	439,760	458,750
Debt Service:				
Principal Retirement	227,188	227,188	227,188	-
Interest and Fiscal Charges	115,866	115,866	115,865	1
Total Debt Service	343,054	343,054	343,053	1
Total School Operating Fund	\$ 34,327,171	\$ 35,464,788	\$ 35,907,458	\$ (442,670)
School Cafeteria Fund:				
Education:				
Food Service	\$ 1,432,564	\$ 1,432,564	\$ 1,469,289	\$ (36,725)
School Textbook Fund:				
Education:				
Instructional Costs	\$ 290,000	\$ 290,000	\$ 198,322	\$ 91,678
Total Special Revenue Funds	\$ 36,049,735	\$ 37,187,352	\$ 37,575,069	\$ (387,717)
Grand Total - Expenditures -				
Component Unit - School Board	\$ 36,049,735	\$ 37,187,352	\$ 37,575,069	\$ (387,717)

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## ***STATISTICAL SECTION***

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## STATISTICAL SECTION

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

<b>Contents</b>	<u>Tables</u>	<u>Pages</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1 - 4	105-109
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5 - 8	110-113
<i>Debt Capacity</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	9 - 13	114-118
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	14 - 15	119-120
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	16 - 18	121-123

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

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

Table 1

	2008	2009	2010	2011	2012	2013	2014	2015 (1)	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 31,627,418	\$ 30,038,195	\$ 28,815,976	\$ 28,479,287	\$ 28,582,343	\$ 28,744,563	\$ 31,133,091	\$ 30,091,461	\$ 31,418,630	\$ 33,791,619
Restricted	2,452,322	1,827,736	895,584	1,709,659	2,342,332	1,622,944	1,743,672	2,124,875	1,793,293	1,967,706
Unrestricted	(19,723,629)	(17,413,909)	(14,891,347)	(13,941,412)	(9,568,762)	(10,646,382)	(9,763,913)	(11,390,137)	(6,053,354)	(5,112,956)
Total governmental activities net position	\$ 14,356,111	\$ 14,452,022	\$ 14,820,213	\$ 16,247,534	\$ 21,355,913	\$ 19,721,125	\$ 23,112,850	\$ 20,826,199	\$ 27,158,569	\$ 30,646,369
<b>Business-type activities</b>										
Net investment in capital assets	22,891,760	25,288,754	28,231,948	23,628,183	24,126,240	32,958,276	32,955,974	32,895,991	32,896,027	31,859,390
Unrestricted	5,806,391	6,285,557	6,465,365	11,988,432	11,804,718	10,494,915	9,752,065	7,933,035	8,340,522	9,238,420
Total business-type activities net position	\$ 28,698,151	\$ 31,574,311	\$ 34,697,313	\$ 35,616,615	\$ 35,930,958	\$ 43,453,191	\$ 42,708,039	\$ 40,829,026	\$ 41,236,549	\$ 41,097,810
<b>Primary government</b>										
Net investment in capital assets	54,519,178	55,326,949	57,047,924	52,107,470	52,708,583	61,702,839	64,089,065	62,987,452	64,314,657	65,651,009
Restricted	2,452,322	1,827,736	895,584	1,709,659	2,342,332	1,622,944	1,743,672	2,124,875	1,793,293	1,967,706
Unrestricted	(13,917,238)	(11,128,352)	(8,425,982)	(1,952,980)	2,235,956	(151,467)	(11,848)	(3,457,102)	2,287,168	4,125,464
Total primary government net position	\$ 43,054,262	\$ 46,026,333	\$ 49,517,526	\$ 51,864,149	\$ 57,286,871	\$ 63,174,316	\$ 65,820,889	\$ 61,655,225	\$ 68,395,118	\$ 71,744,179
<b>School Board Component Unit</b>										
Net investment in capital assets	\$ 41,067,451	\$ 40,107,227	\$ 39,518,141	\$ 39,741,364	\$ 38,791,483	\$ 38,119,862	\$ 37,224,991	\$ 36,571,516	\$ 36,148,835	\$ 35,391,084
Restricted	177,285	177,222	56,579	-	-	-	-	-	-	-
Unrestricted	(36,603)	(224,865)	(648,481)	(718,197)	(824,406)	(1,329,615)	(2,172,690)	(33,145,847)	(32,811,413)	(32,273,726)
Total governmental activities net position	\$ 41,208,133	\$ 40,059,584	\$ 38,926,239	\$ 39,023,167	\$ 37,967,077	\$ 36,790,247	\$ 35,052,301	\$ 3,425,669	\$ 3,337,422	\$ 3,117,358

Notes:

(1) The City implemented net pension liability reporting in fiscal year 2015 as required by GASB 68.

