

CITY OF STAUNTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2018

Prepared By:
Department of Finance

CITY OF STAUNTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018

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INTRODUCTORY SECTION

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

COUNCIL

| | | |
|---------------------------|------------------------|----------------------|
| Ophie A. Kier, Vice-Mayor | Carolyn W. Dull, Mayor | R. Terry Holmes |
| Andrea W. Oakes | | James J. Harrington |
| Erik D. Curren | | Walter J. Obenschain |

OFFICIALS

| | |
|----------------------------|-----------------------------|
| Stephen F. Owen | City Manager |
| Jeanne R. Colvin | Chief Financial Officer |
| Richard R. Johnson | City Treasurer |
| Douglas L. Guynn | City Attorney |
| Margaret (Maggie) A. Ragon | Commissioner of Revenue |
| Anita Harris | Director of Social Services |
| Thomas E. Roberts | Clerk of Circuit Court |
| Dr. Garrett Smith | Superintendent of Schools |

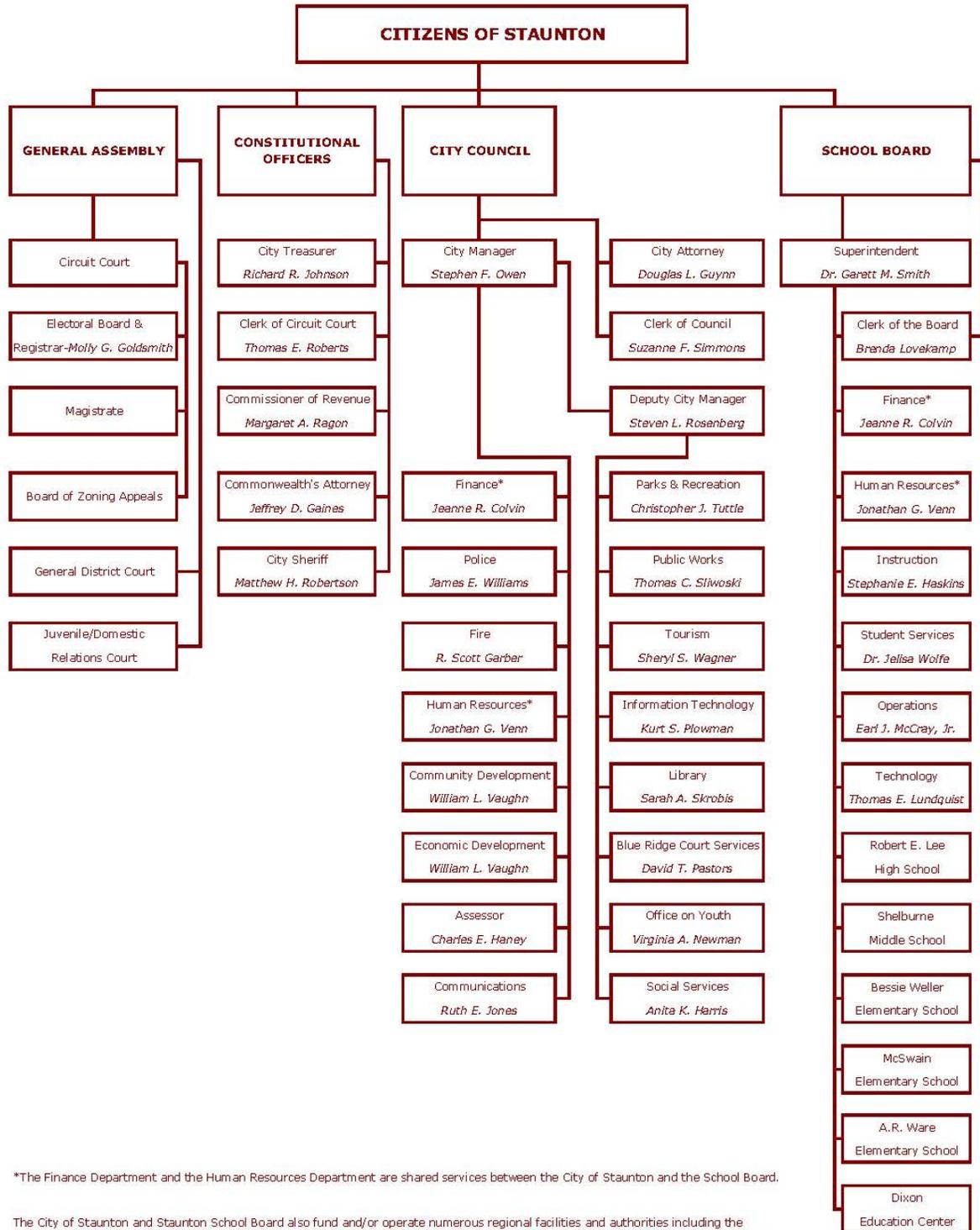
SCHOOL BOARD

| | | |
|---------------|--------------------------|-----------------|
| | William Lobb, Chair | |
| | Robert Boyle, Vice-Chair | |
| Ronald Ramsey | | Amy G. Darby |
| Laura Kleiner | | Natasha McCurdy |



City of Staunton, Virginia

Organization Chart



*The Finance Department and the Human Resources Department are shared services between the City of Staunton and the School Board.

The City of Staunton and Staunton School Board also fund and/or operate numerous regional facilities and authorities including the Economic Development Authority, the Middle River Regional Jail Authority, the Middle River Regional Wastewater Treatment Plant, the Staunton, Augusta, Waynesboro Landfill, Health Department, Community Services Board, Valley Career & Technical Center, GENESIS Alternative School, Shenandoah Valley Governor's School, and the Shenandoah Valley Regional Program.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Staunton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



November 30, 2018

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

We are pleased to submit the City of Staunton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This report has been prepared by the City's Finance Department. The report provides full disclosure of all financial information necessary to enable the reader to gain an understanding of the government's financial activities.

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

The government is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget *Uniform Guidance*. The Code of Virginia requires the City to have an annual audit conducted by an independent certified public accountant.

Brown Edwards & Company, LLP, Certified Public Accountants, has issued an unmodified opinion for the City of Staunton for fiscal year ending June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

The Staunton City School Board is comprised of six members elected at large for four-year terms with the responsibility of the operation of the City school system. The School Board appoints a superintendent to administer the operations, policies, and procedures of the School Board. The local share of funding for the school system is appropriated through the budget process by City Council and provided through a transfer from the General Fund to the Education Fund.

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

Staunton is located at the intersection of I-81 and I-64 in the Shenandoah Valley of Virginia. The City is 90 miles west of Richmond, 85 miles north of Roanoke, and just 150 miles southwest of Washington D.C. The City encompasses an area of 19.98 square miles with a population of approximately 24,363.

The City is located within 35 minutes of eleven colleges and universities: University of Virginia, James Madison University, Washington & Lee University, Virginia Military Institute, Mary Baldwin University, Bridgewater College, Eastern Mennonite University, Blue Ridge Community College, Piedmont Virginia Community College, Old Dominion University at the Blue Ridge Community College campus, and American National University at the Charlottesville and Harrisonburg campuses. The area also has several other specialized education centers: Shenandoah Valley Governor's School, four private high schools, and Valley Career and Technical Center for occupational trades/industrial education and training.

BUDGET PROCESS AND CONTROLS

Per City Code, the Chief Finance Officer serves as the budgetary control officer and shall assist the City Manager in developing and assembling the necessary information and planning and prioritizing financial commitments for the preparation of the annual budget. The City adopts a balanced budget for all funds. The *Code of Virginia* requires the City to adopt a balanced budget by May 15 for the School's Education Fund budget and June 30 for all other City funds. Budget control is maintained at the fund level. The City Manager, or designee, is authorized to transfer appropriations from any line item within each fund as needed to sufficiently fund any expenditure. All departments have on-line, real-time access to all line items within their operating budgets. Purchase orders for materials, supplies, and services are not released until adequate appropriations are available. Open encumbrances are reported as assigned or committed fund balances at the end of each fiscal year. City Council adopts an ordinance to approve budget amendments that require increased or decreased appropriations to the total adopted budget.

The City's budget team consists of the City Manager, Deputy City Manager, and Chief Finance Officer (CFO). The City Manager and the CFO review the current status of the economy and develop budget guidelines based on City Council's long-term financial and strategic plan, three-year priorities, and other factors for the upcoming fiscal year. City Council's three-year priorities for the future of Staunton are summarized below;

- Economic Development-to provide and support economic vitality through tourism and business development to provide employment and revenue growth,
- Education- to recruit and retain the best teachers and provide superb facilities,
- Culture-to promote and retain arts, performing arts, music, galleries, and museums,
- Inclusiveness- to develop a strategy to achieve more citizen engagement and promote a diverse society to enhance civic pride and ownership to improve Staunton's quality of life,
- Resilience-to protect the City's natural environmental resources and provide financial resources to safeguard the City's future,
- Responsive, Efficient Government-to include professional administration, prudent financial management, and the efficient and effective delivery of core services,
- Built Environment- to study changes to the City's land use policies and ordinances to enable more mixed-use development and to develop a long-term financing strategy for public facilities and infrastructure.

The CFO prepares the guidelines, instructions, and the forms for departments to submit their expenditure budget requests. The CFO is responsible for preparing all governmental and proprietary revenue estimates for tax revenues, state and federal revenues, proprietary fund revenues, and other revenues. After meeting with all departments and prioritizing all budget requests for new personnel, new operating expenditures, and capital requests, the CFO prepares the revenue and expenditure budget and submits the preliminary budget to the City Manager for review. The City Manager is responsible for submitting the proposed budget to City Council for review and discussion.

By a resolution adopted by City Council on May 24, 2012, the City Finance Department provides comprehensive financial management and support services to the School Board, and is responsible for all financial processes, budget, and the annual audit for the City and Staunton City Schools. The CFO works directly with the City Manager and the Superintendent of Schools to prepare the annual budget. The Chief Finance Officer is appointed by the City Manager.

The City of Staunton and Staunton City Schools also share the City's Human Resources Department for recruitment and all personnel related processes and activities. The Chief Human Resources Officer serves as the department head of the human resources department for the Schools and the City. The Chief Human Resources Officer assists the budget team for the City and Schools with personnel budget requests relating to changes in staff requirements and employee pay increases. The Chief Human Resources Officer is appointed by the City Manager.

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

The Staunton City School Board was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. The School Board creates a financial burden on the General Fund requiring approximately 24% of its funding for school operations and the issuance of all general obligation bonds. All members of the Board are elected by the City voters. City Council has the ability to impose its will upon the Board.

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

LOCAL ECONOMY

The City's overall financial health is determined by several economic factors based on retail sales volume, consumer-based taxes, new residential and commercial construction permits, and property values and transactions. Other financial factors include state revenues, population trends, the unemployment rate, and the local tourism industry. The 2018 total taxable real estate assessed values increased .82%. Other local consumer-based tax revenue sources increased from 2017. Meals tax on prepared foods increased from 6% to 7%, as well as a general increase in economic activity resulted in increases in meals, lodging and consumer sales taxes. The local unemployment rate for June 2018 was 3.2%, which is well below the national average of 4.2% and slightly below the statewide average of 3.3%. The City relies on its diverse property tax base consisting of manufacturing facilities, distribution centers, a fairly stable retail base, a large government workforce within the area, and a successful tourism market for the economic stability of the City.

LONG-TERM FINANCIAL PLANNING

Staunton City Council's Vision for 2025, revised on April 28, 2015, focuses on seven major principles; *Economic Development* to provide and support economic vitality through tourism, small business development, and commercial development to provide employment growth and revenue growth for the City; *Education* by recruiting and retaining the best teachers and providing superb facilities; *Culture* by promoting and retaining a vibrant, exciting, and welcoming community for the arts, performing arts, music, galleries, and museums; *Inclusiveness* for all citizens by developing a strategy to achieve more citizen engagement, promote a diverse society to enhance civic pride, and instill ownership to improve Staunton's quality of life; *Resilience* by protecting the City's natural environmental resources, and providing financial resources to safeguard the City's future; *Responsive, Efficient Government* to include professional administration, prudent fiscal management, and the efficient and effective delivery of core services; *Built Environment* to study changes to the City's land use policies and ordinances to enable more mixed use development within the City, and develop a long term financing strategy for public facilities and infrastructure.

Economic Strategy – The City's long-range economic strategy is to attract new commercial, manufacturing, and retail businesses and expand existing businesses. This strategy will strengthen, diversify, provide employment growth, increase the median household income level, and sustain and increase the local tax revenue base to provide quality governmental services to the citizens of Staunton.

City Safety Net Reserve – The City's fund balance fiscal policy, as revised by City Council, now requires a reservation of 15% of the City's total general fund operating budget as a cash safety net reserve, reported as committed fund balance in the general fund. The primary government reserve is currently \$8,489,250. These funds can be used only for major catastrophic events that would affect the public safety or major infrastructure of the City, or imposition of mandates by Federal and State governments. The City also adopted a policy to establish and maintain a contingency reserve in the amount of \$250,000, reported as unassigned fund balance in the general fund, to provide for unexpected declines in budgeted revenues or unanticipated emergency expenditures.

Capital Improvement Plan – The City approves a multi-year capital improvement plan and budget each year. The approved CIP plan and budget includes the City CIP and the School CIP plan. The City and School CIP budgets are appropriated each year by Council. The CIP funds are designated as multi-year funds in the accounting system and automatically carry forward the project balances to the next fiscal year for completion of the projects. Council is not required to re-appropriate funds each year for the balance of the same project appropriation.

The CIP plan is a five-year capital plan updated annually to account for project estimate updates, new and revised projects, and completed projects. The annual update to the CIP plan begins in October each year. The plan is presented to City Council and the Planning Commission in December each year. The plan is adopted in February during the budget process. The draft CIP plan is presented to City Council and the Planning Commission for review and suggestions. The Planning Commission will make recommendations and accept the CIP Plan based on the City's Comprehensive Plan. City Council approves the CIP after the Planning Commission's recommendations, and any other changes. The CIP plan includes the funding sources for the proposed capital projects each year of the five-year plan. Funding sources are based on a five-year financial analysis of revenues and expenditures.

Once a project is completed, the balance of any remaining appropriated funds for the project is transferred to the CIP Undesignated Account to be held as contingency for other projects. Council approves the transfer of funds. Any transfer of appropriated funds from one project to another requires approval from City Council.

The City collaborates with the School Board to incorporate the School CIP plan and develop financing plans to pay for major improvements or renovations to school facilities.

The City prefers to finance capital projects with cash, or 'pay-as-you-go' funds, and federal and state grants. The City may use debt financing for projects by issuing general obligation or revenue bonds to finance projects. Any project requiring debt financing shall have a useful life equal to the term of the bond and adhere to the City's Debt Policy ratios and guidelines.

Debt Policy- Provides guidance and criteria for the issuance of debt so the City will not exceed affordable levels of indebtedness. This policy is intended to ensure debt is issued and managed prudently in order to maintain a sound fiscal position and protect the City's credit quality:

1. The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except when approved justification is provided.
2. When the City finances capital improvements or other projects by issuing bonds, or entering into capital leases, it will repay the debt within a period not-to-exceed the expected useful life of the project.
3. When feasible, the City will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
4. The City will retire tax anticipation debt, if any, annually, and will retire bond anticipation debt within six months after completion of the project.

The following debt ratios will be measured annually and will be measured as part of the debt issuance process. If the issuance of new debt causes the City to be out of compliance with one or more of the policies, staff must request an exception from City Council stating the justification and expected duration of the policy exception:

1. Direct net debt as a percentage of estimated assessed value of taxable property should not exceed four percent (4.0%). "Direct net debt" is defined as any and all debt that is tax-supported.
2. The ratio of debt service expenditures as a percent of total governmental fund expenditures should not exceed fifteen percent (15%).
3. Payout of aggregate outstanding tax-supported debt principal shall be no less than fifty percent (50%) repaid in 10 years.

MAJOR INITIATIVES

FY2018 Budget

City Council's commitment to prudent fiscal management has provided the framework for the City to prepare and adopt budgets in response to the economic conditions of the local, state, and national economies. The total fiscal year 2018 budget was adopted at \$110.5 million, an increase of 4.0% or \$ 4.3 million from the previous year. The real estate tax rate remained \$.97, the personal property tax rate was increased from \$2.75 to \$2.90, and the meals tax on prepared food was increased from 6% to 7%. The general fund budget increased 4.0% over the previous year. Property tax revenues were projected to increase by \$1.0 million, or 4.5%, and other local tax revenues were projected to increase 6.4% over the previous year's budget. The general fund budget increased its transfer to the education fund by 3.1%.

Economic Development

Staunton Crossing Development Park

Staunton Crossing, located at U.S. 250 and the interchange of Interstate Highways 81 and 64, is planned for a mix of corporate and professional offices, retail stores, restaurants, and lodging facilities. The project will be the largest business development property to support both office and retail development in the Shenandoah Valley region of the I-81 corridor through Virginia.

In September, 2016 the EDA sold approximately 25 acres of the Staunton Crossing development property for \$1.25 million. Construction began on the first phase of the development site in November, 2016. The development includes a Marriott Fairfield Inn and Suites and a Tru by Hilton hotel. Both hotels were on track to open by November 2018. Multiple food options, a grocery center, and a fuel and convenience store center are all possibilities at the sight. The City will gain additional jobs and approximately \$1.0 million annually from property, meals, sales, and lodging tax revenues when the first phase is completed.

The City plans to demolish the existing vacant hospital buildings on the property by October 2019. Demolition is expected to cost \$1.8 million. The demolition will allow the property to compete nationally for major industrial development for jobs and an increase the City's tax base.

The City was awarded \$8.7 million from the Virginia Department of Highways in November 2018 to complete the road extension from the entrance to provide access to the entire 275 acres at Staunton crossing. The road construction is expected to begin in 2020.

Frontier Center

Frontier Center is near the intersection of Interstates 81 and 64 and the first phase of the development, including construction for the road and infrastructure improvements, was completed in June 2018. Aldi, Bojangles, Chick-fil-A, and McDonalds opened during the summer of 2018. The City has an agreement with the developer to start the second phase of development for a 200,000 square foot retail space.

Villages at Staunton

The Blackburn Inn and Spa was completed in June 2018. The \$6 million renovation project included historic preservation of the existing building into an upscale 49 room boutique hotel.

The Villages also renovated and completed a 39-unit apartment building on the site in 2017 which is valued at approximately \$6 million.

AWARDS AND ACKNOWLEDGEMENTS

Economic Development

Economic strength, resilience, and attractiveness to future investment is built around a thoughtful, holistic strategy that weaves together economic development, placemaking, and livability. Winning high praise for decades of urban revitalization from everyone from the National Trust for Historic Preservation to Virginia Living magazine, Staunton continues to garner rankings and acclaim:

- “Charming Main Streets in Each State” – *USA Today*
- “The 8 Small Southern Towns to Visit in 2018” – *U.S. News & World Report*
- “20 Most Beautiful Main Streets in America” – *Reader's Digest*

Parks and Recreation

Staunton Parks and Recreation earned a state award in November 2018 from the Virginia Recreation and Park Society (VRPS) for NatureRidge, a natural playground in Montgomery Hall Park. In April 2018, the department won the 2018 Governor's Environmental Excellence Award for NatureRidge.

The Horticulture Division of the Department of Parks and Recreation received a Tree City USA award from the National Arbor Day Foundation. Thanks to the City's efforts to make the care and planning of trees a priority, this is the 22nd year the City has achieved this award recognizing municipalities with active tree care and replacement programs.

Montgomery Hall Park was added to the National Register of Historic Places, an official list of the nation's historic places worthy of preservation. The National Park Service approved the addition to the National Register in February 2018. It's the second historical designation for Montgomery Hall Park, as it was added to the Virginia Landmarks Register last summer.

Public Safety

The Staunton Police Department received the 10th consecutive national accreditation award from the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA) in May, 2016. The department received its first accreditation award in 1985 as one of the first ten law enforcement agencies in the world accredited by CALEA. Accreditation ensures that police departments operate under a set of nationally accepted standards that are designed to provide citizens with professional law enforcement services. Citizens of the City of Staunton benefit from the accreditation process with the assurance that the police department maintains procedures to encourage, listen and respond to citizen requests, needs, complaints and inquiries. The Department goes through the accreditation process every three years.

Public Works

The City's drinking water consistently meets all water quality standards and regulations. In the most recent Water Quality Report, Staunton's Water Treatment Plant achieved the Silver award through the VDH Office of Drinking Water Virginia Optimization Program. This program recognizes those who provide quality water that exceeds minimum regulatory standards and operate water systems in an exemplary manner.

Finance Department

Risk Management

The Risk Management Division of the Finance Department successfully completed 100% of the Virginia Municipal League's Insurance Program for risk management guidelines for the City and Staunton City Schools. These guidelines ensure the City and School's commitment to safety for its citizens and employees. As a result of completing the guidelines, the City and Staunton City Schools received a 5% discount on the liability and workers compensation insurance premiums for the fiscal year.

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation Award to the City of Staunton, Virginia, for its FY 2018 budget.

The GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting and then to recognize individual governments that succeed in achieving that goal.

Documents submitted to the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting.

This was the first year that the City applied for the award.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Staunton, Virginia, for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1985 through 2017. A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Cameron S. McCormick
Interim Director of Finance

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Augusta Regional Landfill. The City's share of this undivided interest represents 56%, 48%, and 20%, respectively, of the assets, net position, and revenues of the Environmental Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Augusta Regional Landfill, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Auditor's Responsibility (Continued)

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2018, the City adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Staunton's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2018. The MD&A is in addition to the transmittal letter, located on pages iv-x of this report. Readers are encouraged to review the information presented in the MD&A and the letter of transmittal to provide the user a more comprehensive view of the City's financial condition. The MD&A presents information for the government-wide financial statements and the fund financial statements. The MD&A provides the user with a narrative introduction, overview, and analysis of the basic financial statements for the City's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

- The City's total net position of governmental activities was \$51.7 million at June 30, 2018. Net position of the City's business-type activities was \$70.5 million.
- Total revenues of governmental activities exceeded total expenses by \$3.4 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were \$63 million for FY 2018. Revenues of the City's business-type activities were \$13.1 million.
- Expenses were \$58.5 million for governmental activities and expenses for the business-type activities were \$12.2 million for FY 2018.
- The City's total general obligation bond and loans payable at June 30, 2018 was \$49.2 million, a net decrease of \$2.6 million from FY 2017 due to normal scheduled debt reduction.
- At June 30, 2018, the total fund balance for all governmental funds was \$26.1 million with the General Fund comprising \$15.5 million of that total.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

Proprietary funds – Proprietary funds report the same functions that are presented as business-type activities in the government-wide financial statements. Proprietary funds are classified as enterprise or internal service funds. An enterprise fund reports any activity for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided on a cost reimbursement basis from activities within the government. The City maintains six enterprise funds to report on activities for golf, water, sewer, storm water, environmental management and parking operations; and two internal service funds. The Inventory fund accounts for the City’s inventory which provides supplies for the City’s operations. The Health insurance fund accounts for the City and School’s self-insured health plans and employer and employee health care costs. Because both funds predominately benefit governmental rather than business-type functions, the internal service funds are reported with governmental activities in the government-wide financial statements.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

| City of Staunton | | | | | | |
|---|------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|-----------------------|
| Summary Statements of Net Position | | | | | | |
| June 30, 2018 and 2017 | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets: | | | | | | |
| Current and other assets | \$ 57,897,796 | \$ 55,744,260 | \$ 21,753,715 | \$ 19,635,281 | \$ 79,651,511 | \$ 75,379,541 |
| Capital assets | <u>54,791,075</u> | <u>58,144,852</u> | <u>74,816,816</u> | <u>74,372,111</u> | <u>129,607,891</u> | <u>132,516,963</u> |
| Total assets | <u>112,688,871</u> | <u>113,889,112</u> | <u>96,570,531</u> | <u>94,007,392</u> | <u>209,259,402</u> | <u>207,896,504</u> |
| Total deferred outflows of resources | <u>2,678,363</u> | <u>3,307,311</u> | <u>455,766</u> | <u>466,332</u> | <u>3,134,129</u> | <u>3,773,643</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | 50,095,129 | 55,459,240 | 22,705,219 | 22,533,260 | 72,800,348 | 77,992,500 |
| Other liabilities | <u>6,823,154</u> | <u>7,980,059</u> | <u>3,449,448</u> | <u>3,249,297</u> | <u>10,272,602</u> | <u>11,229,356</u> |
| Total liabilities | <u>56,918,283</u> | <u>63,439,299</u> | <u>26,154,667</u> | <u>25,782,557</u> | <u>83,072,950</u> | <u>89,221,856</u> |
| Total deferred inflows of resources | <u>6,798,784</u> | <u>5,461,184</u> | <u>358,962</u> | <u>139,433</u> | <u>7,157,746</u> | <u>5,600,617</u> |
| Net Position: | | | | | | |
| Invested in capital assets | 43,232,721 | 45,372,360 | 57,260,173 | 55,688,479 | 100,492,897 | 101,060,839 |
| Restricted | 31,265 | 41,469 | - | - | 31,265 | 41,469 |
| Unrestricted | <u>8,386,181</u> | <u>2,882,111</u> | <u>13,252,492</u> | <u>12,863,255</u> | <u>21,638,673</u> | <u>15,745,366</u> |
| Total net position | <u>\$ 51,650,167</u> | <u>\$ 48,295,940</u> | <u>\$ 70,512,668</u> | <u>\$ 68,551,734</u> | <u>\$ 122,162,835</u> | <u>\$ 116,847,674</u> |

The City's total net position of \$122.2 million increased by 4.6%, or \$5.3 million, from FY 2017. This change is due to changes in deferred inflows and outflows related to the pension and OPEB liabilities and a net decrease in long term liabilities due to scheduled debt reduction.

The largest component of the City's net position (\$100.5 million or 82.2%) is the investment in capital assets (e.g. facilities, equipment, and infrastructure), net of any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Current year decrease of \$.5 million is mainly due to changes in long term liabilities related to those assets. Net investment in capital assets for business-type activities represents, for the most part, the assets of the water, sewer, and storm water utilities. Please refer to Notes 5 and 6 of this report and the MD&A's capital assets and long-term debt section.

Less than 1% of the City's net position is restricted. The remaining balance of unrestricted net position (\$21.6 million or 17.7%) is used to finance day-to-day operations.

As of June 30, 2018, the City reported positive balances in net position for the City as a whole for the governmental activities and the business-type activities. The same situation held true for the prior fiscal year.

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

City of Staunton
Changes in Net Position
For the Years Ended June 30, 2018 and 2017

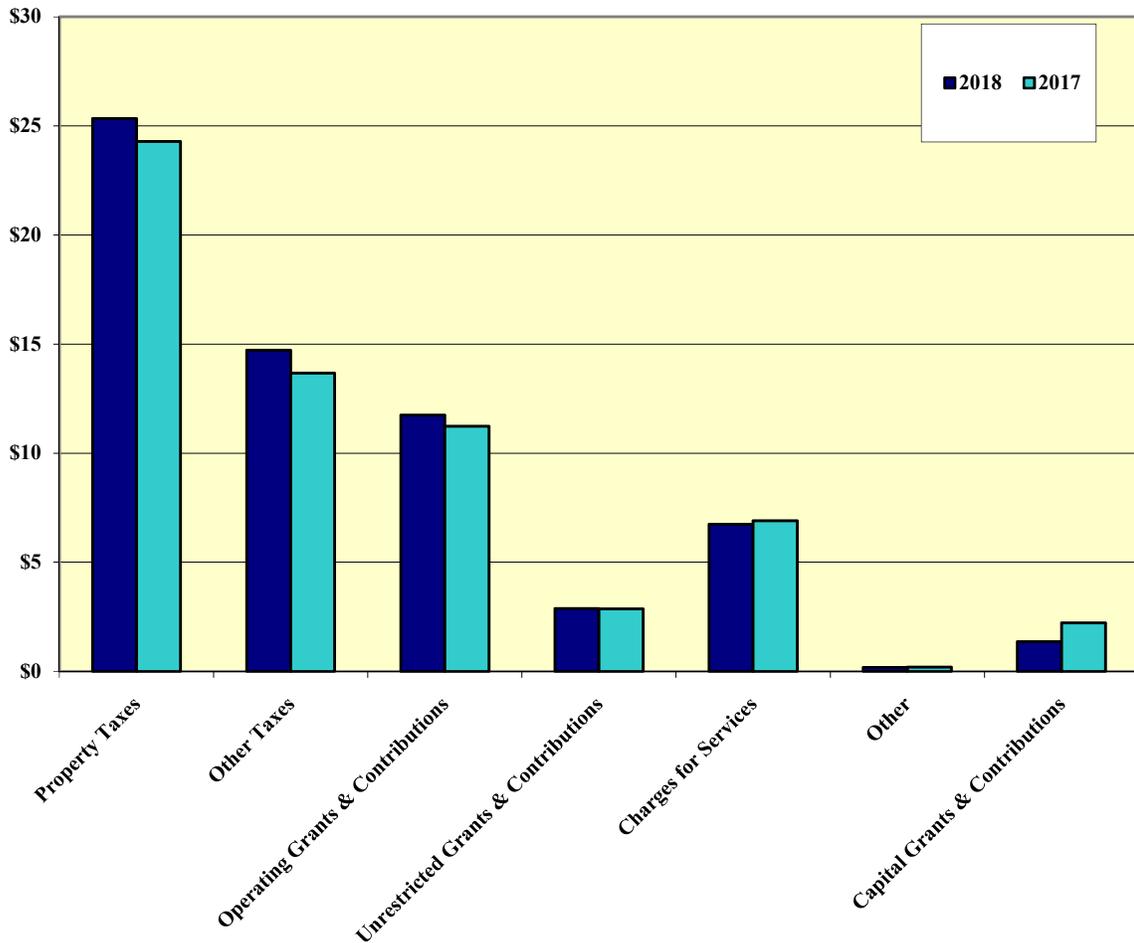
| | Governmental | | Business-Type | | Total Primary Government | |
|---|----------------------|----------------------|----------------------|----------------------|---------------------------------|-----------------------|
| | Activities | Activities | Activities | Activities | 2018 | 2017 |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 6,743,237 | \$ 6,905,408 | \$ 12,224,998 | \$ 11,892,822 | \$ 18,968,235 | \$ 18,798,230 |
| Operating grants and contributions | 11,748,393 | 11,227,647 | 6,092 | 9,704 | 11,754,485 | 11,237,351 |
| Capital grants and contributions | 1,356,628 | 2,215,355 | 785,443 | 252,436 | 2,142,071 | 2,467,791 |
| General revenues | | | | | | |
| Property taxes | 25,335,057 | 24,281,660 | - | - | 25,335,057 | 24,281,660 |
| Other taxes | 14,715,307 | 13,673,932 | - | - | 14,715,307 | 13,673,932 |
| Unrestricted intergovernmental | 2,881,272 | 2,862,470 | - | - | 2,881,272 | 2,862,470 |
| Interest and investment earnings | 155,183 | 133,649 | 92,181 | 36,455 | 247,364 | 170,104 |
| Other | 18,684 | 57,572 | - | - | 18,684 | 57,572 |
| Total revenues | <u>62,953,761</u> | <u>61,357,693</u> | <u>13,108,714</u> | <u>12,191,417</u> | <u>76,062,475</u> | <u>73,549,110</u> |
| Expenses: | | | | | | |
| General government | 8,613,523 | 10,188,101 | - | - | 8,613,523 | 10,188,101 |
| Judicial administration | 1,844,938 | 2,474,333 | - | - | 1,844,938 | 2,474,333 |
| Public safety | 11,829,002 | 14,492,139 | - | - | 11,829,002 | 14,492,139 |
| Public works | 6,647,903 | 8,585,586 | - | - | 6,647,903 | 8,585,586 |
| Health and welfare | 7,051,987 | 6,236,892 | - | - | 7,051,987 | 6,236,892 |
| Education (includes payment to Schools) | 16,566,371 | 12,895,304 | - | - | 16,566,371 | 12,792,065 |
| Parks, recreation and culture | 3,420,386 | 4,074,107 | - | - | 3,420,386 | 4,074,107 |
| Community Development | 1,541,098 | 2,499,330 | - | - | 1,541,098 | 2,499,330 |
| Interest on long-term debt | 1,017,723 | 1,111,334 | - | - | 1,017,723 | 1,111,334 |
| Water | - | - | 3,886,966 | 3,958,812 | 3,886,966 | 3,958,812 |
| Sewer | - | - | 3,917,693 | 3,597,562 | 3,917,693 | 3,597,562 |
| Storm Water | - | - | 966,907 | 844,826 | 966,907 | 844,826 |
| Environmental | - | - | 2,790,626 | 2,774,425 | 2,790,626 | 2,774,425 |
| Golf | - | - | 146,068 | 179,522 | 146,068 | 179,522 |
| Parking | - | - | 506,123 | 460,136 | 506,123 | 460,136 |
| Total expenses | <u>58,532,931</u> | <u>62,557,126</u> | <u>12,214,383</u> | <u>11,815,283</u> | <u>70,747,314</u> | <u>74,372,409</u> |
| Increase in net position before transfers | 4,420,830 | (1,199,433) | 894,331 | 376,314 | 5,315,161 | (823,299) |
| Transfers | (1,066,603) | (1,041,073) | 1,066,603 | 1,041,073 | - | - |
| Increase in net position | 3,354,227 | (2,240,506) | 1,960,934 | 1,417,207 | 5,315,161 | (823,299) |
| Net position - beginning of year | 48,295,940 | 50,536,446 | 68,551,734 | 67,134,527 | 116,847,674 | 117,670,973 |
| Net position - end of year | <u>\$ 51,650,167</u> | <u>\$ 48,295,940</u> | <u>\$ 70,512,668</u> | <u>\$ 68,551,734</u> | <u>\$ 122,162,835</u> | <u>\$ 116,847,674</u> |

Governmental Activities - Revenues

- The City’s total revenues from governmental activities were \$63 million for the fiscal year ended June 30, 2018, an increase of \$1.6 million over the previous year.
- Property taxes, the largest source of general revenue, accounted for \$25.3 million or 40.2% of revenue in 2018. Property tax revenues increased \$1.1 million over 2017 due to an increase in personal property tax rates and an increase in assessed values. Real estate rates were .97 per \$100 of assessed value. Personal property taxes were \$2.90 per \$100 of assessed value.
- Operating grants and contributions increased \$.5 million from FY 2017 due to an increase in public safety grants (SAFER fire grant) and health and welfare state and federal programs.
- Capital grants and contributions decreased \$.9 million from FY 2017 due a decrease in public works related capital grants.

Governmental Activities - Revenues by Source

**Fiscal Years Ended June 30, 2018 and 2017
(\$ In Millions)**



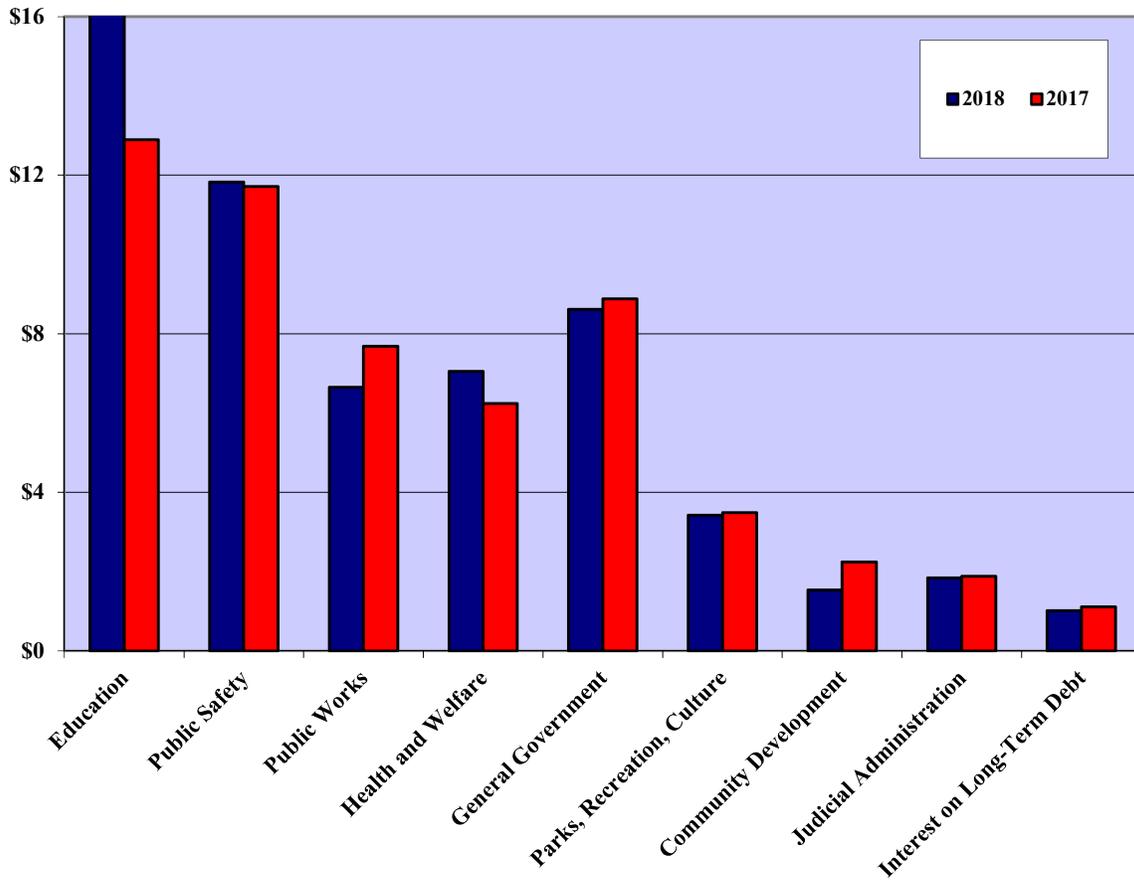
Governmental Activities - Expenses

- The total expenses from governmental activities were \$58.5 million for the year, an increase of \$2.4 million over FY 2017.
- Education is the largest expense for the City at \$16.6 million or 28.4% of the total governmental activities. Education expense increased \$3.7 million over FY 2017 from the transfer back of the net book value of Shelburne Middle School due to the payoff of the debt associated with the school.
- Community Development decreased \$.7 million from FY 2017 due to not having the Commonwealth Opportunity fund grant and decreases in other grants to the EDA.
- Public Works decreased from FY 2017 due to decrease in maintenance paving and pension costs.

Governmental Activities - Expenses by Function

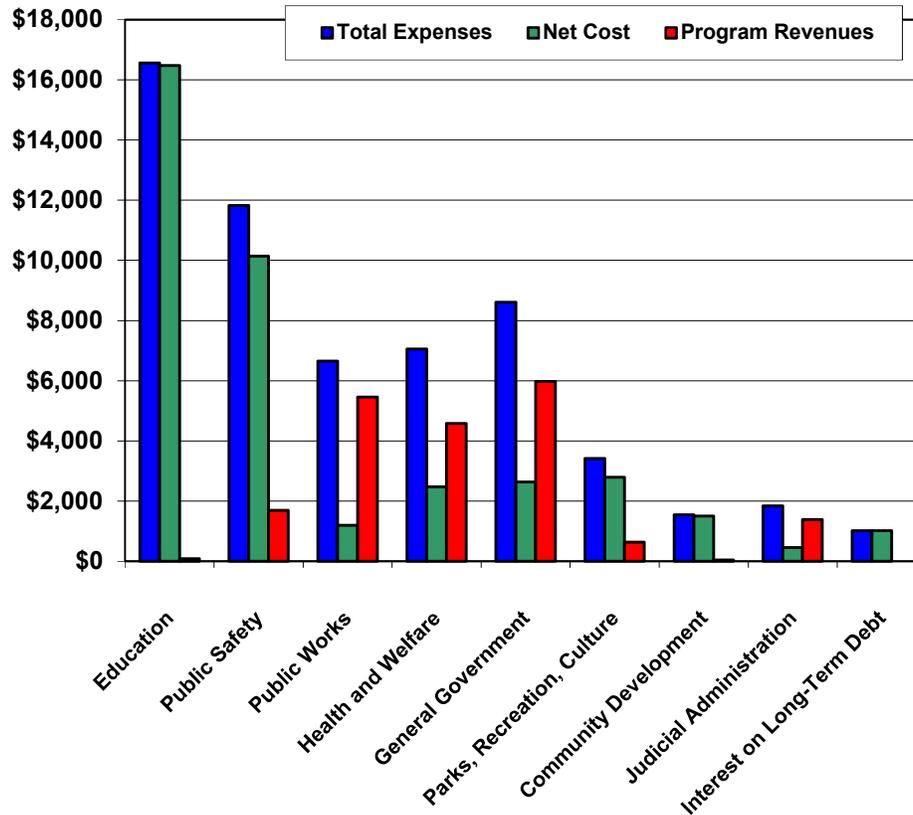
Fiscal Years Ended June 30, 2018 and 2017

(\$ In Millions)



Governmental Activities - Expenses, Net Costs, and Program Revenues

(\$ In Thousands)



Program revenues are those revenues directly related to the individual expense functions such as user fees and charges, restricted grants, and contributions. Program revenues for FY 2018 totaled \$19.8 million and general revenues totaled \$43.1 million.