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

Table 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,941,896	\$ 3,588,200	\$ 3,513,547	\$ 3,287,456	\$ 3,483,499	\$ 3,488,784	\$ 3,613,629	\$ 7,015,817	\$ 9,900,958	\$ 10,482,872
Judicial administration	1,379,141	1,467,058	1,343,998	1,382,610	1,375,669	1,541,889	1,530,639	1,478,788	1,393,274	1,501,243
Public safety	9,810,982	9,881,777	9,828,150	10,117,442	10,543,735	11,041,793	10,965,288	10,962,888	10,574,111	11,404,402
Public works	7,110,417	7,537,332	6,577,485	6,868,683	4,888,803	7,084,792	6,832,130	5,690,103	6,813,144	7,233,241
Health and welfare	3,986,651	4,331,885	3,654,529	3,814,915	3,960,411	3,896,292	4,852,427	5,375,620	5,455,336	5,455,336
Education	11,220,709	11,160,168	12,095,786	12,613,857	12,474,733	12,952,643	13,442,240	13,845,320	13,275,982	15,501,962
Parks, recreation and culture	2,571,051	2,735,276	2,624,705	2,190,791	2,955,145	2,852,606	2,911,705	2,904,112	2,935,329	2,808,386
Community development	1,217,097	1,960,369	2,045,703	2,556,858	1,497,846	688,295	91,647	1,352,385	644,256	1,292,122
Interest on long-term debt	1,415,580	1,528,816	1,530,649	1,453,059	1,477,542	1,605,156	1,453,602	1,633,675	1,100,085	981,433
Total governmental activities expenses	42,653,524	44,190,881	43,214,552	44,285,671	42,657,383	45,132,250	45,693,322	50,258,508	51,962,566	56,660,997
Business-type activities:										
Water	2,537,545	3,193,050	3,079,569	3,084,115	3,004,078	3,078,347	3,297,434	3,101,533	2,946,249	3,792,452
Sewer	3,380,232	3,809,431	3,996,227	4,335,813	4,469,768	5,340,416	5,741,003	5,418,648	5,452,764	5,498,658
Landfill Operations	772,907	2,194,854	1,039,018	423,090	414,018	688,241	714,131	626,565	610,135	751,715
Garbage	1,131,628	1,018,808	910,371	957,700	1,104,390	1,011,546	1,070,287	1,085,308	909,655	1,039,989
Stormwater	-	-	-	-	-	-	-	-	917,556	637,709
Total business-type activities expenses	7,822,312	10,216,143	9,025,185	8,800,718	8,992,254	10,118,550	10,822,855	10,232,054	10,836,359	11,720,523
Total primary government expenses	\$ 50,475,836	\$ 54,407,024	\$ 52,239,737	\$ 53,086,389	\$ 51,649,637	\$ 55,250,800	\$ 56,516,177	\$ 60,490,562	\$ 62,798,925	\$ 68,381,520
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	22,826	26,269	24,446	25,148	40,182	36,338	30,922	22,921	12,239	13,226
Judicial administration	172,295	167,312	147,024	170,118	197,290	212,018	226,112	281,363	207,183	160,160
Public safety	12,300	17,923	21,189	35,325	436,082	268,103	327,960	305,586	377,559	363,657
Public works	23,153	45,487	15,874	15,738	22,500	17,627	18,052	53,749	14,083	18,651
Health and welfare	-	-	-	69,765	69,765	143,038	87,250	87,250	87,250	110,564
Parks, recreation and culture	319,154	308,305	353,479	369,128	394,767	327,945	250,997	251,192	251,196	264,999
Community development	262,748	193,518	200,676	168,425	155,923	225,882	219,301	184,136	228,503	209,253
Operating grants and contributions	7,046,973	7,681,113	7,389,284	8,171,171	7,444,708	8,326,003	8,524,997	12,307,578	15,122,085	16,417,961
Capital grants and contributions	21,274	380,641	585,973	1,437,657	368,431	180,832	1,321,893	667,397	942,253	1,247,986
Total governmental activities revenues	7,860,723	8,820,568	8,737,945	10,462,475	9,129,648	9,737,786	11,007,484	14,161,172	17,242,351	18,806,457
Business-type activities:										
Charges for services:										
Water	2,148,094	2,287,371	2,653,141	2,659,951	2,835,835	3,457,578	3,595,736	3,602,682	3,573,258	3,802,813
Sewer	3,654,850	3,377,798	3,747,884	4,051,980	5,156,159	5,086,599	5,382,235	5,368,271	5,312,609	5,654,003
Landfill operations	950,049	763,988	681,827	971,976	670,726	781,904	626,250	690,095	731,978	706,647
Garbage	970,030	1,054,859	1,122,743	1,128,021	1,128,637	1,124,421	1,196,942	1,194,867	1,161,423	1,175,056
Stormwater	-	-	-	-	-	-	-	-	1,200,963	1,247,386
Operating grants and contributions	-	-	5,125	5,910	5,000	7,216	6,366	6,357	8,558	6,192
Capital grants and contributions	777,586	6,712,151	3,279,541	1,417,616	155,346	21,275	282,689	64,170	22,000	102,535
Total business-type activities revenues	8,500,609	14,196,167	11,490,261	10,235,454	9,948,703	10,458,993	11,090,218	10,926,442	12,010,789	12,694,632
Total primary government revenues	\$ 16,381,332	\$ 23,016,735	\$ 20,228,206	\$ 20,697,929	\$ 19,076,351	\$ 20,196,779	\$ 22,097,702	\$ 25,087,614	\$ 29,253,140	\$ 31,501,089

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (34,772,801)	\$ (35,370,313)	\$ (34,476,607)	\$ (33,823,196)	\$ (33,527,735)	\$ (35,394,464)	\$ (34,685,838)	\$ (36,097,336)	\$ (34,720,215)	\$ (37,854,540)
Business-type activities	678,297	3,980,024	2,465,076	1,434,736	954,449	340,443	267,363	694,388	1,174,430	974,109
Total primary government net expense	<u>\$ (34,094,504)</u>	<u>\$ (31,390,289)</u>	<u>\$ (32,011,531)</u>	<u>\$ (32,388,460)</u>	<u>\$ (32,573,286)</u>	<u>\$ (35,054,021)</u>	<u>\$ (34,418,475)</u>	<u>\$ (35,402,948)</u>	<u>\$ (33,545,785)</u>	<u>\$ (36,880,431)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	17,012,250	17,072,546	17,424,487	17,778,371	19,820,066	18,527,350	18,864,334	19,228,131	19,577,555	20,084,623
Sales taxes	4,673,601	4,611,094	4,276,967	4,489,608	4,856,522	4,818,357	4,939,849	5,548,840	5,493,561	5,396,441
Utility taxes	1,069,158	1,039,426	1,022,522	1,025,014	1,004,623	1,031,726	1,030,193	1,041,682	1,032,821	1,030,149
Business license taxes	2,095,063	1,971,825	1,795,885	1,822,607	1,935,728	2,050,853	1,997,600	2,068,303	2,206,222	2,130,404
Hotel and meals taxes	2,726,913	2,844,749	2,878,449	3,276,948	4,037,742	4,259,246	4,448,874	4,751,154	4,970,141	5,109,283
Communication sales taxes	1,489,033	1,352,919	1,358,560	-	-	-	-	-	-	-
Tobacco taxes	432,587	414,921	392,881	394,680	416,691	398,681	378,197	378,828	370,607	357,547
Other local taxes	770,915	793,431	828,617	834,833	776,681	842,557	853,752	908,019	905,552	966,863
Unrestricted grants and contributions	3,895,364	2,920,104	2,900,125	4,109,897	4,034,685	4,120,323	4,215,912	4,796,487	5,043,586	4,190,347
Payment from Component Unit School Board	569,901	540,069	315,789	200,000	200,000	200,000	200,000	200,000	-	-
Investment earnings	706,362	252,686	314,491	244,466	113,331	145,171	136,103	142,359	165,902	293,209
Miscellaneous	626,028	403,882	458,724	392,858	680,575	535,939	476,393	297,710	410,838	552,364
Gain(loss) on sale of capital assets	71,525	-	3,655	22,602	37,470	19,388	(10,564)	15,280	9,814	33,913
Special items	-	-	-	-	-	-	-	6,359,697	-	-
Transfers	254,744	1,248,572	711,774	644,665	722,000	648,000	855,795	678,000	865,986	1,197,197
Total governmental activities	<u>36,393,444</u>	<u>35,486,224</u>	<u>34,682,926</u>	<u>35,236,549</u>	<u>38,636,114</u>	<u>37,597,591</u>	<u>38,386,438</u>	<u>46,414,490</u>	<u>41,052,585</u>	<u>41,342,340</u>
Business-type activities:										
Investment earnings	540,849	140,797	12,731	33,932	37,849	37,539	39,093	38,771	46,249	49,018
Miscellaneous	17,164	15,005	22,549	95,299	44,045	41,976	26,572	185,139	52,611	21,862
Gain(loss) on sale of capital assets	6,460	(11,094)	-	-	-	-	90,530	10,342	219	13,469
Transfers	(254,744)	(1,248,572)	(711,774)	(644,665)	(722,000)	(648,000)	(855,795)	(678,000)	(865,986)	(1,197,197)
Total business-type activities	<u>309,729</u>	<u>(1,103,864)</u>	<u>(676,494)</u>	<u>(515,434)</u>	<u>(640,106)</u>	<u>(568,485)</u>	<u>(699,600)</u>	<u>(443,748)</u>	<u>(766,907)</u>	<u>(1,112,848)</u>
Total primary government	<u>\$ 36,703,173</u>	<u>\$ 34,382,360</u>	<u>\$ 34,006,432</u>	<u>\$ 34,721,115</u>	<u>\$ 37,996,008</u>	<u>\$ 37,029,106</u>	<u>\$ 37,686,838</u>	<u>\$ 45,970,742</u>	<u>\$ 40,285,678</u>	<u>\$ 40,229,492</u>
<b>Change in Net Position</b>										
Governmental activities	1,620,643	95,911	206,319	1,413,353	5,108,379	2,203,127	3,700,600	10,317,154	6,332,370	3,487,800
Business-type activities	988,026	2,876,160	1,788,582	919,302	314,343	(228,042)	(432,237)	250,640	407,523	(138,739)
Total primary government	<u>\$ 2,608,669</u>	<u>\$ 2,972,071</u>	<u>\$ 1,994,901</u>	<u>\$ 2,332,655</u>	<u>\$ 5,422,722</u>	<u>\$ 1,975,085</u>	<u>\$ 3,268,363</u>	<u>\$ 10,567,794</u>	<u>\$ 6,739,893</u>	<u>\$ 3,349,061</u>