The net cost of services represents the amount of tax or other revenue required to support these functions. The Education function requires the largest amount of general revenue support at 28.7%, an increase of \$3.6 million from FY 2017. Health and Welfare net cost of service increased \$.3 million due to an increase in social service costs.

| Net Cost of the City of Staunton's Governmental Activities | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2018 | | 2017 | |
| | Total Cost | Net Cost | Total Cost | Net Cost |
| Education | \$ 16,566,371 | \$ 16,478,966 | \$ 12,895,304 | \$ 12,804,904 |
| Public Safety | 11,829,002 | 10,140,908 | 11,718,559 | 9,913,194 |
| Public Works | 6,647,903 | 1,191,291 | 7,688,195 | 1,646,406 |
| Health and Welfare | 7,051,987 | 2,471,031 | 6,236,892 | 2,150,956 |
| General Government | 8,613,523 | 2,637,590 | 8,881,755 | 2,738,713 |
| Parks, Recreation, Culture | 3,420,386 | 2,790,230 | 3,488,880 | 2,869,235 |
| Community Development | 1,541,098 | 1,497,361 | 2,243,574 | 1,958,779 |
| Judicial Administration | 1,844,938 | 459,573 | 1,882,696 | 605,258 |
| Interest on Long-Term Debt | 1,017,723 | 1,017,723 | 1,111,334 | 1,111,334 |
| | \$ 58,532,931 | \$ 38,684,673 | \$ 56,147,189 | \$ 35,798,779 |

Business-Type Activities

- Total revenues of the City's business-type activities were \$13.1 million for FY 2018. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at \$12.2 million or 93.1% of total revenues for business-type activities.
- Overall expenses of business-type activities increased slightly by \$.3 million over FY 2017.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

For FY 2018, the City's governmental funds reported combined ending fund balances of \$26.1 million, an increase of \$2.1 million over FY 2017. Of that amount \$.2 million was nonspendable, \$8.5 million was committed, \$12.8 million was assigned, and \$4.6 million was unassigned. The general fund's increase in fund balance was \$1.7 million. The other governmental funds and capital project fund's increase in fund balance was \$.4 million.

General Fund

The General Fund reported \$15.5 million in fund balance at year end. Of the total General Fund balance, \$4.6 million is unassigned, \$8.5 million is committed for specific purposes, and \$2.2 million is assigned.

In total, FY 2018 revenues increased \$3.6 million over FY 2017. Property tax revenues increased \$1.8 million, due to increased assessment and tax rate. Other local taxes increased \$1 million due to an increase in the meals tax rate coupled with increase in sales on which the meals, lodging and hotel taxes are based. Intergovernmental revenues increased \$.7 million due to an increase in state and federal revenues.

General Fund actual expenditures were \$50 million versus the revised budget totaling \$51 million. The contribution to the Component Unit School Board was the largest expense at \$12.8 million. Expenditure savings of \$1 million was spread fairly level through each governmental function and was due mainly to decreases in personnel costs due to vacancies and overall reduction in operating costs.

Capital Projects Fund

The City's Capital Improvements Fund, which includes the Bond construction fund, is used to report transactions related to the financing resources and expenditures for the acquisition or construction of capital facilities for the General Fund. Proprietary capital projects are reported in the appropriate proprietary fund. The City uses annual operating revenues of the General Fund, fund balance transfers from the General Fund, bond proceeds, or grants as resources to fund capital projects. With the exception of grant resources, the General Fund transfers funds to the Capital Improvements Fund when appropriated by the governing body. The General Fund transferred \$.8 million in FY 2018 to the City Capital Improvement Fund for projects still in progress. The City updates the capital improvements plan on an annual basis.

Capital projects in progress at June 30, 2018:

| PROJECT | REVISED BUDGET - PROJECT TO DATE | FY2018 EXPENDITURES | TOTAL PROJECT EXPENDITURES TO DATE | PROJECT BALANCE |
|--|-------------------------------------|------------------------|--|-----------------|
| FINANCIAL SOFTWARE | \$ 1,332,482 | \$ - | \$ 1,229,729 | \$ 102,753 |
| COMPUTER NETWORK EQUIPMENT | 195,137 | - | 182,804 | 12,333 |
| E911 CALL HANDLING EQUIPMENT | 102,273 | 51,384 | 97,299 | 4,974 |
| E911 RECORDING EQUIPMENT | 150,000 | 61,554 | 150,011 | (11) |
| FIRE TRUCK RESERVE | 1,254,383 | - | 886,973 | 367,410 |
| RADIO NARROWBAND | 500,000 | - | 438,947 | 61,053 |
| REGIONAL JAIL RESERVE | 5,376,286 | - | 5,057,286 | 319,000 |
| REGIONAL ANIMAL SHELTER | 125,000 | 82,192 | 82,192 | 42,808 |
| STREET IMPROVEMENT PROJECTS | 1,205,250 | - | 985,999 | 219,251 |
| URBAN STREET CONSTRUCTION 2% MATCH | 836,478 | - | 465,395 | 371,083 |
| STATLER/RICHMOND RD PROJ | 50,000 | - | - | 50,000 |
| RICHMOND RD/GREENVILLE AVE | 35,000 | - | - | 35,000 |
| CENTRAL AVE STREETScape | 1,708,349 | 83,324 | 195,402 | 1,512,947 |
| STATE ROUTE 1426 | 2,110,000 | 2,969 | 1,789,303 | 320,697 |
| NEW SIDEWALKS | 500,000 | - | - | 500,000 |
| BESSIE WELLER SAFE ROUTE TO SCHOOL | 459,838 | - | 1,192 | 458,646 |
| RICHMOND RD/COCHRAN PARKWAY | 2,883,747 | 1,438,860 | 2,860,887 | 22,860 |
| BRICK SIDEWALK PROJECTS | 300,000 | - | 85,162 | 214,838 |
| VDOT PRIMARY EXT PAVING | 455,673 | - | 455,664 | 9 |
| MLK MEMORIAL SIGN | 41,450 | - | 40,940 | 510 |
| PUBLIC WORKS EQUIPMENT RESERVE | 200,000 | - | - | 200,000 |
| RT 11/ RT 262 INTERSECTION TRUCK LANE IMPROVEMENTS | 50,000 | - | - | 50,000 |
| FIRE STATION ROOF | 845,000 | - | 185,035 | 659,965 |
| PUBLIC SAFETY BUILDING | 40,000 | 15,000 | 39,339 | 661 |
| PUBLIC WORKS BUILDING MAINTENANCE RESERVE | 200,000 | - | 50,500 | 149,500 |
| BLUE RIDGE COMMUNITY COLLEGE | 427,598 | 41,048 | 427,592 | 6 |
| LEE HIGH SCHOOL PROJECT | 1,300,000 | - | - | 1,300,000 |
| BOOKER T BUILDING | 266,818 | - | 262,603 | 4,215 |
| GHP BANDSTAND PROJECT | 30,000 | 3,029 | 30,000 | - |
| MONTGOMERY HALL SOCCER FIELDS | 166,272 | - | 165,878 | 394 |
| GHP POOL RENOVATIONS | 500,000 | - | 492,565 | 7,435 |
| MHP BATHROOM/WATER PARK | 275,000 | - | 274,317 | 683 |
| BETSY BELL PICNIC SHELTER | 75,000 | - | - | 75,000 |
| GREENWAYS PROJECT | 200,000 | - | - | 200,000 |
| FOOTBALL STADIUM ADA IMPROVEMENTS | 100,000 | - | - | 100,000 |
| CORRIDOR OVERLAY INCENTIVES | 25,000 | - | 1,350 | 23,650 |
| COUNTY COURTS PROJECT | 127,453 | - | 99,060 | 28,393 |
| ECONOMIC DEVELOPMENT RESERVE | 1,243,811 | 1,128 | 1,219,609 | 24,202 |
| ENTERPRISE ZONE PROGRAM | 360,521 | - | 262,834 | 97,687 |
| STANTON CROSSING DEVELOPMENT | 1,025,000 | - | 800,689 | 224,311 |
| FRONTIER CULTURE PROJECT | 100,000 | - | 88,051 | 11,949 |
| HIGH SCHOOL RENOVATION PROJECT | 40,000,000 | 330,601 | 330,601 | 39,669,399 |
| COMPLETED PROJECTS | 5,520,138 | - | 5,520,519 | (381) |
| TOTALS | \$ 72,698,957 | \$ 2,111,089 | \$ 25,255,727 | \$ 47,443,230 |

General Fund Budgetary Highlights

City Council revised the total FY 2018 City Budget two times during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - \$565,777. This amendment appropriated \$216,783 from prior year funds for the balance of grant programs, restricted donations and mandated state program carry-over funds for programs not completed at the end of FY 2017. This amendment also included additional appropriations of \$235,675 for additional grant funds, donations and recovered costs. The amendment also included an appropriation of \$70,680 for the payment of development agreement expenses.
- Budget Amendment Number 2 - \$425,334. This amendment appropriated \$350,000 from the prior year unassigned fund balance to be transferred to the Capital Improvements Fund for projects approved in the CIP plan. The amendment also included additional appropriations of \$75,334 made up of \$8,754 in additional grant funds, \$2,000 in donations, \$42,580 in recovered costs, and \$ 22,000 for payment of development agreement expenses.

CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2018 amounts to \$129.6 million (net of depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Total net capital assets are \$54.8 million for the governmental activities, and \$74.8 million for the business-type activities.

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

- Addition of \$2.9 million for infrastructure, including bridge improvements and the road addition at Frontier Center. A decrease of \$6.2 million for buildings due to the transfer back to the component unit school board, Shelburne Middle School, as a result of the pay-off of debt related to that school building.

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

- Addition of \$2.7 million of utility lines and equipment were added to capital assets.

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

City of Staunton Capital Assets Net of Depreciation

| | 2018 | | | 2017 | | |
|--|-------------------------|--------------------------|-----------------------|-------------------------|--------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Land | \$ 4,737,487 | \$ 1,961,788 | \$ 6,699,275 | \$ 4,737,487 | \$ 2,014,863 | \$ 6,752,350 |
| Landfill | - | 1,352,857 | 1,352,857 | - | 1,421,469 | 1,421,469 |
| Buildings | 21,367,031 | 27,652,912 | 49,019,943 | 25,391,882 | 28,600,064 | 53,991,946 |
| Improvements | 1,734,892 | 1,891,245 | 3,626,137 | 1,725,535 | 1,894,408 | 3,619,943 |
| Equipment | 4,720,533 | 5,086,849 | 9,807,382 | 4,633,846 | 4,575,332 | 9,209,178 |
| Infrastructure Construction in Progress | 21,688,565 | 35,754,075 | 57,442,640 | 19,995,324 | 35,404,934 | 55,400,258 |
| | <u>542,567</u> | <u>1,117,090</u> | <u>1,659,657</u> | <u>1,660,778</u> | <u>461,041</u> | <u>2,121,819</u> |
| Total | <u>\$ 54,791,075</u> | <u>\$ 74,816,816</u> | <u>\$ 129,607,891</u> | <u>\$ 58,144,852</u> | <u>\$ 74,372,111</u> | <u>\$ 132,516,963</u> |

DEBT ADMINISTRATION

- The City of Staunton maintains an Aa2 bond rating from Moody's Investor Service, affirmed December 2006, and AA from Standard and Poor's affirmed September 2018.
- The *Code of Virginia* limits the amount of general obligation debt the City may issue to ten percent of its total assessed taxable value of real estate which is \$187.8 million for the City. The City currently has net bonded debt payable of \$49.2 million. The current legal margin for creating additional debt for the City of Staunton is \$138.5 million.
- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

City of Staunton Outstanding Debt

| | 2018 | | | 2017 | | |
|---------------------------------|--------------------------------|---------------------------------|----------------------|--------------------------------|---------------------------------|----------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| General Obligation Bonds | \$ 21,161,511 | \$ 540,047 | \$ 21,701,558 | \$ 23,080,231 | \$ 772,426 | \$ 23,852,657 |
| Virginia Revolving Loan | - | 18,441,805 | 18,441,805 | - | 17,897,090 | 17,897,090 |
| Literary Loans | 9,050,000 | - | 9,050,000 | 10,000,000 | - | 10,000,000 |
| Total | <u>\$ 30,211,511</u> | <u>\$ 18,981,852</u> | <u>\$ 49,193,363</u> | <u>\$ 33,080,231</u> | <u>\$ 18,669,516</u> | <u>\$ 51,749,747</u> |

ECONOMIC FACTOR AND NEXT YEAR'S BUDGET AND RATES

- The FY 2019 general fund budget was adopted at \$56.6 million, an increase of \$2.3 million over the \$54.3 million budget for FY 2018.
- The Real Estate tax rate is \$.97/\$100 of assessed value. The January 1, 2018 taxable real estate assessment reflected an increase of .82%, or \$17.5 million in market value for the City's taxable real estate base. The Personal property tax rate is \$2.90/\$100 of assessed value and personal property taxes are projected to generate an additional \$237,500 million in revenue for 2019.
- Funding from the Commonwealth constitutes 21.1% of the total general fund budget and is projected to increase \$180,901 over 2018, from \$11,743,665 to \$11,924,566. The largest categories of state funding are health and welfare, children's services act and street and highway maintenance.
- A 3% cost of living adjustment for all full-time and part-time employees will be effective the first payroll of October, 2018. The General Fund increase for wages and benefits for FY 2019 is \$1.5 million. The City added a total of 14 positions in the FY 2019 General Fund budget. Five for the transfer of the combined City and School Human resources office to the City; one in the police department, six in the fire department resulting from the SAFER federal grant, one in horticulture, and one for golf resulting from the reversion of golf activities to the general fund. The total FTE count for the City is 305 full-time employees, a net increase of 13 positions.
- The General Fund budgeted transfer to the City Capital Improvement Fund is \$691,050 for FY 2019, an increase of \$250,000 from FY 2018.
- The General Fund transfer to the Debt Service Fund increased over FY 2018 to \$4,822,750. The City will reduce its total outstanding debt by \$6 million in 2019.
- The General Fund transfer to the Education Fund increased 3.53%, or \$450,000, to help fund an average 3% pay increase for school employees which will be effective with the October 2018 pay check.
- As of September 2018, the unemployment rate for the City of Staunton was 2.6%. Staunton's rate is slightly lower than the state's average unemployment rate of 2.7% and well below the national average of 3.6%.

All these factors were considered in preparing the FY 2019 budget to finance the cost of programs and services provided to citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2018

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|-----------------------|------------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | Economic Development Authority |
| ASSETS | | | | | |
| Cash and cash equivalents (Note 2) | \$ 28,610,823 | \$ 5,213,728 | \$ 33,824,551 | \$ 5,309,320 | \$ 153,155 |
| Investments (Note 2) | 4,243,020 | 7,377,775 | 11,620,795 | - | - |
| Receivable (net of allowances for uncollectibles): | | | | | |
| Taxes, including penalties (Note 14) | 4,807,036 | - | 4,807,036 | - | - |
| Accounts | 864,287 | 2,021,407 | 2,885,694 | 197,580 | 16,667 |
| Interest | 13,809 | 23,654 | 37,463 | - | - |
| Internal balances (Note 4) | 39,080 | (39,080) | - | - | - |
| Due from other governments (Note 3) | 6,198,051 | - | 6,198,051 | 1,725,096 | - |
| Due from component unit (Note 18) | 12,750,000 | - | 12,750,000 | - | - |
| Inventory (Note 1, 18) | 246,604 | - | 246,604 | - | 12,970,053 |
| Prepaid items | 118,086 | 2,716 | 120,802 | 2,001 | - |
| Restricted assets: (Notes 2, 15) | | | | | |
| Cash and cash equivalents | 7,000 | 4,814,801 | 4,821,801 | - | - |
| Due from other governments (Note 3) | - | 2,338,714 | 2,338,714 | - | - |
| Capital assets: (Note 5) | | | | | |
| Nondepreciable | 5,280,054 | 3,078,878 | 8,358,932 | 236,000 | 793,946 |
| Depreciable, net | 49,511,021 | 71,737,938 | 121,248,959 | 10,342,316 | 6,604,216 |
| Total assets | 112,688,871 | 96,570,531 | 209,259,402 | 17,812,313 | 20,538,037 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions (Notes 8, 9, and 12) | 1,809,082 | 284,461 | 2,093,543 | 3,489,662 | - |
| Deferred outflows related to OPEB (Notes 10, 11, and 12) | 568,709 | 86,687 | 655,396 | 563,707 | - |
| Deferred charges on refunding | 300,572 | 84,618 | 385,190 | - | - |
| Total deferred outflows of resources | 2,678,363 | 455,766 | 3,134,129 | 4,053,369 | - |
| LIABILITIES | | | | | |
| Accounts payable | 1,342,813 | 657,277 | 2,000,090 | 289,609 | 136,038 |
| Retainage payable | 28,609 | 18,815 | 47,424 | - | - |
| Accrued liabilities | 1,113,781 | 232,726 | 1,346,507 | 1,578,980 | - |
| Due to primary government (Note 18) | - | - | - | - | 12,750,000 |
| Unearned revenue (Note 1) | 7,562 | 39,573 | 47,135 | 1,000 | - |
| Amounts held for others | 13,525 | - | 13,525 | 2,703 | - |
| Deposits payable | 7,000 | 316,770 | 323,770 | - | - |
| Noncurrent liabilities: | | | | | |
| Net OPEB liability (Notes 10, 11, and 12) | 6,900,294 | 1,089,251 | 7,989,545 | 7,565,641 | - |
| Net pension liability (Notes 8, 9, and 12) | 14,736,494 | 2,254,513 | 16,991,007 | 26,200,724 | - |
| Due within one year (Note 6) | 4,309,864 | 2,184,287 | 6,494,151 | 238,515 | - |
| Due in more than one year (Note 6) | 28,458,341 | 19,361,455 | 47,819,796 | 318,881 | - |
| Total liabilities | 56,918,283 | 26,154,667 | 83,072,950 | 36,196,053 | 12,886,038 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions (Notes 8, 9, and 12) | 2,161,653 | 339,549 | 2,501,202 | 3,718,300 | - |
| Deferred inflows related to OPEB (Notes 10, 11, and 12) | 120,736 | 19,413 | 140,149 | 267,625 | - |
| Property taxes (Note 14) | 4,516,395 | - | 4,516,395 | - | - |
| Total deferred inflows of resources | 6,798,784 | 358,962 | 7,157,746 | 3,985,925 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 43,232,721 | 57,260,176 | 100,492,897 | 10,578,316 | 7,398,162 |
| Restricted for: | | | | | |
| Programs | 16,046 | - | 16,046 | 10,405 | - |
| Donor purposes | 15,219 | - | 15,219 | 11,379 | - |
| Unrestricted | 8,386,181 | 13,252,492 | 21,638,673 | (28,916,396) | 253,837 |
| Total net position | \$ 51,650,167 | \$ 70,512,668 | \$ 122,162,835 | \$ (18,316,296) | \$ 7,651,999 |