cont'd

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

Table 2 (Cont'd)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
School Board Component Unit:										
Education	\$ 32,243,465	\$ 33,197,562	\$ 33,673,788	\$ 31,807,568	\$ 32,721,840	\$ 34,443,290	\$ 35,093,147	\$ 35,624,368	\$ 34,877,857	\$ 38,262,381
Total School Board component unit expenses	<u>32,243,465</u>	<u>33,197,562</u>	<u>33,673,788</u>	<u>31,807,568</u>	<u>32,721,840</u>	<u>34,443,290</u>	<u>35,093,147</u>	<u>35,624,368</u>	<u>34,877,857</u>	<u>38,262,381</u>
<b>Program Revenues</b>										
School Board Component Unit:										
Charges for services:										
Education	567,854	504,427	553,422	488,202	559,761	431,285	478,999	577,445	870,221	743,310
Operating grants and contributions	19,254,634	19,913,135	19,640,208	18,697,345	18,493,906	19,746,721	19,255,186	20,289,940	20,462,618	21,239,894
Capital grants and contributions	760,012	574,981	115,789	-	-	-	-	-	-	-
Total School Board component unit revenues	<u>20,582,500</u>	<u>20,992,543</u>	<u>20,309,419</u>	<u>19,185,547</u>	<u>19,053,667</u>	<u>20,178,006</u>	<u>19,734,185</u>	<u>20,867,385</u>	<u>21,332,839</u>	<u>21,983,204</u>
<b>Net (Expense)/Revenue</b>										
School Board Component Unit	<u>(11,660,965)</u>	<u>(12,205,019)</u>	<u>(13,364,369)</u>	<u>(12,622,021)</u>	<u>(13,668,173)</u>	<u>(14,285,284)</u>	<u>(15,358,962)</u>	<u>(14,756,983)</u>	<u>(13,545,018)</u>	<u>(16,279,177)</u>
<b>General Revenues and Other Changes in Net Position</b>										
School Board Component Unit:										
Payment from City of Waynesboro	10,804,096	10,896,054	12,065,383	12,583,454	12,444,330	12,920,240	13,411,837	13,812,917	13,239,886	15,465,866
Investment earnings	83,853	10,552	3,992	19,232	27,752	33,864	33,719	35,232	37,293	32,233
Miscellaneous	199,060	149,864	161,649	116,263	140,001	134,350	175,460	183,843	179,592	561,014
Total School Board Component Unit	<u>11,087,009</u>	<u>11,056,470</u>	<u>12,231,024</u>	<u>12,718,949</u>	<u>12,612,083</u>	<u>13,088,454</u>	<u>13,621,016</u>	<u>14,031,992</u>	<u>13,456,771</u>	<u>16,059,113</u>
<b>Change in Net Position</b>										
School Board Component Unit	<u>\$ (573,956)</u>	<u>\$ (1,148,549)</u>	<u>\$ (1,133,345)</u>	<u>\$ 96,928</u>	<u>\$ (1,056,090)</u>	<u>\$ (1,176,830)</u>	<u>\$ (1,737,946)</u>	<u>\$ (724,991)</u>	<u>\$ (88,247)</u>	<u>\$ (220,064)</u>

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

Table 3

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 715,167	\$ 892,304	\$ 1,807,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,280,974	9,402,818	8,849,322	-	-	-	-	-	-	-
Restricted	-	-	-	1,046,961	1,667,383	642,134	1,089,914	1,358,725	938,389	920,956
Committed	-	-	-	1,014,335	683,745	4,134,909	4,190,258	3,900,782	4,155,703	3,621,574
Assigned	-	-	-	123,126	1,277,007	526,948	319,698	502,899	167,899	302,517
Unassigned	-	-	-	8,204,385	11,385,888	8,923,216	9,054,972	9,761,313	11,058,122	9,323,445
<b>Total general fund</b>	<b>\$ 8,996,141</b>	<b>\$ 10,295,122</b>	<b>\$ 10,656,779</b>	<b>\$ 10,388,807</b>	<b>\$ 15,014,023</b>	<b>\$ 14,227,207</b>	<b>\$ 14,654,842</b>	<b>\$ 15,523,719</b>	<b>\$ 16,320,113</b>	<b>\$ 14,168,492</b>
<b>All Other Governmental Funds</b>										
Reserved	452,099	592,766	813,025	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	157,527	292,120	307,281	-	-	-	-	-	-	-
Capital projects funds	3,018,578	7,929,490	7,269,278	-	-	-	-	-	-	-
Debt service funds	1,759,592	1,040,748	180,303	-	-	-	-	-	-	-
Nonspendable	-	-	-	510,549	522,799	542,549	561,049	582,549	586,029	589,149
Restricted	-	-	-	5,478,065	3,617,202	2,479,482	1,599,807	391,432	358,415	530,099
Committed	-	-	-	926,958	487,621	1,033,646	246,579	386,498	903,444	2,711,980
Assigned	-	-	-	705,774	751,682	719,023	1,036,474	1,894,804	2,574,832	3,193,323
Unassigned	-	-	-	-	-	-	-	-	-	(909,269)
<b>Total all other governmental funds</b>	<b>\$ 5,387,796</b>	<b>\$ 9,855,124</b>	<b>\$ 8,569,887</b>	<b>\$ 7,621,346</b>	<b>\$ 5,379,304</b>	<b>\$ 4,774,700</b>	<b>\$ 3,443,909</b>	<b>\$ 3,255,283</b>	<b>\$ 4,422,720</b>	<b>\$ 6,115,282</b>