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

CITY OF STAUNTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 8,613,523 | \$ 5,680,546 | \$ 295,387 | \$ - |
| Judicial administration | 1,844,938 | 194,110 | 1,171,867 | 19,388 |
| Public safety | 11,829,002 | 425,342 | 1,249,696 | 13,056 |
| Public works | 6,647,903 | - | 4,132,678 | 1,323,934 |
| Health and welfare | 7,051,987 | - | 4,580,956 | - |
| Education | 16,566,371 | - | 87,405 | - |
| Parks, recreation, and culture | 3,420,386 | 421,828 | 208,078 | 250 |
| Community development | 1,541,098 | 21,411 | 22,326 | - |
| Interest on long-term debt | 1,017,723 | - | - | - |
| Total governmental activities | 58,532,931 | 6,743,237 | 11,748,393 | 1,356,628 |
| Business-type activities: | | | | |
| Water | 3,886,966 | 4,285,464 | - | 501,012 |
| Sewer | 3,917,693 | 3,976,558 | - | 171,120 |
| Storm Water | 966,907 | 767,497 | - | 113,311 |
| Environmental | 2,790,626 | 2,660,459 | 6,092 | - |
| Golf | 146,068 | 90,398 | - | - |
| Parking | 506,123 | 444,622 | - | - |
| Total business-type activities | 12,214,383 | 12,224,998 | 6,092 | 785,443 |
| Total primary government | \$ 70,747,314 | \$ 18,968,235 | \$ 11,754,485 | \$ 2,142,071 |
| Component Units: | | | | |
| School Board | \$ 34,270,832 | \$ 1,358,920 | \$ 11,537,140 | \$ 95,266 |
| Economic Development Authority | 417,103 | 31,000 | 176,228 | - |
| Total component units | \$ 34,687,935 | \$ 1,389,920 | \$ 11,713,368 | \$ 95,266 |

| |
|---|
| General revenues: |
| Property taxes |
| Sales tax |
| Hotel and meals tax |
| Business license |
| Utility taxes |
| Local communication tax |
| Other taxes |
| Unrestricted investment earnings |
| Grants and contributions not restricted to a specific program |
| Miscellaneous |
| Net payment from City - unrestricted |
| Transfers |
| Total general revenues and transfers |
| Change in net position |
| Net position - beginning of year, as restated (Note 21) |
| Net position - end of year |

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

| Net (Expenses) Revenues and Changes in Net Position | | | Component Units | |
|--|-----------------------------|-----------------------|------------------------|--------------------------------------|
| Primary Government | | | School Board | Economic Development Authority |
| Governmental Activities | Business-Type Activities | Total | | |
| \$ (2,637,590) | | \$ (2,637,590) | | |
| (459,573) | | (459,573) | | |
| (10,140,908) | | (10,140,908) | | |
| (1,191,291) | | (1,191,291) | | |
| (2,471,031) | | (2,471,031) | | |
| (16,478,966) | | (16,478,966) | | |
| (2,790,230) | | (2,790,230) | | |
| (1,497,361) | | (1,497,361) | | |
| (1,017,723) | | (1,017,723) | | |
| <u>(38,684,673)</u> | | <u>(38,684,673)</u> | | |
| | \$ 899,510 | 899,510 | | |
| | 229,985 | 229,985 | | |
| | (86,099) | (86,099) | | |
| | (124,075) | (124,075) | | |
| | (55,670) | (55,670) | | |
| | (61,501) | (61,501) | | |
| | <u>802,150</u> | <u>802,150</u> | | |
| (38,684,673) | 802,150 | (37,882,523) | | |
| | | | \$ (21,279,506) | \$ - |
| | | | - | (209,875) |
| | | | <u>(21,279,506)</u> | <u>(209,875)</u> |
| 25,335,057 | - | 25,335,057 | - | - |
| 4,123,862 | - | 4,123,862 | - | - |
| 4,796,184 | - | 4,796,184 | - | - |
| 2,216,754 | - | 2,216,754 | - | - |
| 1,164,277 | - | 1,164,277 | - | - |
| 1,278,401 | - | 1,278,401 | - | - |
| 1,135,829 | - | 1,135,829 | - | - |
| 155,183 | 92,181 | 247,364 | 8,944 | - |
| 2,881,272 | - | 2,881,272 | 9,893,921 | - |
| 18,684 | - | 18,684 | - | - |
| - | - | - | 16,031,766 | - |
| (1,066,603) | 1,066,603 | - | - | - |
| <u>42,038,900</u> | <u>1,158,784</u> | <u>43,197,684</u> | <u>25,934,631</u> | <u>-</u> |
| 3,354,227 | 1,960,934 | 5,315,161 | 4,655,125 | (209,875) |
| 48,295,940 | 68,551,734 | 116,847,674 | (22,971,421) | 7,861,874 |
| <u>\$ 51,650,167</u> | <u>\$ 70,512,668</u> | <u>\$ 122,162,835</u> | <u>\$ (18,316,296)</u> | <u>\$ 7,651,999</u> |

CITY OF STAUNTON, VIRGINIA

BALANCE SHEET –
GOVERNMENTAL FUNDS

June 30, 2018

| | General | Capital Projects Fund Capital Improvements | Nonmajor Governmental | Total Governmental |
|---|----------------------|---|--------------------------|-----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 12,215,733 | \$ 7,010,598 | \$ 3,934,264 | \$ 23,160,595 |
| Investments | 4,243,020 | - | - | 4,243,020 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Taxes | 4,807,036 | - | - | 4,807,036 |
| Accounts | 801,427 | - | 43,643 | 845,070 |
| Interest | 13,809 | - | - | 13,809 |
| Due from other governments | 6,178,024 | 3,193 | 16,834 | 6,198,051 |
| Due from other funds | 99,954 | - | - | 99,954 |
| Prepaid items | 98,536 | - | 3,617 | 102,153 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 7,000 | - | - | 7,000 |
| Total assets | \$ 28,464,539 | \$ 7,013,791 | \$ 3,998,358 | \$ 39,476,688 |
| Liabilities | | | | |
| Accounts payable | \$ 992,157 | \$ 309,422 | \$ 12,619 | \$ 1,314,198 |
| Retainage payable | - | 28,609 | - | 28,609 |
| Accrued liabilities | 651,032 | - | 23,245 | 674,277 |
| Due to other funds | - | 44,040 | 16,834 | 60,874 |
| Unearned revenue | 7,562 | - | - | 7,562 |
| Amounts held for others | 13,525 | - | - | 13,525 |
| Deposits payable | 7,000 | - | - | 7,000 |
| Total liabilities | 1,671,276 | 382,071 | 52,698 | 2,106,045 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | 11,263,322 | - | - | 11,263,322 |
| Fund Balances | | | | |
| Nonspendable | 198,490 | - | 3,617 | 202,107 |
| Restricted | 15,219 | - | 16,046 | 31,265 |
| Committed | 8,489,250 | - | - | 8,489,250 |
| Assigned | 2,221,017 | 6,631,720 | 3,925,997 | 12,778,734 |
| Unassigned | 4,605,965 | - | - | 4,605,965 |
| Total fund balances | 15,529,941 | 6,631,720 | 3,945,660 | 26,107,321 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 28,464,539 | \$ 7,013,791 | \$ 3,998,358 | \$ 39,476,688 |

CITY OF STAUNTON, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2018

| | | | |
|--|---------------------|---------------|----------------------|
| Total Fund Balances - Governmental Funds | | \$ 26,107,321 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds. | | | |
| Governmental capital assets | \$ 123,585,238 | | |
| Less: accumulated depreciation | <u>(68,794,163)</u> | | 54,791,075 |
| Deferred gain on refunding, discounts and premiums are reported as expenditures or revenues in the governmental funds, but are amortized over the life of the debt obligation in the statement of net position: | | | |
| Bond discounts (to be amortized as interest expense) | \$ 82,979 | | |
| Deferred amount on refunding (to be amortized as interest expense) | <u>300,572</u> | | 383,551 |
| Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | | | |
| | | | 5,003,367 |
| Receivables that are not available to pay for current-period expenditures are deferred or not reported in the funds. | | | |
| Due from EDA | \$ 12,750,000 | | |
| Hotel rent | 16,667 | | |
| Interest | 13,809 | | |
| Miscellaneous reimbursement | 22,167 | | |
| Jail buy in | 4,314,239 | | |
| Real estate taxes | <u>2,380,045</u> | | 19,496,927 |
| Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | | |
| Deferred outflows | \$ 1,809,082 | | |
| Deferred inflows | (2,161,653) | | |
| Net pension liability | <u>(14,736,494)</u> | | (15,089,065) |
| Financial statement elements related to other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the funds. | | | |
| Deferred outflows | \$ 568,709 | | |
| Deferred inflows | (120,736) | | |
| Net OPEB liability | <u>(6,900,294)</u> | | (6,452,321) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | \$ (21,244,490) | | |
| Literary fund loans | (9,050,000) | | |
| Accrued interest payable | (491,969) | | |
| Claims payable | (251,051) | | |
| Compensated absences | <u>(1,553,178)</u> | | <u>(32,590,688)</u> |
| Total Net Position - Governmental Activities | | | <u>\$ 51,650,167</u> |

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

| | General | Capital Projects | Nonmajor Governmental | Total Governmental |
|---|----------------------|---------------------|--------------------------|-----------------------|
| Revenues | | | | |
| General property taxes | \$ 25,439,640 | \$ - | \$ - | \$ 25,439,640 |
| Other local taxes | 14,715,307 | - | - | 14,715,307 |
| Permits, privilege fees, and regulatory licenses | 287,878 | - | - | 287,878 |
| Fines and forfeitures | 134,887 | - | - | 134,887 |
| Revenues from use of money and property | 198,538 | 1,109 | 163 | 199,810 |
| Charges for services | 1,799,686 | - | 146,686 | 1,946,372 |
| Miscellaneous | 77,362 | - | 94,238 | 171,600 |
| Recovered costs | 923,212 | 924,665 | - | 1,847,877 |
| Intergovernmental: | | | | |
| Federal | 1,276,171 | 81,659 | 17,115 | 1,374,945 |
| Commonwealth | 12,103,565 | 368,994 | 708,037 | 13,180,596 |
| City of Staunton School Board | - | - | 50,000 | 50,000 |
| Total revenues | 56,956,246 | 1,376,427 | 1,016,239 | 59,348,912 |
| Expenditures | | | | |
| Current: | | | | |
| General government administration | 5,491,832 | - | - | 5,491,832 |
| Judicial administration | 1,986,549 | - | - | 1,986,549 |
| Public safety | 10,946,015 | - | 1,042,414 | 11,988,429 |
| Public works | 6,768,337 | 15,000 | - | 6,783,337 |
| Health and welfare | 6,973,721 | - | - | 6,973,721 |
| Education | 12,758,000 | 41,048 | - | 12,799,048 |
| Parks, recreation, and cultural | 3,459,705 | 3,029 | - | 3,462,734 |
| Community development | 1,600,106 | 1,128 | - | 1,601,234 |
| Capital projects | - | 2,050,884 | - | 2,050,884 |
| Debt service: | | | | |
| Principal retirement | - | - | 2,877,922 | 2,877,922 |
| Interest and fiscal charges | - | - | 1,024,272 | 1,024,272 |
| Total expenditures | 49,984,265 | 2,111,089 | 4,944,608 | 57,039,962 |
| Excess (deficiency) of revenues over expenditures | 6,971,981 | (734,662) | (3,928,369) | 2,308,950 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 791,050 | 4,274,200 | 5,065,250 |
| Transfers out | (5,229,550) | - | - | (5,229,550) |
| Total other financing sources (uses) | (5,229,550) | 791,050 | 4,274,200 | (164,300) |
| Net change in fund balance | 1,742,431 | 56,388 | 345,831 | 2,144,650 |
| Fund balance - beginning of year | 13,787,510 | 6,575,332 | 3,599,829 | 23,962,671 |
| Fund balance - end of year | \$ 15,529,941 | \$ 6,631,720 | \$ 3,945,660 | \$ 26,107,321 |

CITY OF STAUNTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

| | | | |
|---|---|------------------|---------------------|
| Net changes in fund balances - Governmental Funds | | \$ 2,144,650 | |
| Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because: | | | |
| Governmental funds report the cost of capital assets acquired as current expenditures while the statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. | | | |
| | Depreciation | \$ (3,038,592) | |
| | Capital expenditures | 3,024,938 | |
| | Transfer asset back to schools | (3,331,766) | |
| | Contributed Capital | <u>13,025</u> | (3,332,395) |
| In the statement of activities, only the gain or loss on the disposal of capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset. | | | (17,984) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | | |
| | Property taxes | \$ (104,583) | |
| | Interest | 1,777 | |
| | Other operating revenues | <u>3,603</u> | (99,203) |
| Payments on loans receivable are revenues in the governmental funds, but decrease long term assets in the statement of position | Jail buy in | (565,083) | (565,083) |
| Debt proceeds provide current financial resources to governmental funds, but debt issuances increase long term liabilities in the statement of net position. Principal repayments are expenditures in governmental funds, but reduce long term liabilities in the statement of net position. | | | |
| | GO bond and literary loan payments | | 2,877,922 |
| Governmental funds report interest on long term debt as expenditures when payments are made, while the statement of activities reports interest expense on the accrual basis. | | | 49,083 |
| Governmental funds report employer contributions to other postemployment benefit as expenditures. However, in the statement of activities the cost of other postemployment benefits earned net of employee contributions is reported as OPEB expense. | | | |
| | Employer OPEB contributions | 581,649 | |
| | OPEB expense | <u>(624,033)</u> | (42,384) |
| Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. | | | |
| | Employer pension contributions | 2,082,997 | |
| | Pension expense | <u>(586,509)</u> | 1,496,488 |
| Some expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported as expenditures in governmental funds. | | | |
| | Compensated absences and claims payable | \$ (228,586) | |
| | Amortization of bond discount and deferred amount | <u>(42,534)</u> | (271,120) |
| The net income of internal service funds is reported within governmental activities on the statement of activities. | | | <u>1,114,253</u> |
| Change in net position - Governmental Activities | | | <u>\$ 3,354,227</u> |

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2018

| | Business-Type Activities – Enterprise Funds | | | | | Total | Governmental Activities – Internal Service |
|---|---|---------------|---------------|---------------|--------------|---------------|--|
| | Water | Sewer | Stormwater | Environmental | Nonmajor | | |
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 1,497,552 | \$ 1,174,937 | \$ 1,884,333 | \$ 85,315 | \$ 571,591 | \$ 5,213,728 | \$ 5,450,228 |
| Investments | 3,317,480 | 2,454,061 | - | 1,606,234 | - | 7,377,775 | - |
| Receivable: | | | | | | | |
| Accounts (net of allowance for uncollectibles) | 703,803 | 736,765 | 118,845 | 444,427 | 17,567 | 2,021,407 | 19,217 |
| Interest | 11,145 | 7,493 | - | 5,016 | - | 23,654 | - |
| Inventory | - | - | - | - | - | - | 246,604 |
| Prepaid items | - | - | - | 2,716 | - | 2,716 | 15,933 |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | 202,320 | - | 110,000 | 2,337,510 | 2,164,971 | 4,814,801 | - |
| Due from other governments | - | 218,055 | - | - | - | 218,055 | - |
| Total current assets | 5,732,300 | 4,591,311 | 2,113,178 | 4,481,218 | 2,754,129 | 19,672,136 | 5,731,982 |
| Noncurrent assets: | | | | | | | |
| Restricted assets: | | | | | | | |
| Due from other governments | - | 2,120,659 | - | - | - | 2,120,659 | - |
| Capital assets: | | | | | | | |
| Nondepreciable | 555,041 | 170,018 | 163,775 | 540,736 | 1,649,308 | 3,078,878 | - |
| Depreciable, net | 21,787,740 | 34,073,798 | 8,993,158 | 2,922,729 | 3,960,513 | 71,737,938 | 57,268 |
| Total capital assets, net | 22,342,781 | 34,243,816 | 9,156,933 | 3,463,465 | 5,609,821 | 74,816,816 | 57,268 |
| Total noncurrent assets | 22,342,781 | 36,364,475 | 9,156,933 | 3,463,465 | 5,609,821 | 76,937,475 | 57,268 |
| Total assets | 28,075,081 | 40,955,786 | 11,270,111 | 7,944,683 | 8,363,950 | 96,609,611 | 5,789,250 |
| Deferred outflows of resources | | | | | | | |
| Deferred outflows related to pensions | 151,434 | 18,122 | 9,582 | 97,824 | 7,499 | 284,461 | - |
| Deferred outflows related to other postemployment benefits | 47,267 | 5,585 | 3,425 | 28,054 | 2,356 | 86,687 | - |
| Deferred charge on refunding | 64,694 | 19,924 | - | - | - | 84,618 | - |
| Total deferred outflows of resources | 263,395 | 43,631 | 13,007 | 125,878 | 9,855 | 455,766 | - |
| Liabilities | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | 110,040 | 246,976 | 23,372 | 210,405 | 66,484 | 657,277 | 28,615 |
| Claims payable | - | - | - | - | - | - | 700,000 |
| Retainage payable | - | - | - | - | 18,815 | 18,815 | - |
| Accrued liabilities | 98,973 | 81,469 | 2,516 | 27,356 | 22,412 | 232,726 | - |
| Unearned revenue | 35,140 | - | - | - | 4,433 | 39,573 | - |
| Deposits payable | 202,320 | - | 110,000 | - | 4,450 | 316,770 | - |
| Due to other funds | - | - | - | 23,434 | 15,646 | 39,080 | - |
| Debt, current | 722,463 | 1,125,312 | - | - | 142,939 | 1,990,714 | - |
| Landfill closure/postclosure | - | - | - | 48,644 | - | 48,644 | - |
| Compensated absences | 74,526 | 1,454 | 13,837 | 55,112 | - | 144,929 | - |
| Total current liabilities | 1,243,462 | 1,455,211 | 149,725 | 364,951 | 275,179 | 3,488,528 | 728,615 |
| Noncurrent liabilities: | | | | | | | |
| Net OPEB Liability | 573,557 | 67,825 | 41,436 | 377,845 | 28,588 | 1,089,251 | - |
| Net pension liability | 1,233,556 | 147,619 | 78,052 | 734,202 | 61,084 | 2,254,513 | - |
| Debt | 4,723,824 | 9,688,309 | - | - | 2,579,005 | 16,991,138 | - |
| Landfill closure/postclosure | - | - | - | 2,269,329 | - | 2,269,329 | - |
| Compensated absences | 67,634 | - | - | 33,354 | - | 100,988 | - |
| Total noncurrent liabilities | 6,598,571 | 9,903,753 | 119,488 | 3,414,730 | 2,668,677 | 22,705,219 | - |
| Total liabilities | 7,842,033 | 11,358,964 | 269,213 | 3,779,681 | 2,943,856 | 26,193,747 | 728,615 |
| Deferred Inflows of Resources | | | | | | | |
| Deferred inflows related to pensions | 180,947 | 21,654 | 11,449 | 116,539 | 8,960 | 339,549 | - |
| Deferred inflows related to other post employment benefits | 10,064 | 1,223 | 653 | 6,973 | 500 | 19,413 | - |
| | 191,011 | 22,877 | 12,102 | 123,512 | 9,460 | 358,962 | - |
| Net Position | | | | | | | |
| Net investment in capital assets | 16,173,895 | 23,392,578 | 9,182,936 | 3,463,465 | 5,047,302 | 57,260,176 | 57,268 |
| Unrestricted | 4,131,537 | 6,224,998 | 1,818,867 | 703,903 | 373,187 | 13,252,492 | 5,003,367 |
| Total net position | \$ 20,305,432 | \$ 29,617,576 | \$ 11,001,803 | \$ 4,167,368 | \$ 5,420,489 | \$ 70,512,668 | \$ 5,060,635 |