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

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

Table 4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
General property taxes	\$ 16,516,401	\$ 16,951,430	\$ 17,604,173	\$ 17,860,376	\$ 19,956,957	\$ 18,418,234	\$ 19,003,063	\$ 19,356,344	\$ 19,534,896	\$ 20,010,239
Sales taxes	4,673,601	4,611,094	4,276,967	4,489,608	4,856,522	4,818,357	4,939,849	5,548,840	5,493,561	5,396,441
Other local taxes	8,583,669	8,417,271	8,276,914	7,354,082	8,171,465	8,583,063	8,708,616	9,147,986	9,469,518	9,610,071
Permits, privilege fees and regulatory licenses	219,523	150,889	177,958	170,838	156,939	208,253	219,973	180,351	216,732	192,623
Fines and forfeitures	150,275	163,322	145,287	167,027	190,807	195,247	206,543	258,418	186,866	143,191
Revenues from use of money and property	870,168	329,146	372,488	310,851	155,142	195,246	181,754	196,296	223,189	337,182
Charges for services	403,498	361,624	396,579	387,367	439,765	389,346	304,491	343,875	320,243	331,122
Miscellaneous	462,222	327,422	450,724	322,391	510,028	355,209	373,154	5,157,768	8,186,878	8,431,437
Recovered costs	314,203	357,849	333,526	394,505	799,509	699,041	704,473	668,130	741,411	748,658
Intergovernmental	11,237,215	11,366,090	10,367,422	12,487,769	11,782,542	12,581,314	13,987,916	13,314,831	13,655,806	14,050,959
<b>Total revenues</b>	<b>43,430,775</b>	<b>43,036,137</b>	<b>42,402,038</b>	<b>43,944,814</b>	<b>47,019,676</b>	<b>46,443,310</b>	<b>48,629,832</b>	<b>54,172,839</b>	<b>58,029,100</b>	<b>59,251,923</b>
<b>Expenditures</b>										
General government administration	3,960,404	3,590,224	3,455,029	3,204,711	3,424,066	3,405,476	3,592,910	7,080,032	10,885,148	11,422,599
Judicial administration	1,308,577	1,374,825	1,244,498	1,307,187	1,295,198	1,472,117	1,455,629	1,453,153	1,493,599	1,474,245
Public safety	10,115,145	9,540,225	9,537,907	9,941,487	10,181,785	11,008,118	10,798,557	10,693,388	11,056,875	11,339,732
Public works	5,756,366	5,550,039	5,630,528	6,761,493	4,836,876	7,666,797	7,774,030	6,585,131	6,503,352	7,594,812
Health and welfare	3,979,258	4,323,371	3,647,964	3,805,952	3,953,428	3,887,883	4,843,683	5,395,565	5,410,066	5,467,008
Education (1)	11,220,709	11,160,168	12,095,786	12,113,857	12,474,733	12,950,643	13,442,240	13,845,320	13,275,982	15,501,962
Parks, recreation and culture	2,759,849	2,704,053	2,764,188	2,330,164	2,742,398	2,723,097	2,745,531	2,826,740	3,079,450	3,268,620
Community development	1,198,317	1,947,500	1,599,940	2,920,682	1,762,793	1,329,120	1,226,971	1,315,093	1,319,981	1,324,067
Capital projects	-	-	-	500,000	4,960,867	2,396	21,222	-	-	-
Debt service:										
Principal retirement	2,055,794	1,997,519	2,223,843	2,307,296	1,794,863	2,678,211	2,626,338	4,964,903	2,708,363	2,732,970
Interest and fiscal charges	1,274,495	1,568,976	1,588,914	1,499,775	1,522,276	1,634,500	1,540,320	2,360,894	1,136,227	1,056,435
Bond issuance costs	74,292	123,651	-	23,112	15,800	-	-	100,430	15,600	-
Redemption of debt	-	-	-	-	-	-	-	15,965,000	-	-
<b>Total expenditures</b>	<b>43,703,206</b>	<b>43,880,551</b>	<b>43,788,597</b>	<b>46,715,716</b>	<b>48,965,083</b>	<b>48,758,358</b>	<b>50,067,431</b>	<b>72,585,649</b>	<b>56,884,643</b>	<b>61,182,450</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(272,431)</b>	<b>(844,414)</b>	<b>(1,386,559)</b>	<b>(2,770,902)</b>	<b>(1,945,407)</b>	<b>(2,315,048)</b>	<b>(1,437,599)</b>	<b>(18,412,810)</b>	<b>1,144,457</b>	<b>(1,930,527)</b>



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Other Financing Sources (Uses)</b>										
Insurance recoveries	-	-	-	115,957	128,736	141,036	79,009	56,302	36,644	95,628
Refunding bonds issued	-	-	-	-	-	-	-	16,389,513	-	-
Debt issued	9,704,713	5,870,000	-	985,000	3,519,100	-	-	2,225,219	216,083	533,547
Premium on debt	394,877	139,199	-	14,567	-	-	-	742,144	-	-
Capital lease	-	-	-	32,718	-	278,806	-	-	-	-
Refunded bonds redeemed	(6,708,062)	-	-	-	-	-	-	-	-	-
Transfers in	2,485,276	2,652,677	2,402,169	3,734,651	3,539,351	4,818,149	4,820,987	4,211,415	5,417,342	6,607,459
Transfers out	(2,424,819)	(2,051,153)	(1,939,190)	(3,342,472)	(2,858,606)	(4,407,371)	(4,365,553)	(4,531,532)	(4,850,695)	(5,765,166)
Total other financing sources and uses	3,451,985	6,610,723	462,979	1,540,421	4,328,581	830,620	534,443	19,093,061	819,374	1,471,468
Net change in fund balances	\$ 3,179,554	\$ 5,766,309	\$ (923,580)	\$ (1,230,481)	\$ 2,383,174	\$ (1,484,428)	\$ (903,156)	\$ 680,251	\$ 1,963,831	\$ (459,059)
Debt service as a percentage of noncapital expenditures	8.1%	8.6%	8.9%	8.8%	7.8%	9.3%	9.0%	33.2%	7.0%	6.5%

Notes:

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

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

Table 5

Fiscal Year	Real Property (1)(3)				Personal Property (2)					Total Taxable Assessed Value		Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Rolling Stock	Tax Rate per \$100		
2008	\$ 1,345,440,737	\$ 328,682,000	\$ 77,021,271	\$ 0.70	\$ 89,306,919	\$ 5.00	\$ 180,604	\$ 5.00	\$ 55,169,022	\$ 3.00	\$ 697,368	\$ 3.00	\$ 1,962,012,744	96.66%
2009	1,373,023,934	374,581,700	75,009,122	0.70	94,533,504	5.00	205,781	5.00	40,263,315	3.00	904,972	3.00	2,027,197,586	96.61%
2010	1,379,263,067	478,952,000	71,816,305	0.70	150,126,941	5.00	250,296	5.00	36,118,308	3.00	787,070	3.00	2,178,833,278	97.18%
2011	1,429,091,737	444,059,100	80,980,848	0.70	157,670,813	5.00	231,250	5.00	23,683,493	3.00	786,156	3.00	2,202,136,392	97.02%
2012	1,308,385,664	426,129,100	83,303,561	0.75	96,414,492	5.00	254,081	5.00	23,476,451	3.00	729,408	3.00	2,005,091,948	96.69%
2013	1,315,419,967	426,330,400	93,455,183	0.75	100,131,159	5.00	93,205	5.00	36,141,279	3.00	825,558	3.00	2,041,974,715	96.59%
2014	1,228,790,935	428,846,000	105,729,192	0.80	102,653,018	5.00	194,265	5.00	35,384,762	3.00	700,558	3.00	1,972,346,376	96.45%
2015	1,237,499,214	440,617,500	100,000,407	0.80	107,481,558	5.00	221,268	5.00	36,083,097	3.00	884,170	3.00	1,994,917,925	96.38%
2016	1,272,771,849	424,794,500	101,047,914	0.80	109,676,225	5.00	189,109	5.00	37,017,769	3.00	757,350	3.00	2,020,597,423	96.32%
2017	1,282,429,807	429,112,500	110,025,904	0.80	114,423,092	5.00	159,022	5.00	36,363,961	3.00	1,169,610	3.00	2,052,101,439	96.18%