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-Type Activities – Enterprise Funds | | | | | Total | Governmental Activities – |
|---|---|----------------------|----------------------|---------------------|---------------------|----------------------|------------------------------|
| | Water | Sewer | Stormwater | Environmental | Nonmajor | | Internal Service |
| OPERATING REVENUES | | | | | | | |
| Parking fines | \$ - | \$ - | \$ - | \$ - | \$ 67,150 | \$ 67,150 | \$ - |
| Charges for services | 4,178,608 | 3,975,650 | 767,497 | 2,646,751 | 460,563 | 12,029,069 | 8,157,908 |
| Rental of property | 71,372 | - | - | - | 4,167 | 75,539 | - |
| Operating grants | - | - | - | 6,092 | - | 6,092 | - |
| Miscellaneous | 15,927 | 908 | - | 624 | 3,140 | 20,599 | 7,730 |
| Total operating revenues | <u>4,265,907</u> | <u>3,976,558</u> | <u>767,497</u> | <u>2,653,467</u> | <u>535,020</u> | <u>12,198,449</u> | <u>8,165,638</u> |
| OPERATING EXPENSES | | | | | | | |
| Personal services | 877,392 | 652,556 | 94,910 | 1,290,658 | 202,382 | 3,117,898 | - |
| Claims paid | - | - | - | - | - | - | 5,080,605 |
| Rental of property | 3,846 | 1,805 | - | - | 7,706 | 13,357 | 3,732 |
| Administrative fees | - | - | - | - | - | - | 361,729 |
| Stop loss fees | - | - | - | - | - | - | 786,204 |
| Repairs and maintenance | 457,788 | 28,089 | - | 29,037 | 100 | 515,014 | - |
| Contractual services | 472,698 | 1,407,017 | 32,722 | 439,617 | 18,549 | 2,370,603 | 17,946 |
| Materials and supplies | 203,605 | 124,196 | 111,013 | 118,748 | 14,957 | 572,519 | 28,098 |
| Depreciation | 995,093 | 1,219,218 | 470,503 | 383,569 | 172,587 | 3,240,970 | 3,398 |
| Utilities | 170,741 | 6,944 | - | 2,356 | 31,036 | 211,077 | 770,464 |
| Other expenses | 493,041 | 216,703 | 257,759 | 313,993 | 118,413 | 1,399,909 | - |
| Landfill closure/post-closure | - | - | - | 212,648 | - | 212,648 | - |
| Total operating expenses | <u>3,674,204</u> | <u>3,656,528</u> | <u>966,907</u> | <u>2,790,626</u> | <u>565,730</u> | <u>11,653,995</u> | <u>7,052,176</u> |
| Operating income (loss) | <u>591,703</u> | <u>320,030</u> | <u>(199,410)</u> | <u>(137,159)</u> | <u>(30,710)</u> | <u>544,454</u> | <u>1,113,462</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | |
| Interest income | 27,772 | 19,805 | 318 | 43,023 | 1,263 | 92,181 | 791 |
| Debt issuance costs | (32,937) | (13,882) | - | - | (47,972) | (94,791) | - |
| Interest and fiscal charges | (179,825) | (312,605) | - | - | (38,489) | (530,919) | - |
| Gain on disposal of assets | 19,557 | - | - | 13,084 | - | 32,641 | - |
| Debt service recovery | - | 65,322 | - | - | - | 65,322 | - |
| Total nonoperating revenues (expenses) | <u>(165,433)</u> | <u>(241,360)</u> | <u>318</u> | <u>56,107</u> | <u>(85,198)</u> | <u>(435,566)</u> | <u>791</u> |
| Income (loss) before transfers and capital contributions | 426,270 | 78,670 | (199,092) | (81,052) | (115,908) | 108,888 | 1,114,253 |
| Capital Contributed-Developer | 501,012 | 171,120 | 113,311 | - | - | 785,443 | - |
| Capital Contributed from fund activities | | | | | | | |
| Governmental funds | 299,688 | 131,548 | 396,067 | - | 75,000 | 902,303 | - |
| Transfers in | - | - | - | - | 164,300 | 164,300 | - |
| Change in net position | <u>1,226,970</u> | <u>381,338</u> | <u>310,286</u> | <u>(81,052)</u> | <u>123,392</u> | <u>1,960,934</u> | <u>1,114,253</u> |
| Total net position - beginning of year, as restated, (Note 21) | <u>19,078,462</u> | <u>29,236,238</u> | <u>10,691,517</u> | <u>4,248,420</u> | <u>5,297,097</u> | <u>68,551,734</u> | <u>3,946,382</u> |
| Total net position - end of year | <u>\$ 20,305,432</u> | <u>\$ 29,617,576</u> | <u>\$ 11,001,803</u> | <u>\$ 4,167,368</u> | <u>\$ 5,420,489</u> | <u>\$ 70,512,668</u> | <u>\$ 5,060,635</u> |

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2018

| | Business-Type Activities – Enterprise Funds | | | | | Total | Governmental |
|---|---|--------------|--------------|---------------|--------------|---------------|----------------------------------|
| | Water | Sewer | Stormwater | Environmental | Nonmajor | | Activities – Internal Service |
| OPERATING ACTIVITIES | | | | | | | |
| Cash received from customers and users | \$ 4,255,038 | \$ 3,942,687 | \$ 738,162 | \$ 2,621,341 | \$ 545,002 | \$ 12,102,230 | \$ 8,172,762 |
| Cash paid to suppliers | (1,785,783) | (1,773,719) | (296,445) | (932,811) | (195,438) | (4,984,196) | (866,477) |
| Cash paid to employees | (878,831) | (609,948) | (98,698) | (1,283,322) | (210,172) | (3,080,971) | - |
| Claims paid | - | - | - | - | - | - | (5,080,605) |
| Administrative and stop loss fees | - | - | - | - | - | - | (1,143,674) |
| Operating grants received | - | - | - | 6,092 | - | 6,092 | - |
| Net cash provided by operating activities | 1,590,424 | 1,559,020 | 343,019 | 411,300 | 139,392 | 4,043,155 | 1,082,006 |
| NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Transfers to/from other funds | - | - | - | - | 164,300 | 164,300 | - |
| Interfund borrowing | - | - | - | (69,375) | 3,584 | (65,791) | - |
| Net cash provided by (used in) noncapital financing activities | - | - | - | (69,375) | 167,884 | 98,509 | - |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | (958,900) | (281,693) | - | (249,429) | (465,214) | (1,955,236) | - |
| Principal paid on long-term debt | (604,015) | (1,068,091) | - | - | (232,893) | (1,904,999) | - |
| Interest paid on long-term debt | (247,986) | (273,716) | - | - | (30,412) | (552,114) | - |
| Proceeds from sale of capital assets | 19,557 | - | - | 13,084 | - | 32,641 | - |
| Proceed from debt issuance | 3,292,770 | 1,387,783 | - | - | 2,133,925 | 6,814,478 | - |
| Payment to refunding escrow agent | (3,291,944) | (1,387,436) | - | - | - | (4,679,380) | - |
| Net cash provided by (used in) capital and related financing activities | (1,790,518) | (1,623,153) | - | (236,345) | 1,405,406 | (2,244,610) | - |
| INVESTING ACTIVITIES | | | | | | | |
| Collection of loans receivable | - | 212,072 | - | - | - | 212,072 | - |
| Interest received | 317 | 252 | 318 | 24,868 | 1,263 | 27,018 | 791 |
| Net cash provided by investing activities | 317 | 212,324 | 318 | 24,868 | 1,263 | 239,090 | 791 |
| Net increase (decrease) in cash and cash equivalents | (199,777) | 148,191 | 343,337 | 130,448 | 1,713,945 | 2,136,144 | 1,082,797 |
| CASH AND CASH EQUIVALENTS | | | | | | | |
| Beginning of year | 1,899,649 | 1,026,746 | 1,650,996 | 2,292,377 | 1,022,617 | 7,892,385 | 4,367,431 |
| End of year | \$ 1,699,872 | \$ 1,174,937 | \$ 1,994,333 | \$ 2,422,825 | \$ 2,736,562 | \$ 10,028,529 | \$ 5,450,228 |
| Cash and cash equivalents at end of year is composed of the following: | | | | | | | |
| Cash and cash equivalents | \$ 1,497,552 | \$ 1,174,937 | \$ 1,884,333 | \$ 85,315 | \$ 571,591 | \$ 5,213,728 | \$ 5,450,228 |
| Restricted cash and cash equivalents | 202,320 | - | 110,000 | 2,337,510 | 2,164,971 | 4,814,801 | - |
| Total | \$ 1,699,872 | \$ 1,174,937 | \$ 1,994,333 | \$ 2,422,825 | \$ 2,736,562 | \$ 10,028,529 | \$ 5,450,228 |

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

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2018

| | Business-Type Activities – Enterprise Funds | | | | | Total | Governmental |
|--|---|---------------------|-------------------|-------------------|-------------------|---------------------|----------------------------------|
| | Water | Sewer | Stormwater | Environmental | Nonmajor | | Activities – Internal Service |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | | | | |
| Operating income (loss) | \$ 591,703 | \$ 320,030 | \$ (199,410) | \$ (137,159) | \$ (30,710) | \$ 544,454 | \$ 1,113,462 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | | | |
| Depreciation | 995,093 | 1,219,218 | 470,503 | 383,569 | 172,587 | 3,240,970 | 3,398 |
| Pension and OPEB expense net of employer contrib | (20,575) | 40,031 | (6,729) | 3,166 | - | 15,893 | - |
| Expense of previous construction in progress | - | 1,844 | 107,300 | - | (7,212) | 101,932 | - |
| Change in assets and liabilities: | | | | | | | |
| (Increase) decrease in accounts receivable | (9,942) | (33,871) | (7,085) | (26,034) | 13,387 | (63,545) | 7,124 |
| (Increase) decrease in prepaid items | - | - | - | 137 | - | 137 | (3,768) |
| Increase in inventory | - | - | - | - | - | - | (60,096) |
| Increase (decrease) in accounts payable | 15,936 | 9,191 | (2,251) | 19,447 | (4,677) | 37,646 | 21,886 |
| Increase (decrease) in accrued liabilities | 1,009 | 1,915 | (10) | 592 | (578) | 2,928 | - |
| Increase (decrease) in unearned revenue | 831 | - | - | - | (3,200) | (2,369) | - |
| Decrease in deposits payable | (1,758) | - | (22,250) | - | (205) | (24,213) | - |
| Increase in compensated absences | 18,127 | 662 | 2,951 | 3,578 | - | 25,318 | - |
| Increase in landfill closure/postclosure liabilities | - | - | - | 164,004 | - | 164,004 | - |
| Net cash provided by operating activities | <u>\$ 1,590,424</u> | <u>\$ 1,559,020</u> | <u>\$ 343,019</u> | <u>\$ 411,300</u> | <u>\$ 139,392</u> | <u>\$ 4,043,155</u> | <u>\$ 1,082,006</u> |
| Noncash investing, capital, and financing activities: | | | | | | | |
| Contributions of capital assets from developers | \$ 501,012 | \$ 171,120 | \$ 113,311 | \$ - | \$ - | \$ 785,443 | \$ - |
| Contributions of capital assets from other funds | 299,688 | 131,548 | 396,067 | - | 75,000 | 902,303 | - |
| Capital assets purchased on account | 31,645 | 56,799 | 21,211 | - | 64,070 | 173,725 | - |
| Total noncash activities | <u>\$ 832,345</u> | <u>\$ 359,467</u> | <u>\$ 530,589</u> | <u>\$ -</u> | <u>\$ 139,070</u> | <u>\$ 1,861,471</u> | <u>\$ -</u> |

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

CITY OF STAUNTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

| | <u>OPEB Trust Fund</u> |
|--|--------------------------------|
| ASSETS | |
| Assets held in trust, at fair value | |
| Investment in pooled funds | \$ 2,537,931 |
| Total assets | <u>2,537,931</u> |
| NET POSITION | |
| Held in trust for other post-employment benefits | <u>2,537,931</u> |
| Total net position restricted for OPEB | <u><u>\$ 2,537,931</u></u> |

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018

| | OPEB Trust Fund |
|--|-----------------------------|
| | <u> </u> |
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 829,640 |
| Plan members | 187,319 |
| | <u> </u> |
| Total contributions | 1,016,959 |
| Investment income (loss) | |
| Net increase in fair value of investments | 194,088 |
| Investment expenses | (2,725) |
| | <u> </u> |
| Net increase in fair value of investments | 191,363 |
| | <u> </u> |
| Total additions | 1,208,322 |
| | <u> </u> |
| DEDUCTIONS | |
| Benefit payments | 696,959 |
| | <u> </u> |
| Total deductions | 696,959 |
| | <u> </u> |
| Change in net position | 511,363 |
| Total Net Position Held in Trust for Other Post-employment Benefits - beginning of year | 2,026,568 |
| | <u> </u> |
| Total Net Position Held in Trust for Other Post-employment Benefits - end of year | <u>\$ 2,537,931</u> |



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City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies

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

A. The Financial Reporting Entity

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

City of Staunton School Board

The City of Staunton School Board (School Board) was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. The members of the School Board are elected by the voters. The School Board does not have the authority to levy taxes and is fiscally dependent on the City to provide the significant funding to operate and maintain the public school system. In addition, the City has final approval of the school budget and must approve any debt issues related to the schools.

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

Staunton Economic Development Authority

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Related organizations:

The City also participates in the following entities:

Augusta Regional Landfill

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

Middle River Regional Jail Authority

The City, in conjunction with the City of Waynesboro and the County of Augusta, participates in the Middle River Regional Jail Authority. Capital and operating costs are allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. In accordance with the service agreement, the Authority has divided its charges to member jurisdictions into an operating component and a debt service component. The City paid the Authority \$1,556,911 for the current year. This entity is not included in the City's financial statements.

B. Government-wide and Fund Financial Statements

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. The reported value of the state-sponsored investment pool is the same as the fair value of the pooled shares and is reported within the guidelines of GASB 79.

Receivables and Allowance for Uncollectible Accounts

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

| | | |
|---|----|---------|
| General Fund (property taxes) | \$ | 645,363 |
| General Fund (other local taxes) | | 3,247 |
| Water Fund (charges for services) | | 37,903 |
| Sewer Fund (charges for services) | | 52,402 |
| Stormwater Fund (charges for services) | | 20,420 |
| Parking Fund (charges for services) | | 10,440 |
| Environmental Fund (charges for services) | | 31,644 |
| | | 31,644 |
| | \$ | 801,419 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventory

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

Prepaid Items

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

Capital Assets

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

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

| ASSETS | Estimated Useful Life |
|--------------------------------------|-----------------------|
| Buildings/building improvements | 10-50 years |
| Land improvements | 10-50 years |
| Infrastructure | 20-50 years |
| Utility transmission lines and mains | 50 years |
| Furniture and equipment | 3-10 years |
| Vehicles | 3-10 years |

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditures) until then. The government has several items that qualify for reporting in this category. The first is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt. The second consists of contributions subsequent to the measurement date for pensions and OPEB; these amounts will be applied to the net pension and net OPEB liability in the next fiscal year. Lastly are various components of outflows for pensions and OPEB, which may include the net difference between projected and actual earnings on pension or OPEB plan investments, changes in proportion and differences between employer contributions and the proportionate share of employer contributions, changes in assumptions, and the net difference between expected and actual experience in the pension and OPEB plans. These items will be recognized in pension or OPEB expense over a closed five-year period.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has several items that qualify for reporting in this category. The first item occurs only under the modified accrual basis of accounting; this item, *unavailable revenue*, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These unavailable revenue amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also reported as deferred inflows are various components of inflows for pensions and OPEB, which may include the net difference between projected and actual earnings on pension or OPEB plan investments, changes in proportion and differences between employer contributions and the proportionate share of employer contributions, changes in assumptions, and the net difference between expected and actual experience in the pension and OPEB plans. These items will be recognized in pension or OPEB expense over a closed five-year period.

Compensated Absences

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

School Board employees on twelve-month contracts earn vacation leave based on length of service and are entitled to compensation for such upon resignation or retirement. Twelve-month personnel can carry over an unlimited number of accumulated vacation leave days to a succeeding fiscal year. Upon termination, an employee shall receive payment at their current rate of pay for the total hours in the vacation leave account, not to exceed 480 hours.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Additionally, all School Board employees may accrue unlimited days of sick leave at the rate of one day per month of employment. Upon retirement, VRS Plan 1 and 2 employees with at least ten years of service, with the previous five consecutive years having been with the School Board, and that are qualified to retire under the terms of the Virginia Retirement System, are compensated for all days of accumulated sick leave at the rate of \$20.00 per day. VRS hybrid employees with at least ten years of service, with the previous five consecutive years having been with the School Board, and that are qualified to retire under the terms of the Virginia Retirement System, are compensated for a maximum of 90 days at \$20 per day. Accumulated vacation and sick leave amounts individually or combined that total \$15,000 or greater will be paid directly into the 403b plan.

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

Unearned Revenue

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

In the Water fund, unearned revenue consists of cell tower rental fees which apply to subsequent periods.

In the General fund, unearned revenue consists of cell tower rental fees which apply to subsequent periods.

In the School Board component unit, unearned revenue consists of summer school fees which apply to subsequent periods.

Long-Term Obligations

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

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

Pensions

The Virginia Retirement System (VRS) Political Subdivision and School Division Non-professional Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision and School Division's Retirement Plan and the Teacher Employee Retirement Plan, as well as the additions to/deductions from both 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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Pensions (Continued)

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan. The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. Both plans provide a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers and for retired teachers. The Health Insurance Credit Programs were established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Health Insurance Credit Programs OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Programs OPEB, and OPEB expense, information about the fiduciary net position of the Programs; including and the additions to/deductions from the Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Encumbrances

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

Net Position

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Net Position (Continued)

The golf fund had negative net position totaling \$189,316 at June 30, 2018 as a result of costs exceeding fees charged and recognition of the net pension liability. The Golf fund was closed as of July 1, 2018 and operations reverted to the General Fund.

The component unit school board had a negative net position totaling \$18,316,296 at June 30, 2018 as a result of recognizing the net pension liability. This deficit is not expected to be recovered in the near term.

Fund Balance Policies

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

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

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

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

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balance Policies (Continued)

Stabilization Arrangement:

City Council has formally adopted by resolution a requirement to establish and maintain a safety net reserve equal to a minimum of 15% of the subsequent fiscal year's adopted expenditure budget for the general fund and all other major operating funds, including water, sewer, storm water, and environmental. In the adopted resolution, the safety net reserve is to be reported as committed fund balance. The safety net reserve at June 30, 2018 for the general fund is \$8,489,250. Circumstances allowing the use of the safety net reserve include:

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

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

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

Estimates

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

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 2. Deposits and Investments

Deposits:

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

Investments:

Investment policy

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

Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the carrying value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share) in accordance with GASB 79.