## Notes:

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

## Source:

City of Waynesboro, Assessor's Office

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

Table 6

Fiscal Year	City Direct Rates (2)			Total Direct Rate
	Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	
2008	0.65	0.24	0.09	0.98
2009	0.65	0.24	0.06	0.95
2010	0.64	0.35	0.05	1.04
2011	0.64	0.37	0.03	1.04
2012	0.70	0.25	0.04	0.99
2013	0.70	0.25	0.05	1.01
2014	0.74	0.27	0.06	1.07
2015	0.74	0.28	0.06	1.08
2016	0.74	0.28	0.06	1.08
2017	0.74	0.29	0.06	1.08

## Notes:

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

## Source:

City of Waynesboro, Assessor's Office

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

Table 7

<u>Taxpayer</u>	December 31, 2016			December 31, 2007		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Avintiv/Poly-Bond, Inc.	\$ 36,157,012	1	3.70%	\$ 22,016,805	2	1.61%
Ntelos	21,731,483	2	2.80%	-	-	-
Invista/DuPont	19,828,662	3	1.57%	65,642,919	1	4.79%
Waynesboro TC LLC	26,229,112	4	1.02%	-	-	-
Lumos	3,967,357	5	0.97%	-	-	-
Walmart	19,705,528	6	0.93%	17,947,565	3	1.31%
Windigrove LLC	20,859,800	7	0.81%	-	-	-
Lowe's Home Center	12,743,801	8	0.68%	13,404,522	4	0.98%
DuPont Community Credit Union	10,703,240	9	0.65%	3,409,107	10	0.25%
Target	12,233,847	10	0.58%	-	-	-
Waynesboro Plaza, LLC	-	-	-	11,606,200	5	0.85%
HD Development of Maryland	-	-	-	10,655,700	6	0.78%
WT Acquisitions	-	-	-	8,747,500	7	0.64%
Augusta Lumber	-	-	-	6,968,632	8	0.51%
Allied Ready Mix Co.	-	-	-	3,869,260	9	0.28%
Total	<u>\$ 184,159,842</u>		<u>13.71%</u>	<u>\$ 164,268,210</u>		<u>12.00%</u>

Source:

City of Waynesboro, Commissioner of the Revenue

Notes:

(1) Taxpayers are ranked based on total dollar value of taxes paid.

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$ 18,270,937	\$ (101,101)	\$ 18,169,836	\$ 17,685,561	96.80%	\$ 486,566	\$ 18,172,127	100.01%
2009	18,591,502	(84,579)	18,506,923	17,868,396	96.11%	635,333	18,503,729	99.98%
2010	18,947,394	(55,835)	18,891,559	18,344,884	96.82%	535,398	18,880,282	99.94%
2011	19,072,989	(38,947)	19,034,042	18,584,504	97.44%	443,821	19,028,325	99.97%
2012	19,079,144	(29,186)	19,049,958	18,708,395	98.06%	326,438	19,034,833	99.92%
2013	19,811,574	(21,264)	19,790,310	19,331,996	97.58%	401,511	19,733,507	99.71%
2014	20,238,326	(21,218)	20,217,108	19,814,287	97.90%	334,946	20,149,233	99.66%
2015	20,602,887	957	20,603,844	20,291,309	98.49%	229,786	20,521,095	99.60%
2016	20,926,459	(5,039)	20,921,420	20,634,703	98.61%	157,028	20,791,731	99.38%
2017	21,305,548	-	21,305,548	20,990,103	98.52%	-	20,990,103	98.52%

Source:  
City of Waynesboro, Treasurer

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

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

Table 9

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Loans	Notes Payable (2)	Capital Leases	General Obligation Bonds	Sewer Revenue Bonds	Virginia Revolving Loan				
2008	\$ 29,101,121	\$ 3,000,000	\$ -	\$ 14,461	\$ 13,740,000	\$ 2,972,122	\$ 6,126,042	\$ 54,953,746	8.03%	2,561	
2009	33,229,771	2,750,000	-	8,292	13,515,000	19,233,595	5,882,666	74,619,324	10.12%	3,399	
2010	31,262,509	2,500,000	-	1,711	13,280,000	26,900,278	5,631,935	79,576,433	11.44%	3,578	
2011	30,191,923	2,250,000	-	32,718	15,345,000	21,149,556	5,373,625	74,342,822	10.41%	3,539	
2012	32,182,639	2,000,000	-	16,240	15,015,000	20,575,114	5,107,508	74,896,501	10.30%	3,514	
2013	30,566,794	1,750,000	3,201,542	228,806	14,670,000	19,556,559	4,833,347	74,807,048	9.61%	3,544	
2014	29,076,458	1,500,000	2,423,847	120,499	14,310,000	19,507,164	4,550,900	71,488,868	8.88%	3,362	
2015	29,552,306	1,250,000	-	3,108	13,835,487	19,170,953	4,259,916	68,071,770	7.92%	3,186	
2016	27,313,134	1,000,000	-	-	13,422,539	18,753,439	3,960,137	64,449,249	7.50%	2,999	
2017	25,363,711	750,000	-	-	13,007,540	18,020,115	3,651,297	60,792,663	6.97%	2,778	

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

Notes:

- (1) See the Schedule of Demographic and Economic Statistics on page 117 for personal income and population data.
- (2) Beginning in 2013, the Economic Development Authority was presented as a blended component unit.

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

Table 10

Fiscal Year	General Bonded Debt						Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	State Literary Loans	Notes Payable (3)	Less: Amounts Available in Debt Service Fund		Net General Bonded Debt Outstanding		
				Total				
2008	\$ 29,101,121	\$ 3,000,000	\$ -	\$ -	\$ 1,759,592	\$ 30,341,529	1.55%	1,414
2009	33,229,771	2,750,000	-	-	1,040,748	34,939,023	1.72%	1,592
2010	31,262,509	2,500,000	-	-	180,303	33,582,206	1.54%	1,510
2011	30,191,923	2,250,000	-	-	274,008	32,167,915	1.46%	1,531
2012	32,182,639	2,000,000	-	-	306,182	33,876,457	1.69%	1,590
2013	30,566,794	1,750,000	3,201,542	-	152,190	35,366,146	1.73%	1,676
2014	29,076,458	1,500,000	2,423,847	-	-	33,000,305	1.67%	1,552
2015	29,552,306	1,250,000	-	-	4,402	30,797,904	1.54%	1,441
2016	27,313,134	1,000,000	-	-	4,405	28,308,729	1.40%	1,317
2017	25,363,711	750,000	-	-	4,405	26,109,306	1.27%	1,193

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

Notes:

- (1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 108 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 117.
- (3) Beginning in 2013, the Economic Development Authority was presented as a blended component unit.