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 2. Deposits and Investments (Continued)

Investment policy (Continued)

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>S & P Credit Rating</u> |
|---|----------------------|--------------------------------|
| <u>Primary Government</u> | | |
| Money Market Funds | \$ 578,956 | Not Rated |
| Federal Agency Bonds and Notes | 9,646,786 | AA+ |
| Corporate Bonds/Notes | 1,395,053 | AA- to AAA |
| VA State Non-Arbitrage Program | 2,160,521 | AAAm |
| Local Government Investment Pool (LGIP) | <u>1,392,973</u> | AAAm |
| Total primary government | <u>15,174,289</u> | |
| <u>Component Unit School Board</u> | | |
| Local Government Investment Pool (LGIP) | <u>586,373</u> | AAAm |
| Total Component Unit School Board | <u>586,373</u> | |
| Grand total | <u>\$ 15,760,662</u> | |

Credit Risk:

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

Concentration of Credit Risk:

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

| <u>Issuer</u> | <u>Percent of Total Portfolio</u> |
|---------------------------------------|-----------------------------------|
| Federal Farm Credit Bank | 7.34% |
| Federal Home Loan Bank | 22.88% |
| Federal Home Loan Mortgage Corp | 23.90% |
| Federal National Mortgage Association | 7.08% |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 2. Deposits and Investments (Continued)

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

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

| Investment Type | Fair Value | Weighted Average Maturity (years) |
|---|---------------|-----------------------------------|
| Money Market Funds | \$ 578,956 | N/A |
| Federal Agency Notes and Bonds | 9,646,786 | .60 |
| Corporate Bonds/Notes | 1,395,053 | 1.05 |
| VA State Non-Arbitrage Program | 2,160,521 | N/A |
| Local Government Investment Pool (LGIP) | 1,979,346 | N/A |
| | \$ 15,760,662 | |

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

| | Component Units | | |
|--------------------------------------|--------------------|--------------|------------|
| | Primary Government | School Board | EDA |
| Deposits and investments: | | | |
| Cash on hand | \$ 9,042 | \$ - | \$ - |
| Deposits | 35,083,816 | 4,722,947 | 153,155 |
| Investments | 15,174,289 | 586,373 | - |
| | \$ 50,267,147 | \$ 5,309,320 | \$ 153,155 |
| Statement of net position: | | | |
| Cash and cash equivalents | \$ 33,824,551 | \$ 5,309,320 | \$ 153,155 |
| Investments | 11,620,795 | - | - |
| Restricted-cash and cash equivalents | 4,821,801 | - | - |
| | \$ 50,267,147 | \$ 5,309,320 | \$ 153,155 |

Fair Value:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2018:

| | Level 2 |
|------------------------|---------------|
| Debt securities | |
| U.S. Agency securities | \$ 9,646,786 |
| Corporate bonds | 1,395,053 |
| | \$ 11,041,839 |

Debt securities classified in Level 2 of the fair value hierarchy are valued with significant other observable inputs, which include matrix pricing by a service, which is widely accepted as industry practice.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 3. Due From Other Governmental Units

Amounts due from other governments at June 30 were as follows:

| | Primary Government | | Component Unit |
|----------------------------------|-------------------------|---------------------------|---------------------|
| | Governmental Activities | Business-type Activities- | School Board |
| Various state and federal grants | \$ 1,883,812 | \$ - | \$ 1,725,096 |
| Virginia revolving loans | - | 2,338,714 | - |
| Regional jail buy-in | 4,314,239 | - | - |
| | <u>\$ 6,198,051</u> | <u>\$ 2,338,714</u> | <u>\$ 1,725,096</u> |

Virginia Revolving Loans:

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

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

| | Principal | Interest |
|---------------------------------------|---------------------|-------------------|
| Amount receivable within 1 year | \$ 218,055 | \$ 59,338 |
| Amount receivable within 2 to 5 years | 793,211 | 177,659 |
| Amount receivable beyond 5 years | 1,327,448 | 128,845 |
| | <u>\$ 2,338,714</u> | <u>\$ 365,842</u> |

Regional Jail Buy-in

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

The City's share of the purchase price was 31.17% or \$6,715,136. The purchase price is to be paid to the City over the next 10 years in equal annual installments of \$670,964, which includes interest calculated at 2.17% per annum.

| | Principal | Interest |
|---------------------------------------|---------------------|-------------------|
| Amount receivable within 1 year | \$ 577,345 | \$ 93,619 |
| Amount receivable within 2 to 5 years | 2,437,414 | 246,444 |
| Amount receivable beyond 5 years | 1,299,480 | 42,449 |
| | <u>\$ 4,314,239</u> | <u>\$ 382,512</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 4. Interfund Transfers and Obligations

Primary Government:

| | Transfers Out | Transfers In | | |
|--------------|-------------------|-----------------------|-----------------------------|------------------------------|
| | | Capital Projects Fund | Nonmajor Governmental Funds | Nonmajor Business-Type Funds |
| General Fund | \$ 791,050 | \$ 4,274,200 | \$ 164,300 | \$ 5,229,550 |
| Total | <u>\$ 791,050</u> | <u>\$ 4,274,200</u> | <u>\$ 164,300</u> | <u>\$ 5,229,550</u> |

Transfers between the general fund and other nonmajor governmental and proprietary funds were primarily to support debt service, capital projects, and operating costs.

The CIP fund had transfers out to the enterprise funds for utility lines replaced as part of the Frontier Center project and for parking lot improvements. The assets were paid for by the CIP Fund. The transfers are not recorded in the CIP fund statement of revenues, expenditures, and changes in fund balance, but are included as reconciling items and are shown as part of the transfer total in the government-wide statement of governmental activities. The transfers are recorded as contributed capital in the enterprise funds.

| | Transfers |
|-------------|-------------------|
| Water | \$ 299,688 |
| Sewer | 131,548 |
| Storm water | 396,067 |
| Parking | 75,000 |
| | <u>\$ 902,303</u> |

Component Unit School Board:

| | Transfers Out | Transfers In | | |
|-----------------------------|---------------|------------------|-----------------------------|-------------------|
| | | Education Fund | Nonmajor Governmental Funds | Total |
| Education fund | | \$ - | \$ 657,691 | \$ 657,691 |
| Nonmajor governmental funds | | 53,913 | - | 53,913 |
| Total | | <u>\$ 53,913</u> | <u>\$ 657,691</u> | <u>\$ 711,604</u> |

All transfer activities of the School Board component unit were made to support current operations.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 4. Interfund Transfers and Obligations (Continued)

Interfund Advances:

The General Fund has receivables in the amount of \$16,834 from the State and Federal Grants Fund, \$23,434 from the Environmental Fund, and \$15,646 from the Golf Fund and \$44,040 from the CIP fund for advances to cover cash deficits. These advances are expected to be collected in the subsequent year, except for the Golf fund, which closed July 1, 2018 and reverted to the General Fund.

In the School Board Component Unit, the Education Fund has a receivable in the amount of \$616,504 from the State Operated Programs Fund for an advance to cover a cash deficit. The advance is expected to be collected in the subsequent year when grant reimbursements are received.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 5. Capital Assets

Primary Government:

Capital asset activity for the primary government is as follows:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets, not depreciated: | | | | |
| Land (including easements) | \$ 4,737,487 | \$ - | \$ - | \$ 4,737,487 |
| Construction in progress | 1,660,778 | 338,925 | 1,457,136 | 542,567 |
| Total capital assets, not depreciated | <u>6,398,265</u> | <u>338,925</u> | <u>1,457,136</u> | <u>5,280,054</u> |
| Capital assets, depreciated: | | | | |
| Buildings | 13,151,266 | 82,192 | - | 13,233,458 |
| Improvements | 3,781,171 | 119,700 | - | 3,900,871 |
| School assets* | 28,585,080 | - | 6,211,116 | 22,373,964 |
| Equipment | 15,647,594 | 1,048,320 | 278,593 | 16,417,321 |
| Infrastructure | 59,473,608 | 2,905,962 | - | 62,379,570 |
| Total capital assets, depreciated | <u>120,638,719</u> | <u>4,156,174</u> | <u>6,489,709</u> | <u>118,305,184</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,428,513 | 300,305 | - | 6,728,818 |
| Improvements | 2,223,699 | 99,749 | - | 2,323,448 |
| School assets* | 9,747,897 | 485,557 | 2,879,350 | 7,354,104 |
| Equipment | 11,013,739 | 943,658 | 260,609 | 11,696,788 |
| Infrastructure | 39,478,284 | 1,212,721 | - | 40,691,005 |
| Total accumulated depreciation | <u>68,892,132</u> | <u>3,041,990</u> | <u>3,139,959</u> | <u>68,794,163</u> |
| Total capital assets, depreciated, net | <u>51,746,587</u> | <u>1,114,184</u> | <u>3,349,750</u> | <u>49,511,021</u> |
| Total capital assets, net, governmental activities | <u>\$ 58,144,852</u> | <u>\$ 1,453,109</u> | <u>\$ 4,806,886</u> | <u>\$ 54,791,075</u> |

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

*School Board capital assets are jointly owned by the City (primary government) and the Component Unit – School Board. The City reports the School Board capital assets as long as debt is owed on such assets by the City. When debt is completely paid off, the entire capital asset balance less accumulated depreciation reverts to the school board. The City reports depreciation on its share of these assets as an element of its share of the costs of the public school system. During FY2018, the City transferred back asset with a net book value of \$3,331,766 because the debt was fully paid during the year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|--------------------------|-------------------|-------------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets, not depreciated: | | | | |
| Land (including easements) | \$ 2,014,863 | \$ - | \$ 53,075 | \$ 1,961,788 |
| Construction in progress | 461,041 | 744,032 | 87,983 | 1,117,090 |
| Total capital assets, not depreciated | <u>2,475,904</u> | <u>744,032</u> | <u>141,058</u> | <u>3,078,878</u> |
| Capital assets, depreciated: | | | | |
| Landfill | 3,463,303 | 166,687 | - | 3,629,990 |
| Buildings | 42,382,054 | - | - | 42,382,054 |
| Improvements | 3,405,292 | 75,000 | - | 3,480,292 |
| Equipment | 12,930,379 | 1,094,666 | 223,762 | 13,801,283 |
| Utility lines | 61,590,089 | 1,849,356 | - | 63,439,445 |
| Total capital assets, depreciated | <u>123,771,117</u> | <u>3,185,709</u> | <u>223,762</u> | <u>126,733,064</u> |
| Less accumulated depreciation | | | | |
| Landfill | 2,041,834 | 132,291 | (103,008) | 2,277,133 |
| Buildings | 13,781,990 | 947,152 | - | 14,729,142 |
| Improvements | 1,510,884 | 78,163 | - | 1,589,047 |
| Equipment | 8,355,047 | 583,149 | 223,762 | 8,714,434 |
| Utility lines | 26,185,155 | 1,500,215 | - | 27,685,370 |
| Total accumulated depreciation | <u>51,874,910</u> | <u>3,240,970</u> | <u>120,754</u> | <u>54,995,126</u> |
| Total capital assets, depreciated, net | <u>71,896,207</u> | <u>(55,261)</u> | <u>103,008</u> | <u>71,737,938</u> |
| Total capital assets, net, business-type activities | <u>\$ 74,372,111</u> | <u>\$ 688,771</u> | <u>\$ 244,066</u> | <u>\$ 74,816,816</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 5. Capital Assets (Continued)

Component Unit – School Board

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

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|--------------------------|---------------------|-----------------------|--------------------------|
| Component Unit – School Board: | | | | |
| Capital assets, not depreciated: | | | | |
| Land | \$ 236,000 | \$ - | \$ - | \$ 236,000 |
| Total capital assets, not depreciated | <u>236,000</u> | <u>-</u> | <u>-</u> | <u>236,000</u> |
| Buildings | 40,337,761 | 107,318 | - | 40,445,079 |
| Improvements | 744,579 | 16,500 | - | 761,079 |
| School assets allocated to the City* | (28,585,080) | - | (6,211,116) | (22,373,964) |
| Equipment | <u>6,952,954</u> | <u>287,455</u> | <u>67,922</u> | <u>7,172,487</u> |
| Total capital assets, depreciated | <u>19,450,214</u> | <u>411,273</u> | <u>(6,143,194)</u> | <u>26,004,681</u> |
| Less accumulated depreciation | | | | |
| Buildings | 16,017,357 | 905,469 | - | 16,922,826 |
| Improvements | 428,478 | 23,805 | - | 452,283 |
| School assets allocated to the City* | (9,747,897) | (485,557) | (2,879,350) | (7,354,104) |
| Equipment | <u>5,403,554</u> | <u>305,728</u> | <u>67,922</u> | <u>5,641,360</u> |
| Total accumulated depreciation | <u>12,101,492</u> | <u>749,445</u> | <u>(2,811,428)</u> | <u>15,662,365</u> |
| Total capital assets, depreciated, net | <u>7,348,722</u> | <u>(338,172)</u> | <u>(3,331,766)</u> | <u>10,342,316</u> |
| Total capital assets, net | <u>\$ 7,584,722</u> | <u>\$ (338,172)</u> | <u>\$ (3,331,766)</u> | <u>\$ 10,587,316</u> |

*School Board capital assets are jointly owned by the City (primary government) and the Component Unit – School Board. The City reports the School Board capital assets as long as debt is owed on such assets by the City. When debt is completely paid off, the entire capital asset balance less accumulated depreciation reverts to the school board. The City reports depreciation on its share of these assets as an element of its share of the costs of the public school system. During FY2018, the City transferred back asset with a net book value of \$3,331,766 because the debt was fully paid during the year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 5. Capital Assets (Continued)

Component Unit – EDA

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

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--|--------------------------|--------------|-----------|--------------------------|
| Component Unit – EDA: | | | | |
| Capital assets, not depreciated: | | | | |
| Land | \$ 793,946 | \$ - | \$ - | \$ 793,946 |
| Total capital assets, not depreciated | 793,946 | - | - | 793,946 |
| Capital assets, depreciated: | | | | |
| Buildings | 8,305,640 | - | - | 8,305,640 |
| Equipment | 1,990,831 | - | - | 1,990,831 |
| Total capital assets, depreciated | 10,296,471 | - | - | 10,296,471 |
| Less accumulated depreciation | | | | |
| Buildings | 2,004,118 | 164,746 | - | 2,168,864 |
| Equipment | 1,458,917 | 64,474 | - | 1,523,391 |
| Total accumulated depreciation | 3,463,035 | 229,220 | - | 3,692,255 |
| Total capital assets, depreciated, net | 6,833,436 | (229,220) | - | 6,604,216 |
| Total capital assets, net | \$ 7,627,382 | \$ (229,220) | \$ - | \$ 7,398,162 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 5. Capital Assets (Continued)

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

Governmental activities:

| | |
|---|----------------------------|
| General government administration | \$ 173,188 |
| Judicial administration | 21,182 |
| Public safety | 413,401 |
| Public works | 1,622,254 |
| Health and welfare | 19,038 |
| Education | 485,557 |
| Parks, recreation, and culture | 297,121 |
| Community development | <u>6,851</u> |
| Total depreciation expense – governmental | <u><u>\$ 3,038,592</u></u> |

Business-type activities:

| | |
|--|----------------------------|
| Water | \$ 995,093 |
| Sewer | 1,219,218 |
| Storm water | 470,503 |
| Environmental | 383,569 |
| Golf | 32,138 |
| Parking | <u>140,449</u> |
| Total depreciation expense – business-type | <u><u>\$ 3,240,970</u></u> |

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

| | |
|---|--------------------------|
| Instruction | \$ 593,118 |
| Administration, attendance and health | 802 |
| Pupil transportation | 103,263 |
| School food service | 13,736 |
| Operation and maintenance | <u>38,526</u> |
| Total depreciation expense – School Board | <u><u>\$ 749,445</u></u> |

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

| | |
|-----------------------|-------------------|
| Community Development | <u>\$ 229,220</u> |
|-----------------------|-------------------|

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 6. Long-Term Liabilities

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

Primary Government:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|---|--------------------------|---------------------|---------------------|--------------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation debt: | | | | | |
| General obligation bonds | \$ 23,172,412 | \$ - | \$ 1,927,922 | \$ 21,244,490 | \$ 1,627,366 |
| Literary fund loans | 10,000,000 | - | 950,000 | 9,050,000 | 950,000 |
| | <u>33,172,412</u> | <u>-</u> | <u>2,877,922</u> | <u>30,294,490</u> | <u>2,577,366</u> |
| Less unamortized discount | (92,181) | - | (9,202) | (82,979) | (8,809) |
| | <u>33,080,231</u> | <u>-</u> | <u>2,868,720</u> | <u>30,211,511</u> | <u>2,568,557</u> |
| Total general obligation debt | | | | | |
| Other liabilities: | | | | | |
| Compensated absences | 1,503,814 | 1,065,523 | 966,525 | 1,602,812 | 966,526 |
| Claims payable | 792,273 | 5,316,995 | 5,155,386 | 953,882 | 774,781 |
| | <u>2,296,087</u> | <u>6,382,518</u> | <u>6,121,911</u> | <u>2,556,694</u> | <u>1,741,307</u> |
| Total other liabilities | | | | | |
| Total governmental activities long-term liabilities | <u>\$ 35,376,318</u> | <u>\$ 6,382,518</u> | <u>\$ 8,990,631</u> | <u>\$ 32,768,205</u> | <u>\$ 4,309,864</u> |

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 6. Long-Term Liabilities (Continued)

Primary Government (Continued):

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|--|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Virginia revolving loans | \$ 17,382,466 | \$ 5,895,000 | \$ 5,977,105 | \$ 17,300,361 | \$ 1,736,532 |
| General obligation bonds | 777,538 | - | 232,893 | 544,645 | 129,645 |
| | <u>18,160,004</u> | <u>5,895,000</u> | <u>6,209,998</u> | <u>17,845,006</u> | <u>1,866,177</u> |
| Plus unamortized premium | 538,328 | 1,044,347 | 407,791 | 1,174,884 | 130,867 |
| Less unamortized discount | <u>(28,816)</u> | <u>(30,078)</u> | <u>(20,856)</u> | <u>(38,038)</u> | <u>(6,330)</u> |
| Total bonds and loans payable | <u>18,669,516</u> | <u>6,909,269</u> | <u>6,596,933</u> | <u>18,981,852</u> | <u>1,990,714</u> |
| Other liabilities: | | | | | |
| Landfill closure/post closure liability | 2,153,969 | 212,649 | 48,645 | 2,317,973 | 48,644 |
| Compensated absences | <u>220,599</u> | <u>182,712</u> | <u>157,394</u> | <u>245,917</u> | <u>144,929</u> |
| Total other liabilities | <u>2,374,568</u> | <u>395,361</u> | <u>206,039</u> | <u>2,563,890</u> | <u>193,573</u> |
| Total business-type activities long-term liabilities | <u>\$ 21,044,084</u> | <u>\$ 7,304,630</u> | <u>\$ 6,802,972</u> | <u>\$ 21,545,742</u> | <u>\$ 2,184,287</u> |

Component Unit – School Board

Other liabilities:

| | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Compensated absences | \$ 686,254 | \$ 198,148 | \$ 327,006 | \$ 557,396 | \$ 238,515 |
| Total Component Unit School Board long-term liabilities | <u>\$ 686,254</u> | <u>\$ 198,148</u> | <u>\$ 327,006</u> | <u>\$ 557,396</u> | <u>\$ 238,515</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 6. Long-Term liabilities (Continued)

Details of long-term indebtedness are as follows:

| | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Governmental Activities | Business-Type Activities |
|---|-------------------|----------------|---------------------------|-----------------------------|----------------------------|-----------------------------|
| <u>General Obligation Bonds:</u> | | | | | | |
| 2005 CIP Bonds (City and School Improvement projects) | 3.43% | 06/2005 | 02/2025 | \$ 4,600,000 | \$ 2,044,490 | \$ - |
| 2007 GO Refunding & CIP Bonds (Refunding Hotel GO bonds and golf course improvements) | 3.50-4.25% | 01/2007 | 02/2034 | 10,600,000 | 8,145,000 | 435,000 |
| 1998 Parking Garage Bonds (New Street Parking Garage) | 4.20% | 12/1998 | 06/2019 | 3,000,000 | - | 109,645 |
| 2012 GO Bonds (Staunton Crossing) | 2.21% | 10/2012 | 10/2027 | 10,000,000 | 7,516,000 | - |
| 2013 GO Bonds (Staunton Crossing) | 2.58% | 01/2013 | 01/2028 | 5,000,000 | 3,539,000 | - |
| | | | | | <u>\$ 21,244,490</u> | <u>\$ 544,645</u> |
| <u>Literary Fund Loans:</u> | | | | | | |
| 2002 Bessie Weller Elem renovations | 4.00% | 02/2002 | 03/2022 | 4,000,000 | \$ 800,000 | \$ - |
| 2008 McSwain Elem renovations | 3.00% | 08/2008 | 08/2028 | 7,500,000 | 4,125,000 | - |
| 2008 Ware Elem renovations | 3.00% | 08/2008 | 08/2028 | 7,500,000 | 4,125,000 | - |
| | | | | | <u>\$ 9,050,000</u> | <u>\$ -</u> |
| <u>Virginia Revolving Loan Funds:</u> | | | | | | |
| Middle River Wastewater Phase II improvements | 3.50% | 09/1999 | 03/2021 | 6,411,399 | - | 1,288,705 |
| Middle River Wastewater Phase IIIA improvements | 3.00% | 01/2008 | 03/2030 | 9,309,033 | - | 6,283,564 |
| Middle River Wastewater Phase IIIB improvements | 3.00% | 09/2008 | 03/2030 | 2,066,747 | - | 1,396,833 |
| 2009A Refunding Bonds-Water Treatment Plant | 1.125%-5.125% | 06/2009 | 10/2021 | 4,150,000 | - | 1,330,000 |
| 2010A VRA Water and Sewer CIP projects | 2.78%-5.2% | 06/2010 | 10/2030 | 7,080,000 | - | 955,000 |
| New Hope Road Industrial Park Sewer Lines | 3.85% | 03/2002 | 09/2021 | 629,734 | - | 151,529 |
| 2017C Water and Sewer Refunding Bonds | 4.829-5.125% | 11/2017 | 10/2030 | 3,940,000 | - | 3,940,000 |
| 2018A VRA Parking Bonds-renovation of parking garages | 3.125-5.125% | 5/2018 | 10/2033 | 1,955,000 | - | 1,955,000 |
| | | | | | <u>\$ -</u> | <u>\$ 17,300,631</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 6. Long-Term liabilities (Continued)