**CITY OF WAYNESBORO, VIRGINIA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)**  
**As of June 30, 2017**

Table 11

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Waynesboro</u>	<u>Amount Applicable to City of Waynesboro</u>
City of Waynesboro	\$ 26,113,711	100%	\$ 26,113,711

## Notes:

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



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

Table 12

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 175,114,401	\$ 182,261,476	\$ 193,003,137	\$ 195,413,169	\$ 181,781,833	\$ 183,520,555	\$ 176,336,613	\$ 177,811,712	\$ 179,861,426	\$ 182,156,821
Total net debt applicable to limit	<u>50,207,571</u>	<u>54,336,689</u>	<u>52,494,141</u>	<u>52,886,540</u>	<u>53,998,965</u>	<u>54,869,493</u>	<u>51,861,205</u>	<u>48,893,307</u>	<u>45,691,405</u>	<u>42,768,143</u>
Legal debt margin	\$ 124,906,830	\$ 127,924,787	\$ 140,508,996	\$ 142,526,629	\$ 127,782,868	\$ 128,651,062	\$ 124,475,408	\$ 128,918,405	\$ 134,170,021	\$ 139,388,678
Total net debt applicable to the limit as a percentage of debt limit	28.67%	29.81%	27.20%	27.06%	29.71%	29.90%	29.41%	27.50%	25.40%	23.48%
<b>Legal Debt Margin Calculation for Fiscal Year 2017</b>										
Assessed Value of Real Property										\$ 1,821,568,211
Debt Limit - 10%										<u>182,156,821</u>
Debt Applicable to Limit:										
General obligation debt										42,772,548
Less: Amount set aside for repayment of general obligation debt										<u>(4,405)</u>
Total net debt applicable to limit										<u>42,768,143</u>
Legal Debt Margin										<u>\$ 139,388,678</u>

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

**CITY OF WAYNESBORO, VIRGINIA**  
**PLEDGED-REVENUE COVERAGE**  
**Last Ten Fiscal Years**

Table 13

Fiscal Year	Sewer Revenue Bonds						
	Sewer Charges	Less: Operating	Net Available	Debt Service		Coverage	
	and Other (1)	Expenses (2)	Revenue	Principal	Interest		
2008	\$ 3,681,685	\$ 1,784,424	\$ 1,897,261	\$ -	\$ -	(3)	N/A
2009	3,394,191	2,094,784	1,299,407	-	39,997		32.49
2010	3,755,032	2,178,984	1,576,048	60,000	101,181		9.78
2011	4,091,496	2,306,988	1,784,508	435,622	98,450		3.34
2012	5,203,047	2,167,385	3,035,662	780,021	849,756		1.86
2013	5,095,721	2,575,558	2,520,163	1,018,555	613,747		1.54
2014	5,408,414	2,659,610	2,748,804	817,036	812,515		1.69
2015	5,394,218	2,264,042	3,130,176	2,170,626	787,477		1.06
2016	5,352,566	2,373,561	2,979,005	910,735	753,579		1.79
2017	5,683,109	2,403,328	3,279,781	963,476	729,373		1.94

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

Notes:

- (1) Sewer charges and other includes investment earnings.
- (2) Operating expenses do not include interest or depreciation.
- (3) No debt service payments were scheduled in this period.

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

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age	Educational attainment (4)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
2008	21,454	637,656	29,722	38.9	77.9%	20.6%	3,007	4.50%
2009	21,953	684,077	31,161	40.6	77.9%	20.6%	2,999	9.00%
2010	22,241	737,534	33,161	40.6	77.9%	20.6%	3,024	8.60%
2011	21,006	695,593	33,114	38.8	78.9%	21.7%	3,102	7.10%
2012	21,311	713,961	33,502	38.8	81.2%	21.8%	3,079	7.10%
2013	21,107	726,968	34,442	38.8	82.4%	21.1%	3,010	6.50%
2014	21,263	778,163	36,597	38.8	82.2%	22.3%	3,024	5.50%
2015	21,366	804,730	37,664	38.8	83.6%	19.1%	3,048	5.30%
2016	21,491	859,645	40,000	38.8	84.6%	19.0%	3,033	4.00%
2017	21,887	872,320	39,856	*	84.9%	18.4%	3,013	4.20%

## Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) U.S. Census Bureau - Data presented is percentage of persons 25 years or older attaining the described educational status
- (5) City of Waynesboro School Board.
- \* Median age info not available

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

Table 15

<u>Employer</u>	<u>2017 (1)</u>			<u>2008 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Waynesboro School Board	500-999	1	4.98%	500-999	2	4.98%
Walmart	250-499	2	2.49%	250-499	6	2.49%
Invista/Dupont	250-499	3	2.49%	500-999	1	4.98%
City of Waynesboro	250-499	4	2.49%	250-499	3	2.49%
Lumos	250-499	5	2.49%			
Shentel Management Company	100-249	6	1.00%			
Chicopee Incorporated	100-249	7	1.00%	100-249	10	1.00%
Adecco	100-249	8	1.00%	100-249	8	1.00%
Virginia Panel Corporation	100-249	9	1.00%			
Kroger	100-249	10	1.00%			
Ntelos				250-499	4	2.49%
Mundy Maintenance Service				250-499	5	2.49%
Mohawk				250-499	7	2.49%
Augusta Lumber				100-249	9	1.00%
Total	<u>2,000</u>		<u>19.93%</u>	<u>2,550</u>		<u>26.09%</u>

Source: Virginia Employment Commission

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

Notes:

(1) Data is for January, February, and March of 2017 and 2008, respectively.

**CITY OF WAYNESBORO, VIRGINIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

Table 16

<u>Function/Program</u>	Full-Time Equivalent Employees as of June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government administration	48.5	39.8	41.5	31.2	33.5	30.2	31.0	31.6	32.7	33.8
Judicial administration	5.2	9.4	9.3	8.4	8.9	9.2	9.2	8.9	9.7	9.5
Public safety:										
Police	70.1	73.3	67.7	65.4	68.1	65.0	63.8	65.7	65.9	67.8
Fire	36.7	37.1	37.4	37.0	38.5	37.4	35.5	38.1	38.5	37.4
Correction and detention	20.9	18.5	14.7	15.3	16.6	15.6	13.1	12.0	12.0	12.3
Building inspections	6.6	6.4	5.6	5.8	5.4	5.9	5.8	5.6	5.8	5.9
Emergency management	18.7	17.4	16.8	17.3	22.7	22.9	24.6	23.1	24.8	26.2
Animal control	1.1	1.1	1.1	1.0	5.4	7.4	8.3	8.3	9.3	10.8
Public works:										
General engineering/administrative	31.3	49.9	44.3	44.4	45.4	41.8	40.9	40.9	21.0	24.7
Building and grounds	10.5	11.1	12.6	31.3	6.4	8.0	8.3	8.7	7.0	6
Equipment rental	9.3	9.1	8.4	0.0	6.8	6.7	6.8	7.2	7.2	6.4
Waterworks	17.7	24.3	24.3	21.9	24.2	28.2	29.6	27.8	27.9	29.5
Sewage/collection	41.4	41.5	41.5	43.1	46.4	31.9	35.3	35.5	36.0	31.9
Sanitation	36.7	60.0	33.4	32.2	31.4	28.7	29.0	31.4	28.7	29
Stormwater	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.2	7.2
Parks, recreation and cultural:										
Parks	32.1	1.1	1.1	1.1	8.4	7.9	7.3	7.3	23.1	24.8
Library	17.1	16.4	15.7	15.6	15.5	15.0	14.8	14.5	14.5	14.5
Community development	5.7	6.1	5.6	5.2	6.1	5.9	6.2	6.2	5.9	5.9
Schools	539.3	486.0	488.0	485.0	484.0	482.0	488.0	480.0	484.0	490.0
<b>Total</b>	<b>948.9</b>	<b>908.5</b>	<b>869.0</b>	<b>861.2</b>	<b>873.7</b>	<b>849.6</b>	<b>857.4</b>	<b>852.8</b>	<b>862.1</b>	<b>873.6</b>

Source: City and School Finance Departments

Stormwater information will be added until 10 years of comparable information is available.

**CITY OF WAYNESBORO, VIRGINIA**  
**OPERATING INDICATORS BY FUNCTION**  
**Last Ten Fiscal Years**

Table 17

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Building &amp; Zoning</b>										
Building permits issued (total)	1,185	714	772	730	946	968	875	874	957	955
Building inspections conducted (total)	3,339	1,757	1,716	1,593	1,587	2,179	2,502	2,522	2,431	2,523
New residential construction	71	51	42	28	29	63	48	40	41	31
New commercial construction	22	7	7	2	4	12	4	8	5	5
Zoning permits issued	165	97	114	112	146	140	114	112	110	130
Property Maintenance Cases	128	135	160	340	307	357	340	320	334	259
Property Maintenance Inspections	240	272	248	667	661	865	776	654	676	523
<b>Economic Development (1)</b>										
Business prospects	35	17	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Development inquiries	54	25	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Planning</b>										
Conditional use permits	9	5	3	5	4	5	2	4	2	1
Rezoning requests	5	3	0	0	0	2	2	2	2	1
Major subdivision reviews	11	5	1	1	1	1	1	0	1	4
Minor subdivision reviews	13	10	12	12	9	2	8	11	10	12
Vacate streets/alleys	2	2	2	3	2	0	1	1	1	0
<b>Public Safety</b>										
Arrests	2,575	2,602	2,390	2,099	2,414	2,134	2,051	1,651	2,364	1,938
Parking violations	848	631	702	696	592	133	263	750	296	487
Traffic citations	2,942	3,319	1,707	1,700	2,131	1,800	1,920	2,269	1,368	986
<b>Judicial - Circuit Court</b>										
Civil and criminal cases	843	844	1,137	890	958	910	1,001	1,300	1,173	1,386
Deeds recorded	4,096	3,426	3,268	2,764	2,381	2,724	3,162	2,570	2,491	2,701
Judgments	958	1,129	1,023	958	1,019	943	974	993	842	830
Passports issued	881	672	616	631	628	777	927	1,059	1,523	1,722
<b>Library</b>										
Total collection	177,135	169,977	155,212	151,038	148,050	152,829	153,022	147,030	146,927	127,906
Total circulation	306,339	320,129	318,703	294,945	267,440	309,659	317,896	307,630	309,672	311,735
Visitors/patrons	217,607	227,291	224,540	215,458	166,207	167,314	183,023	172,459	162,191	158,200
<b>Public Works</b>										
Meters placed for new construction	134	68	56	48	35	43	51	58	46	29
Meters replaced	1,196	1,084	173	155	179	724	853	1,684	613	1,280
<b>Education</b>										
Number of teachers, Elementary (K-5)	172	173	175	179	172	179	169	161	160	164
Number of teachers, Secondary (6-12)	90	87	82	85	80	82	78	79	80	78
Number of teachers, District-Wide (K-12)	9	9	14	11	12	11	11	10	10	10
Number of students, District-Wide (K-12)	3,007	2,999	3,024	3,102	3,079	3,010	3,024	3,048	3,033	3,013

Source: Various Departments in the City

Notes:

(1) The Economic Development Director stopped tracking this information beginning in FY2010

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

Table 18

<b>Function</b>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Safety</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units (1)	12	12	12	12	10	13	10	10	10	10
Fire Stations	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Streets (miles)	116.18	116.96	117.1	117.24	117.24	117.24	117.24*	119.15#	125.69	125.69
Water lines (miles)	115.69	116.92	116.92	117.4	117.4	117.4	117.4*	149.02#	149.02	155
Fire hydrants	778	800	804	808	808	809	809*	729#	736	745
Waste water treatment plants	1	1	1	1	1	1	1	1	1	1
Sanitary sewers (miles)	105.36	107	108.02	108.04	108.04	108.04	108.04*	130.72#	130.72	135
<b>Parks, Recreation &amp; Cultural</b>										
Parks	5	5	5	5	5	5	5	5	5	6
Acreage	365	365	365	365	365	365	365	365	365	367

Source: Various Departments in the City

Notes:

(\*) Updated data not available for fiscal year 2014.

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## ***COMPLIANCE SECTION***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Virginia (the "City") as of and for the year ended June 30, 2017, 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 29, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. 08-1 and 17-1.

**Compliance and Other Matters**

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

We noted certain matters that we reported to the City's management in a separate letter dated November 29, 2017.

**City's Response to Findings**

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

**Purpose of this Report**

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

*Didawick & Company, P.C.*

November 29, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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

We have audited the City of Waynesboro, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB 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, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards 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; the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Didawick & Company, P.C.*

November 29, 2017

**CITY OF WAYNESBORO, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017**

**I. SUMMARY OF THE AUDITORS' RESULTS**

- a. The auditors' report expresses an unmodified opinion on the financial statements of the City of Waynesboro.
- b. Two deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Items 08-1 and 17-1 are reported as a material weakness.
- c. No instances of noncompliance material to the financial statements of the City of Waynesboro were disclosed during the audit.
- d. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
- e. The auditors' report on compliance for the major federal award programs for the City of Waynesboro expresses an unmodified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this Schedule.
- g. The programs tested as major programs included:
 

	<u>CFDA No.</u>
i. <u>Nutrition Cluster:</u>	
School Breakfast Program	10.553
National School Lunch Program	10.555
ii. Highway Planning and Construction	20.205
iii. Community Services Block Grant	93.569
iv. Special Education – Grants to States	84.027
- h. The threshold for distinguishing Type A and B programs was \$750,000.
- i. The City of Waynesboro was not determined to be a low-risk auditee.

**II. FINDINGS – FINANCIAL STATEMENTS AUDIT**

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

*Condition:*

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

*Criteria:*

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

*Cause:*

Internal controls over financial reporting under GAAP were inadequately designed.

*Effect:*

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

*Recommendation:*

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

**CITY OF WAYNESBORO, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017**

**II. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)**

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

*City Response:*

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

*School Board Response:*

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

**17-1 Cash Disbursements – City (Material Weakness)**

*Condition:*

The City employees can entirely circumvent internal controls in place over cash disbursements. No adequate compensating controls mitigate this issue or limit its effect.

*Criteria:*

A system of internal controls over financial reporting includes controls over the disbursement of funds. Client personnel should not be able to unilaterally disburse funds with no approval or oversight.

*Cause:*

Internal controls over cash disbursement were inadequately designed.

*Effect:*

Because of the inability of the City's system of internal controls to prevent potentially unauthorized disbursements, a significant quantity of disbursements were made without documented approval.