Annual debt service requirements to maturity are as follows:

| Year Ending | Governmental Activities | | | |
|-------------|--------------------------------|---------------------|---------------------|---------------------|
| | General Obligation Bonds | | Literary Fund Loans | |
| | Principal | Interest | Principal | Interest |
| June 30, | | | | |
| 2019 | \$ 1,627,366 | \$ 658,164 | \$ 950,000 | \$ 279,500 |
| 2020 | 1,674,399 | 610,107 | 950,000 | 249,000 |
| 2021 | 1,722,743 | 561,516 | 950,000 | 218,500 |
| 2022 | 1,772,407 | 511,444 | 950,000 | 188,000 |
| 2023 | 1,826,402 | 459,856 | 750,000 | 157,500 |
| 2024-2028 | 8,936,173 | 1,492,396 | 3,750,000 | 450,000 |
| 2029-2033 | 3,010,000 | 535,057 | 750,000 | 22,500 |
| 2034-2038 | 675,000 | 28,688 | - | - |
| | \$ 21,244,490 | \$ 4,857,228 | \$ 9,050,000 | \$ 1,565,000 |

| Year Ending | Business-Type Activities | | | |
|-------------|---------------------------------|-------------------|-------------------------|---------------------|
| | General Obligation Bonds | | Virginia Revolving Loan | |
| | Principal | Interest | Principal | Interest |
| June 30, | | | | |
| 2019 | \$ 129,645 | \$ 20,401 | \$ 1,736,532 | \$ 606,750 |
| 2020 | 20,000 | 17,206 | 1,896,866 | 543,542 |
| 2021 | 20,000 | 16,406 | 1,963,134 | 471,801 |
| 2022 | 25,000 | 15,606 | 1,036,815 | 412,642 |
| 2023 | 25,000 | 14,606 | 1,044,140 | 376,948 |
| 2024-2028 | 130,000 | 57,562 | 5,827,354 | 1,284,578 |
| 2029-2033 | 160,000 | 28,364 | 3,620,520 | 258,089 |
| 2034-2038 | 35,000 | 1,488 | 175,000 | 2,844 |
| | \$ 544,645 | \$ 171,639 | \$ 17,300,361 | \$ 3,957,194 |

Note 7. Advanced Refunding of Debt

On November 1, 2017, the City issued \$3.9 million in taxable VRA Bonds with an average interest rate of 2% to advance refund \$4.3 million of outstanding 2010A VRA bonds with an average interest rate of 3.8%. The net proceeds of \$4.7 million (after payment of \$67,500 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2010 Series bonds. As a result, the 2010 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

The City in effect reduced its aggregate debt service payments by \$542,734 over the next 13 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$455,805.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the City of Staunton (the “Political Subdivision”) and permanent non-professional employees (non-teachers) of the City of Staunton (the “School Division”) are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan 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 pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. Members are eligible to purchase prior service, based on specific criteria 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 City is the fiscal agent for a separate legal entity, the Shenandoah Valley Regional Alternative Education Program - Genesis (“Genesis”). Genesis participates in VRS through inclusion in the City’s pension plan. This participation is considered a cost sharing relationship for Genesis. As a result, the proportionate share of the Genesis’ participation in the City’s pension plan is excluded from the City’s pension related balances.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan is as follows:

- Plan 1** – 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, they were vested as of January 1, 2013, and they have not taken a refund.
- **Hybrid Opt-In Election** – 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. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

- **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
- **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 – 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.

- **Hybrid Opt-In Election** – 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – 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. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Eligibility** – Same as Plan 1.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

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

- **Exceptions to COLA Effective Dates** – Same as Plan 1.

- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

- **Purchase of Prior Service** – Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under 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.

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

• **Creditable Service –**

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

• **Vesting –**

- **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (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.
- **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

• **Calculating the Benefit –**

- **Defined Benefit Component** – See definition under Plan 1.
- **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation – Same as Plan 2 for the defined benefit component of the plan.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. 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. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.

Exceptions to COLA Effective Dates – Same as Plan 1 and 2.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | City |
|--|-------------|
| Inactive members or their beneficiaries currently receiving benefits | 274 |
| Inactive members: | |
| Vested inactive members | 42 |
| Non-vested inactive members | 62 |
| Inactive members active elsewhere in VRS | 107 |
| Total inactive members | 211 |
| Active members | 275 |
| Total covered employees | 760 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

| | School Non-Professional* |
|--|---------------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 47 |
| Inactive members: | |
| Vested inactive members | 6 |
| Non-vested inactive members | 29 |
| Inactive members active elsewhere in VRS | 11 |
| Total inactive members | 46 |
| Active members | 49 |
| Total covered employees | 142 |

*excludes Genesis

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's and school division's contractually required contribution rate for the year ended June 30, 2018 was 14.9% and 8.32%, respectively, of covered employee compensation. 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$2,082,997 and \$1,980,734 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the pension plan from the school division were \$91,000 and \$87,226 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

| | |
|--|---|
| Inflation | 2.50% |
| General Employees - Salary increases, including inflation | 3.50 – 5.35% |
| Public Safety Employees - Salary increases, including inflation | 3.50 – 4.75% |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |

Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. 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:

General employees – Largest 10 – 20% of deaths are assumed to be service related. All Others (Non 10 Largest) – 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Public Safety Employees – Largest 10 - 70% of deaths are assumed to be service related. All Others (Non 10 Largest) – 45% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update to a more current mortality table RP-2014 projected to 2020; lowered retirement rates at older ages and changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates; increased line of duty disability rate from 14% to 20/15%.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update to a more current mortality table RP-2014 projected to 2020; lowered retirement rates at older ages; adjusted withdrawal rates to better fit experience; increased disability rates, increased line of duty disability rate from 60% to 70/45%.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|-------------------------------------|---|---|
| Public Equity | 40.00 % | 4.54 % | 1.82 % |
| Fixed Income | 15.00 | .69 | .10 |
| Credit Strategies | 15.00 | 3.96 | .59 |
| Real Assets | 15.00 | 5.76 | .86 |
| Private Equity | 15.00 | 9.53 | 1.43 |
| Total | 100.00 % | | <u>4.80 %</u> |
| | Inflation | | <u>2.50 %</u> |
| | *Expected arithmetic nominal return | | <u>7.30 %</u> |

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability-City

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2016 | \$ 75,562,781 | \$ 54,411,596 | \$ 21,151,185 |
| Changes for the year: | | | |
| Service cost | 1,469,762 | - | 1,469,762 |
| Interest | 5,157,439 | - | 5,157,439 |
| Changes in assumptions | (140,647) | - | (140,647) |
| Differences between expected and actual experience | (1,483,949) | - | (1,483,949) |
| Contributions – employer | - | 1,956,240 | (1,956,240) |
| Contributions – employee | - | 688,105 | (688,105) |
| Net investment income | - | 6,585,902 | (6,585,902) |
| Benefit payments, including refunds of employee contributions | (3,770,176) | (3,770,176) | - |
| Administrative expenses | - | (38,364) | 38,364 |
| Other changes | - | (5,847) | 5,847 |
| Net changes | 1,232,429 | 5,415,860 | (4,183,431) |
| Balances at June 30, 2017 | \$ 76,795,210 | \$ 59,827,456 | \$ 16,967,754 |
| Add Net Pension Liability from Landfill | | | 23,253 |
| Total Net Pension Liability at June 30, 2017 | | | \$ 16,991,007 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability-School Nonprofessionals (excluding Genesis)

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2016 | \$ 4,391,563 | \$ 3,787,569 | \$ 603,994 |
| Changes for the year: | | | |
| Change in Genesis % | 62 | - | 62 |
| Service cost | 102,400 | - | 102,400 |
| Interest | 295,498 | - | 295,498 |
| Changes in assumptions | 3,268 | - | 3,268 |
| Differences between expected and actual experience | (15,763) | - | (15,763) |
| Contributions – employer | - | 82,788 | (82,788) |
| Contributions – employee | - | 49,531 | (49,531) |
| Net investment income | - | 448,101 | (448,101) |
| Benefit payments, including refunds of employee contributions | (342,985) | (342,985) | - |
| Administrative expenses | - | (2,735) | 2,735 |
| Other changes | - | (393) | 393 |
| Net changes | 42,480 | 234,307 | (191,827) |
| Balances at June 30, 2017 | \$ 4,434,043 | \$ 4,021,876 | \$ 412,167 |

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

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

| | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|--|---------------------------------------|--|---------------------------------------|
| City's net pension liability | \$ 26,352,234 | \$ 16,967,754 | \$ 9,128,908 |
| School nonprofessional employees net pension liability | \$ 842,063 | \$ 412,167 | \$ 44,163 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$531,295. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,531,090 |
| Change in assumptions | - | 96,418 |
| Net difference between projected and actual earnings on pension plan investments | - | 861,442 |
| Employer contributions subsequent to the measurement date | 2,082,997 | - |
| Total | \$ 2,082,997 | \$ 2,488,950 |
| Add Deferred outflows and inflows from the landfill* | 10,546 | 12,252 |
| Total | \$ 2,093,543 | \$ 2,501,202 |

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

For the year ended June 30, 2018, the school division recognized pension expense of \$57,518 for nonprofessional employees. At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (excludes Genesis):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 8,724 | \$ 9,303 |
| Change in assumptions | 1,929 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 53,283 |
| Employer contributions subsequent to the measurement date | 91,000 | - |
| Total | \$ 101,653 | \$ 62,586 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

The \$2,082,997 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, 2019. 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 Ending June 30, | Increase (Reduction) to Pension Expense |
|-------------------------|--|
| 2019 | \$ (1,467,126) |
| 2020 | (365,834) |
| 2021 | (92,381) |
| 2022 | (563,609) |
| 2023 | - |
| Thereafter | - |

The \$91,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (excludes Genesis):

| Year Ending June 30, | Increase (Reduction) to Pension Expense |
|-------------------------|--|
| 2019 | \$ (35,210) |
| 2020 | 18,857 |
| 2021 | 2,492 |
| 2022 | (38,072) |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan-City

At June 30, 2018, approximately \$230,804 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 8. Defined Benefit Pension Plan (Continued)

Payables to the Pension Plan-School Division

At June 30, 2018, approximately \$7,684 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Note 9. Defined Benefit Pension Plan – Teacher Cost Sharing Pool

General Information about the Teacher Cost Sharing Plan

Plan Description

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 8.

Data in this note excludes Genesis Regional Alternative Education Program.

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each school division’s contractually required contribution rate for the year ended June 30, 2018 was 16.32% 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 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. Contributions to the pension plan from the school division were \$ 2,745,601 and \$2,427,393 for the years ended June 30, 2018 and June 30, 2017, respectively.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 9. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2018, the school division reported a liability of \$25,788,557 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .21545% as compared .22048% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,639,037. 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, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,825,910 |
| Change in assumptions | 376,697 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 937,288 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 265,711 | 892,516 |
| Employer contributions subsequent to the measurement date | 2,745,601 | - |
| Total | \$ 3,388,009 | \$ 3,655,714 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 9. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$2,745,601 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. 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 Ending June 30, | Increase (Reduction) to Pension Expense |
|-------------------------|--|
| 2019 | \$ (1,276,970) |
| 2020 | (231,645) |
| 2021 | (378,614) |
| 2021 | (961,620) |
| 2022 | (164,457) |
| Thereafter | - |

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|--|---|
| Total Pension Liability | \$ 45,417,520 |
| Plan Fiduciary Net Position | 33,119,545 |
| Employers' Net Pension Liability (Asset) | \$ 12,297,975 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.92% |

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 9. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

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

| | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---|---------------------------------------|--|---------------------------------------|
| School division’s proportionate share of the VRS Teacher Employee Retirement plan net pension liability | <u>\$ 30,073,023</u> | <u>\$ 25,788,557</u> | <u>\$ 38,510,61</u> |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Teacher Cost Sharing Pension Plan

At June 30, 2018, approximately \$89,539 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Note 10. Other Post-Employment Benefits

The City and School Board provide OPEB for retirees through a single-employer defined benefit plan. The City has established a joint trust fund with the School Board to fund the cost of OPEB. The joint trust fund was established by the City and School Board with the Virginia Pooled OPEB Trust Fund (Trust), sponsored by the Virginia Municipal League and the Virginia Association of Counties. The Trust is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plans are segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with terms of the plan.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 10. Other Post-Employment Benefits (Continued)

Trust Fund Investments

Investment decisions for the fund's assets are made by the Board of Trustees. The Board of Trustees established investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions and publicly available indices for the generally accepted evaluation and measurement of such performance. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection.

The long-term expected rate of return on OPEB investments was determined using an arithmetic model in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|--------------------------|---|---|
| Equities | 59.00 % | 11.85 % | 8.37 % |
| Fixed Income | 21.00 | 6.40 | 2.92 |
| Diversified Hedge Funds | 10.00 | 8.77 | 5.29 |
| Real Assets | 10.00 | 8.52 | 5.04 |
| Total | 100.00 % | | <u>21.62 %</u> |
| | Inflation | | <u>3.48 %</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 10. Other Post-Employment Benefits (Continued)

Concentrations. There are no investments in any one organization that represent 5 percent or more of the OPEB Trust's fiduciary net position.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was +9.52 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Additional investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 1108 East Main Street, Richmond, Virginia 23219.

Plan Description

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

Plan Membership-City

| | |
|--|-----|
| Inactive members or their beneficiaries currently receiving benefits | 47 |
| Active members | 278 |
| Total covered employees | 325 |

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

Plan Membership-School Board

| | |
|--|-----|
| Inactive members or their beneficiaries currently receiving benefits | 30 |
| Active members | 423 |
| Total covered employees | 453 |

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 10. Other Post-Employment Benefits (Continued)

Funding Policy

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

City

The contribution requirements of the City healthcare plan members and City are established and may be amended by the City Council. During fiscal year 2018, the City paid an average of 84% for the various types of health insurance coverage. The retiree is required to pay the remaining amount.

For the fiscal year ended June 30, 2018, the City contributed \$570,000 to the City's healthcare plan for health insurance and contributed \$146,000 to the Virginia Pooled OPEB Trust. The contribution to the trust and the City contributions to the healthcare plan combine to fully fund the annual required contribution (ARC) of \$716,000 for fiscal year 2018. It is the City's intent to fully fund the ARC each year.

School Board

The contribution requirements of the School Board healthcare plan members and School Board are established and may be amended by the School Board. During fiscal year 2018, the School Board paid approximately 71% of the existing rate for subscriber only coverage and the retiree paid the remaining 29% plus any additional premium for spouse or dependent coverage.

For the fiscal year ended June 30, 2018, the School Board contributed \$299,000 to the School Board's healthcare plan for health insurance and contributed \$174,000 to the Virginia Pooled OPEB Trust. The contribution to the trust and contributions to the healthcare plan combine to over fund the annual required contribution of \$473,000 for fiscal year 2017. It is the School Board's intent to fully fund the annual required contribution each year.

Net OPEB Liability

The City and School Board's total net OPEB liability of \$6,855,000 and \$3,274,000, respectively, was measured as of July 1, 2017 and was determined by an actuarial valuation performed as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------------|--|
| Salary increases, including inflation | 2.5% |
| Healthcare cost trend rates | 7.0% for fiscal year end 2018, decreasing .25% per year to an ultimate rate of 4.5% |
| Investment rate of return | 7.5% |
| Mortality rates | RP-2014 Fully Generational Mortality table, with base year 2006, using two-dimensional improvement scale MP-2017 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 10. Other Post-Employment Benefits (Continued)

Discount Rate

For both the City and the School Board, the discount rate used was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB liability.

Changes in Net OPEB Liability-City

| | Increase (Decrease) | | |
|---------------------------|---|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) – (b) |
| Balances at June 30, 2016 | \$ 7,686,000 | \$ 774,000 | \$ 6,912,000 |
| Changes for the year: | | | |
| Service cost | 184,000 | - | 184,000 |
| Interest | 571,000 | - | 571,000 |
| Contributions – employer | - | 712,000 | (712,000) |
| Net investment income | - | 100,000 | (100,000) |
| Benefit payments | (513,000) | (513,000) | - |
| Net changes | 242,000 | 299,000 | (57,000) |
| Balances at June 30, 2017 | <u>\$ 7,928,000</u> | <u>\$ 1,073,000</u> | <u>\$ 6,855,000</u> |

Changes in Net OPEB Liability-Schools

| | Increase (Decrease) | | |
|---------------------------|---|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) – (b) |
| Balances at June 30, 2016 | \$ 4,055,000 | \$ 694,000 | \$ 3,361,000 |
| Changes for the year: | | | |
| Service cost | 132,000 | - | 132,000 |
| Interest | 304,000 | - | 304,000 |
| Contributions – employer | - | 433,000 | (433,000) |
| Net investment income | - | 90,000 | (90,000) |
| Benefit payments | (263,000) | (263,000) | - |
| Net changes | 173,000 | 260,000 | (87,000) |
| Balances at June 30, 2017 | <u>\$ 4,228,000</u> | <u>\$ 954,000</u> | <u>\$ 3,274,000</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 10. Other Post-Employment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability using the discount rate of 7.5%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

| | 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00% Increase (8.5%) |
|---------------------------------|--------------------------------------|---|--------------------------------------|
| City's net OPEB liability | \$ 7,565,000 | \$ 6,855,000 | \$ 6,226,000 |
| School Board net OPEB liability | \$ 3,662,000 | \$ 3,274,000 | \$ 2,927,000 |

Sensitivity of the Net OPEB Liability to Changes in the healthcare cost trends

The following presents the net OPEB liability using the healthcare cost trends rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

| | 1.00% Decrease (6.0%) | Current Healthcare Cost Trend Rates Rate (7.0%) | 1.00% Increase (8.0%) |
|---------------------------------|--------------------------------------|--|--------------------------------------|
| City's net OPEB liability | \$ 6,137,000 | \$ 6,855,000 | \$ 7,689,000 |
| School Board net OPEB liability | \$ 2,857,000 | \$ 3,274,000 | \$ 3,758,000 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$693,000. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Employer contributions subsequent to the measurement date | \$ 581,649 | \$ - |
| Total | \$ 581,649 | \$ - |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 10. Other Post-Employment Benefits (Continued)

The \$581,649 reported as deferred outflows of resources related to OPEB resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$378,000. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Employer contributions subsequent to the measurement date | \$ 247,991 | \$ - |
| Total | \$ 247,991 | \$ - |

The \$247,991 reported as deferred outflows of resources related to OPEB resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City of Staunton (the “Political Subdivision” and the City of Staunton School Board (the School Division”) also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions and public school divisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

General Employee Health Insurance Credit Program – School Division

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan. The School division non-professional employees are covered in this plan, but the political subdivision employees are not.