*Recommendation:*

The City should reconfigure the abilities of its personnel in the electronic general ledger system to prevent unilateral disbursement of funds.

*City Response:*

The City invested funds into an enterprise wide software system, Munis, to eliminate duplicate efforts, streamline processes and assure the citizens greater efficiencies of governmental resources. The City went live with the financial module in May 2017. At the time of audit, the Finance Office worked in the production atmosphere for only a few months and did not consider the lack of workflow approvals on one new functionality, the import feature for invoice payment. This feature is a separate process that only the AP Technician can perform; all other payables require multiple layers of approval. This is the only disbursement method which does not have a separate approval workflow and only affected a limited number of accounts payables. There are several compensating factors for disbursements including, but not limited to: system access for enabling specific personnel the ability to write checks, key fob access to First Bank, positive pay access at First Bank, and keyholder responsibility for printing the checks. However, we agree that one employee has all of these accesses and consequently, the ability to unilaterally disburse funds without additional approval. Therefore, we are instituting two changes: (1) the positive pay ability will be transferred to the City Treasurer for both Accounts Payable and Payroll and (2) all imported invoices will have approvals other than the AP Technician.

**III. FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

None

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

None



**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2017**

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<b><u>DEPARTMENT OF AGRICULTURE:</u></b>			
<b><u>Pass-Through Programs:</u></b>			
<b><u>Department of Agriculture and Consumer Services:</u></b>			
Nutrition Cluster:			
National School Lunch Program - non-cash commodities	10.555	N/A	\$ 82,220
<b><u>Department of Defense:</u></b>			
Nutrition Cluster:			
Fresh Fruit and Vegetable Program	10.582	N/A	26,999
<b><u>Department of Education:</u></b>			
Nutrition Cluster:			
School Breakfast Program	10.553	40591 & 40253	293,726
National School Lunch Program	10.555	40623 & 40254	776,087
Fresh Fruit and Vegetable Program	10.582	40251 & 40601	25,197
<b><u>Department of Forestry:</u></b>			
Cooperative Forestry Assistance	10.664	16VTCW19	2,490
<b><u>Total Department of Agriculture - Pass-Through Programs:</u></b>			<b>1,206,719</b>
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>			
<b><u>Direct Programs</u></b>			
Community Development Block Grants - Entitlement Grants	14.218	N/A	250,940
<b><u>Total Department of Housing and Urban Development - Direct Programs:</u></b>			<b>250,940</b>
<b><u>DEPARTMENT OF JUSTICE:</u></b>			
<b><u>Direct Programs</u></b>			
Body Worn Camera Policy and Implementation	16.835	N/A	32,305
Equitable Sharing Program	16.922	N/A	2,473
<b><u>Total Department of Justice - Direct Programs:</u></b>			<b>34,778</b>
<b><u>Pass-Through Programs:</u></b>			
<b><u>Department of Criminal Justice Services:</u></b>			
Crime Victim Assistance	16.575	N/A	65,528
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15DJBX1062	3,288
<b><u>Total Department of Justice - Pass-Through Programs:</u></b>			<b>68,816</b>
			cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2017**

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Virginia Department of Transportation</u>			
Highway Planning and Construction	20.205	104037	\$ 446,721
<u>Department of Motor Vehicles:</u>			
State and Community Highway Safety	20.600	SC-2016-56111-6311 & SC-2017-57073-6722	11,721
<u>Total Department of Transportation - Pass-Through Programs:</u>			<u>458,442</u>
<u>DEPARTMENT OF TREASURY</u>			
<u>Direct Programs</u>			
Asset Forfeiture Transfer Program	21.000	N/A	9,301
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	16VITA0013	19,238
<u>Total Department of Treasury - Direct Programs:</u>			<u>28,539</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Adult Literacy Grants	84.002	42801, 61111 & 61380	570,284
Title I Grants to Local Educational Agencies	84.010	42901	1,008,940
Special Education - Grants to States	84.027	43071	588,155
Vocational Education - Basic Grants to States	84.048	61095	67,362
Special Education - Preschool Grants	84.173	62521	11,343
English Language Acquisition Grants	84.365	60509 & 60512	16,889
Title II Improving Teacher Quality State Grants	84.367	61480	150,456
Advanced Placement Program	84.330	60957	494
<u>Total Department of Education - Pass-Through Programs:</u>			<u>2,413,923</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Direct Programs</u>			
Drug-Free Communities Support Program Grants	93.276	14SP20534A	94,841
<u>Total Department of Health and Human Services - Direct Programs:</u>			<u>94,841</u>

cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2017**

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Temporary Assistance for Needy Families:	93.558		
Aid to Dependent Children		80801	\$ (5)
VIEW-Component & Supportive Services		87201 & 87202	15,702
VIEW-Transitional		87204 & 87211	2,027
VIEW-Transportation		87207	38,165
Refugee and Entrant Assistance - State Administered Programs:	93.566		
Refugee Cash Assistance		81901	2,712
Community Services Block Grant	93.569	CVS-17-001-36 & CVS-17-031-05	224,265
Child Care and Development Block Grant: Mandatory/Matching RE	93.575	88901	(43)
Foster Care - Title IV-E:	93.658		
ARRA - Residential Foster Care Payments		81107	106,496
Child Placing Agencies		81108	35,759
Agency Foster Homes		81110	31,212
Licensed Child		81112	48,166
Adoption Assistance:	93.659		
Subsidized Adoption		81201	214,977
Nonrecurring IV-E Adoption		81202	7,455
Federal Adoption		81203	121,074
Social Services Block Grant:	93.667		
Child Protective Services		82402	76,490
State Adoption		81701	27,509
Adult Services - Homebound Companion		83304	10,317
Prevention Services		83306	185
Adult Protective Services		89501	789
<u>Total Department of Health and Human Services - Pass-Through Programs:</u>			<u>963,252</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	97.042	52743	<u>7,500</u>
<u>Total Department of Health and Human Services - Pass-Through Programs:</u>			<u>7,500</u>
Total Expenditures of Federal Awards			<u>\$ 5,527,750</u>
			cont'd

**CITY OF WAYNESBORO, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2017**

LOANS OUTSTANDING: (Note 2)

Pass-Through Programs:

Virginia Resources Authority:

Capitalization Grants for Clean Water  
 State Revolving Funds

66.458

N/A

\$ 3,042,747

**CITY OF WAYNESBORO, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2017**

**1. BASIS OF PRESENTATION**

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

**2. LOANS OUTSTANDING**

During prior years, the City received federal funding from the Virginia Water Facilities Revolving Fund, authorized under the Capitalization Grants for Clean Water State Revolving Funds program. The outstanding loan balance under this program of \$3,042,747 is included in the Schedule of Expenditures of Federal Awards as of June 30, 2017.

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## SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

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

As more fully described in the Independent Auditors' Report on Compliance for the year ended June 30, 2017, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

### STATE COMPLIANCE MATTERS

#### Code of Virginia:

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

#### State Agency Requirements:

- Education
- Comprehensive Service Act Funds
- Social Services
- Highway Maintenance Funds
- Stormwater Utility Program

### LOCAL COMPLIANCE MATTERS

Budget and Appropriation Ordinances

*Didawick & Company, P.C.*

November 29, 2017

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