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

| | Number |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 20 |
| Inactive members: | |
| Vested inactive members | 1 |
| Non-vested inactive members | - |
| Inactive members active elsewhere in VRS | - |
| Total inactive members | 21 |
| Active members | 49 |
| Total covered employees | 70 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program-City

| | |
|----------------------------|---|
| Governed by: | <i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i> |
| Total rate: | 1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution. |
| June 30, 2018 Contribution | \$72,824 |
| June 30, 2017 Contribution | \$69,220 |

Group Life Insurance Program-School Division

| | |
|----------------------------|---|
| Governed by: | <i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i> |
| Total rate: | 1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution. |
| June 30, 2018 Contribution | \$95,777 |
| June 30, 2017 Contribution | \$94,376 |

Teacher Health Insurance Credit Program

| | |
|----------------------------|--|
| Governed by: | <i>Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i> |
| Total rate: | 1.23% of covered employee compensation. |
| June 30, 2018 Contribution | \$212,605 |
| June 30, 2017 Contribution | \$188,978 |

General Employee Health Insurance Credit Program – School Division

| | |
|----------------------------|---|
| Governed by: | <i>Code of Virginia 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.</i> |
| Total rate: | .66% of covered employee compensation. |
| June 30, 2018 Contribution | \$7,334 |
| June 30, 2017 Contribution | \$7,031 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program-City

| | |
|--|-------------|
| June 30, 2018 proportionate share of liability | \$1,086,000 |
| June 30, 2017 proportion | .07217% |
| June 30, 2016 proportion | .07338% |
| June 30, 2018 expense | \$9,000 |

Group Life Insurance Program-School Division Professional employees

| | |
|--|-------------|
| June 30, 2018 proportionate share of liability | \$1,394,000 |
| June 30, 2017 proportion | .09260% |
| June 30, 2016 proportion | .09362% |
| June 30, 2018 expense | \$13,000 |

Group Life Insurance Program-School Division Non-professional employees

| | |
|--|----------|
| June 30, 2018 proportionate share of liability | \$87,000 |
| June 30, 2017 proportion | .00579% |
| June 30, 2016 proportion | .00579% |
| June 30, 2018 expense | \$1,000 |

Teacher Health Insurance Credit Program

| | |
|--|-------------|
| June 30, 2018 proportionate share of liability | \$2,737,000 |
| June 30, 2017 proportion | .21573% |
| June 30, 2016 proportion | .22046% |
| June 30, 2018 expense | \$215,000 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program – School Division

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

| | Increase (Decrease) | | |
|---|--|---|-----------|
| Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) – (b) | |
| Balances at June 30, 2016 | \$ 102,533 | \$ 25,676 | \$ 76,857 |
| Changes for the year: | | | |
| Service cost | 2,087 | - | 2,087 |
| Interest | 6,865 | - | 6,865 |
| Benefit changes | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Assumption changes | (2,243) | - | (2,243) |
| Contributions – employer | - | 7,031 | (7,031) |
| Net investment income | - | 2,786 | (2,786) |
| Benefit payments, including refunds of employee contribution | (8,899) | (8,899) | - |
| Administrative expenses | - | (41) | 41 |
| Other changes | - | 149 | (149) |
| Net changes | (2,190) | 1,026 | (3,216) |
| Balances at June 30, 2017 | \$ 100,343 | \$ 26,702 | \$ 73,641 |

The School Division recognized OPEB expense of \$6,440 related to the General Employee Health Insurance Credit Program.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

At June 30, 2018, the City and School Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program- City

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 24,000 |
| Change in assumptions | - | 56,000 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 41,000 |
| Changes in proportion | - | 18,000 |
| Employer contributions subsequent to the measurement date | 72,824 | - |
| Total | <u>\$ 72,824</u> | <u>\$ 139,000</u> |

Group Life Insurance Program-School Division

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 34,000 |
| Change in assumptions | - | 76,000 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 55,000 |
| Changes in proportion | - | 15,000 |
| Employer contributions subsequent to the measurement date | 95,777 | - |
| Total | <u>\$ 95,777</u> | <u>\$ 180,000</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Teacher Health Insurance Credit Program

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Change in assumptions | - | 28,000 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 5,000 |
| Changes in proportion | - | 52,000 |
| Employer contributions subsequent to the measurement date | 212,605 | - |
| Total | \$ 212,605 | \$ 85,000 |

General Employee Health Insurance Credit Program – School Division

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Change in assumptions | - | 1,784 |
| Net difference between projected and actual earnings on Changes in proportion | - | - |
| OPEB plan investments | - | 841 |
| Employer contributions subsequent to the measurement date | 7,334 | - |
| Total | \$ 7,334 | \$ 2,625 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

The deferred outflows of resources related to OPEB resulting from the political subdivision and school division’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program-City

| Year Ending June 30, | Increase (Reduction) to OPEB Expense |
|-------------------------|---|
| 2019 | \$ (28,000) |
| 2020 | (28,000) |
| 2021 | (28,000) |
| 2022 | (28,000) |
| 2023 | (18,000) |
| Thereafter | (9,000) |

Group Life Insurance Program-School Division

| Year Ending June 30, | Increase (Reduction) to OPEB Expense |
|-------------------------|---|
| 2019 | \$ (37,000) |
| 2020 | (37,000) |
| 2021 | (37,000) |
| 2022 | (37,000) |
| 2023 | (23,000) |
| Thereafter | (9,000) |

Teacher Health Insurance Credit Program

| Year Ending June 30, | Increase (Reduction) to OPEB Expense |
|-------------------------|---|
| 2019 | \$ (14,100) |
| 2020 | (14,100) |
| 2021 | (14,100) |
| 2022 | (14,089) |
| 2023 | (10,922) |
| Thereafter | (17,689) |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program

| Year Ending June 30, | Increase (Reduction) to OPEB Expense |
|-------------------------|---|
| 2019 | \$ (669) |
| 2020 | (669) |
| 2021 | (669) |
| 2022 | (618) |
| 2023 | - |
| Thereafter | - |

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

| | |
|--|--------------|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| • Locality- general employees | 3.5 – 5.35% |
| • Locality – hazardous duty employees | 3.5 – 4.75% |
| • Teachers | 3.5 – 5.95% |
| Healthcare cost trend rates: | |
| • Under age 65 | 7.75 – 5.00% |
| • Ages 65 and older | 5.75 – 5.00% |

Investment rate of return, net of expenses, including inflation* GLI & HIC: 7.0%; LODA 3.56%

* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

| | Group Life Insurance Program | Teacher Employee HIC OPEB Plan |
|---|---|---|
| Total OPEB Liability | \$ 2,942,426 | \$ 1,364,702 |
| Plan fiduciary net position | 1,437,586 | 96,091 |
| Employers’ net OPEB liability (asset) | \$ 1,504,840 | \$ 1,268,611 |
| Plan fiduciary net position as a percentage of total OPEB liability | 48.86% | 7.04% |

The total liability is calculated by the VRS actuary and each plan’s fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS 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 OPEB 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:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|------------------------------|---|---|
| Public Equity | 40.00 % | 4.54 % | 1.82 % |
| Fixed Income | 15.00 | 0.69 | 0.10 |
| Credit Strategies | 15.00 | 3.96 | 0.59 |
| Real Assets | 15.00 | 5.76 | 0.86 |
| Private Equity | 15.00 | 9.53 | 1.43 |
| Total | 100.00 % | | 4.80 % |
| | Inflation | | 2.50 % |
| | | | 7.30 % |

*Expected arithmetic nominal return

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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 Guidance 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, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the political subdivision and school division, as well as what the political subdivision and school division's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---|---------------------------------------|--|---------------------------------------|
| GLI Net OPEB liability-political subdivision | \$ 1,405,000 | \$ 1,086,000 | \$ 828,000 |
| GLI Net OPEB liability-School division nonprofessional | \$ 113,000 | \$ 87,000 | \$ 66,000 |
| GLI Net OPEB liability-School division professional | \$ 1,802,000 | \$ 1,394,000 | \$ 1,062,000 |
| Teacher HIC Net OPEB liability | \$ 3,054,000 | \$ 2,737,000 | \$ 2,467,000 |
| General Employee HIC Net OPEB liability – School Division | \$ 82,067 | \$ 73,641 | \$ 66,309 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2018, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

| | |
|--|----------|
| • Group Life Insurance-political subdivision | \$ 6,167 |
| • Group Life Insurance-school division | 2,560 |
| • Teacher Employee Health Insurance Credit | 5,291 |
| • General Employee Health Insurance Credit | 410 |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 12. Summary of Pension and other Postemployment Benefit Elements

A summary of pension and other postemployment benefit (OPEB) related financial statement elements is as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> | <u>Component Unit (School Board)</u> |
|---|------------------------------------|-------------------------------------|---|--|
| Deferred outflows of resources – Related To Pensions | | | | |
| VRS-Political Subdivision | \$ 1,809,082 | \$ 273,915 | \$ 2,082,997 | \$ - |
| Net deferred outflow from Augusta County Service | - | 10,546 | 10,546 | - |
| VRS-School Non-professional | - | - | - | 101,653 |
| RS-School Professional | - | - | - | 3,388,009 |
| Total deferred outflow of resources - Pensions | <u>\$ 1,809,082</u> | <u>\$ 284,461</u> | <u>\$ 2,093,543</u> | <u>\$ 3,489,662</u> |
| Deferred outflows of resources - OPEB | | | | |
| OPEB Local Health plan | \$ 505,453 | \$ 76,196 | \$ 581,649 | \$ 247,991 |
| Net OPEB outflow from Augusta Regional Landfill | - | 923 | 923 | - |
| VRS Group Life plan | 63,256 | 9,568 | 72,824 | 95,777 |
| VRS Health insurance credit plan - Professional | - | - | - | 212,605 |
| VRS Health insurance credit play - Non-professional | - | - | - | 7,334 |
| Total deferred outflow of resources - OPEB | <u>\$ 568,709</u> | <u>\$ 86,687</u> | <u>\$ 655,396</u> | <u>\$ 563,707</u> |
| Net pension liability | | | | |
| VRS-Political Subdivision | \$ 14,736,494 | \$ 2,231,260 | \$ 16,967,754 | \$ - |
| Net Pension liability from Augusta County Service Authority | - | 23,253 | 23,253 | - |
| VRS-School Non-professional | - | - | - | 412,167 |
| VRS-School Professional | - | - | - | 25,788,557 |
| Total net pension liability | <u>\$ 14,736,494</u> | <u>\$ 2,254,513</u> | <u>\$ 16,991,007</u> | <u>\$ 26,200,724</u> |
| Net OPEB Liability | | | | |
| OPEB Local Health plan | \$ 5,956,994 | \$ 898,006 | \$ 6,855,000 | \$ 3,274,000 |
| Net OPEB Liability from Augusta Regional Landfill | - | 48,545 | 48,545 | - |
| VRS Group Life plan | 943,300 | 142,700 | 1,086,000 | 1,481,000 |
| VRS Health insurance credit plan - Professional | - | - | - | 2,737,000 |
| VRS Health insurance credit plan - Non-professional | - | - | - | 73,641 |
| Total net OPEB Liability | <u>\$ 6,900,294</u> | <u>\$ 1,089,251</u> | <u>\$ 7,989,545</u> | <u>\$ 7,565,641</u> |
| Deferred inflows of resources – Related to Pension | | | | |
| VRS-Political Subdivision | \$ 2,161,653 | \$ 327,297 | \$ 2,488,950 | \$ - |
| Net deferred inflow from Augusta County Service Authority | - | 12,252 | 12,252 | - |
| VRS-School Non-professional | - | - | - | 62,586 |
| VRS-School Professional | - | - | - | 3,655,714 |
| Total deferred inflow of Resources - Pensions | <u>\$ 2,161,653</u> | <u>\$ 339,549</u> | <u>\$ 2,501,202</u> | <u>\$ 3,718,300</u> |
| Deferred inflows of resources - OPEB | | | | |
| Net OPEB inflow from Augusta Regional Landfill | \$ - | \$ 1,149 | \$ 1,149 | \$ - |
| VRS Group Life plan | 120,736 | 18,264 | 139,000 | 180,000 |
| VRS Health insurance credit plan - Professional | - | - | - | 85,000 |
| VRS Health insurance credit play - Non-professional | - | - | - | 2,625 |
| Total deferred inflow of resources - OPEB | <u>\$ 120,736</u> | <u>\$ 19,413</u> | <u>\$ 140,149</u> | <u>\$ 267,625</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 13. Commitments and Contingencies

State and Federal Programs:

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

Legal Matters:

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

EDA Commitments

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

Commonwealth Opportunity Fund

In May 2016, the City and EDA were notified of the award of a Commonwealth Opportunity Grant in the amount of \$250,000. The funds were received and disbursed to the related local business during FY2017. The required local match for the grant is \$282,100. Local enterprise zone grants from the City, through the EDA, for 5 years are expected to serve as the required local match. If the enterprise zone grants do not equal the required match at the end of 5 years, the City, through the EDA, will pay the necessary amounts to the local business to meet the match requirements.

Construction and Other Significant Commitments including Encumbrances

The City has entered into construction contracts, which include several water, sewer and storm water related projects as well as street related projects. As of June 30, the City had outstanding construction contracts totaling \$3,769,729 that will be financed from operating funds and bond issue proceeds. Other significant commitments include the encumbrances outstanding for the general fund and nonmajor funds as shown below.

| | <u>Construction Commitments</u> | <u>Encumbrances</u> |
|---------------------------|-------------------------------------|---------------------|
| Water fund | \$ 6,425 | \$ - |
| Sewer fund | 1,764 | - |
| Parking fund | 1,546,869 | - |
| General fund | - | 668,315 |
| Capital Improvements Fund | 2,214,671 | 24,201 |
| Nonmajor funds | - | 6,657 |
| | <u>\$ 3,769,729</u> | <u>\$ 699,173</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 14. General Property Taxes

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

Real estate taxes are billed in semiannual installments, 75% due June 20 and 25% due December 5. For the current fiscal year, the real estate taxes budgeted for and reported as revenue in the fund financial statements include those assessed as of January 1, 2017 and due December 5, 2017 as well as the portion of the January 1, 2018 assessment due June 20, 2018, less an allowance for uncollectibles and less taxes not collected within 45 days of year end plus collections of previously delinquent taxes. The tax rates for the January 1, 2017 and 2018 levies were \$.97 per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2018 and due December 5, 2018, are reflected in the accompanying financial statements as a receivable and are offset by deferred inflows of resources, in the amount of \$2,074,943, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2018 are also included in deferred inflows of resources, in the amount of \$2,441,452 since they are not intended to finance the current fiscal year.

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are assessed as of January 1 and are due December 5. During fiscal year 2018, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2017 assessment due December 5, 2017, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The 2017 tax rate for machinery and tools was \$1.24 per \$100 of assessed value. The 2017 tax rate for all other personal property was \$2.90 per \$100 of assessed value.

Note 15. Restricted Assets

Restricted assets as of June 30 consist of cash and cash equivalents and amounts due from other governments that are restricted for certain purposes as follows:

| | Governmental Activities | Business Type Activities |
|------------------------------|----------------------------|-----------------------------|
| Customer deposits | \$ 7,000 | \$ 316,770 |
| Receivable for share of debt | - | 2,338,714 |
| Unspent bond proceeds | - | 2,160,521 |
| Landfill sinking fund | - | 2,337,510 |
| Total | \$ 7,000 | \$ 7,153,515 |

Note 16. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during 201. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended levels.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 16. Risk Management (Continued)

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

As of June 1, 2003, the City discontinued its self-insured worker's compensation arrangement and began insurance coverage with the Virginia Municipal League. As of June 30, 2018, the City still retains a liability related to workers compensation claims outstanding at the time of the policy change. The City reimburses VML as needed for claims payments on these old outstanding claims in excess of any reinsurance amounts. The City has not established a separately funded reserve for such claims. The portion currently due and payable is \$2,831 and is reported in the General Fund. The long-term liability is estimated to be \$251,051.

As of January 1, 2015, the City and School system established a self-insured health insurance program. Premiums are developed based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. Stop loss provisions limit catastrophic claims in excess of \$150,000. At June 30, incurred but not reported claims for the City and Schools are estimated to be \$700,000.

Changes in the claims liability amount in fiscal years 2016, 2017 and 2018 were as follows:

| Year Ended June 30, | Beginning Liability | Claims and Changes in Estimates | Claim Payments | Ending Liability |
|---------------------|------------------------|---------------------------------------|----------------|------------------|
| 2016 | \$ 609,325 | \$ 6,974,969 | \$ 6,519,212 | \$ 1,065,083 |
| 2017 | \$ 1,065,083 | \$ 5,380,675 | \$ 5,653,485 | \$ 792,273 |
| 2018 | \$ 792,273 | \$ 5,316,995 | \$ 5,155,386 | \$ 953,882 |

Note 17. Landfill Closure and Post-closure Care Costs

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

State and federal laws and regulations require the Augusta Regional Landfill to place a final cover or cap on a landfill cell when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Under the cost sharing agreement, the City will bear 39.67% of such costs for Permit 21 and 25.43% of such costs for Permit 585. The cost sharing percentage of Permit 585 is adjusted each year based on usage by each locality. The remainder of the Permit 585 costs will be borne by the County and the City of Waynesboro. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year ending date.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 17. Landfill Closure and Post-closure Care Costs (Continued)

The \$1,349,742 reported as landfill closure liability at June 30, 2018 represents the cumulative amount reported to date based on the use of 97.9% of the estimated capacity of the Permit #585 (Phases 1-3) landfill, 14.8% of the estimated capacity of the Permit #585 Phase 4 landfill and the stockpile financial assurance liability. The \$968,231 reported as post-closure monitoring liability at June 30, 2018, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 97.9% of the estimated capacity of the Permit #585 (Phases 1-3) landfill and 14.8% of the estimated capacity of the Permit #585 Phase 4 landfill. Total closure and post-closure care costs and post-closure monitoring costs accrued at June 30, 2017 for both joint ventures are \$2,317,973.

The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of \$33,794 for Permit #585 (phases 1-3) landfill as the remaining estimated capacity is filled over the next 18 to 24 months and \$684,828 for the newly constructed Phase 4 cell as the remaining estimated capacity is filled over the next 6 to 8 years.

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

Each participating locality is required to submit to the Virginia Department of Environmental Quality by December 30 of each year financial assurance they can meet their allocated financial responsibility for the Augusta Regional Landfill (see Note 1). Each locality met this requirement for calendar year 2017.

Note 18. Community Development

Staunton Crossing:

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

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

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

The land was recorded as inventory by the EDA at its estimated fair value of \$14,000,000 at the time of its acquisition. As a result of a partial sale of property during fiscal year 2017, the adjusted inventory value was reported at \$12,970,053 as of June 30, 2017 and remains the same as of June 30, 2018.

In fiscal year 2018, the City's management concluded that no material declines in the property's value had occurred and the amount due back to the City is still valued at \$12,750,000.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 18. Community Development

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

Frontier Center:

In March, 2016, the City entered into an agreement with the developer intending to develop real estate at the intersections of US Route 250, George Cochran Parkway and South Frontier Drive. The developer has committed to make public improvements which include water lines, sewer lines and storm drainage facilities and road improvements. The total estimated costs of these improvements were \$2,883,747. The City was awarded a \$1,000,000 revenue sharing grant for road improvements. The developer contributed the remaining amount of \$1,883,747. The project was 100% complete as of June 30, 2018. The actual cost of the project was \$2,860,887, therefore, \$22,860 was returned to the developer and \$0 is reported as unearned revenue in the financial statements.

Note 19. Operating Lease

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

| | | |
|----------------------|----|----------------|
| Year Ending June 30, | | |
| 2019 | \$ | 43,398 |
| 2020 | | 44,266 |
| 2021 | | 45,151 |
| 2022 | | 46,054 |
| 2023 | | 46,975 |
| 2024-2027 | | 197,486 |
| Total | \$ | <u>423,330</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 20. Fund Balance

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2018:

| | General | Capital Improvements Fund | Nonmajor governmental | School Board Component Unit |
|-----------------------------------|---------------------|---------------------------------|--------------------------|--------------------------------|
| Nonspendable | | | | |
| Prepays | \$ 98,536 | \$ - | \$ 3,617 | \$ 2,001 |
| Interfund advances | 99,954 | - | - | 616,504 |
| Total Nonspendable | <u>\$ 198,490</u> | <u>\$ -</u> | <u>\$ 3,617</u> | <u>\$ 618,505</u> |
| Restricted: | | | | |
| Donor purposes | \$ 15,219 | \$ - | \$ 16,046 | \$ 11,379 |
| Programs | - | - | - | 10,405 |
| Total restricted | <u>\$ 15,219</u> | <u>\$ -</u> | <u>\$ 16,046</u> | <u>\$ 21,784</u> |
| Committed: | | | | |
| Stabilization arrangement | \$ 8,489,250 | \$ - | \$ - | \$ - |
| Assigned: | | | | |
| Accrued leave | \$ 1,553,178 | \$ - | \$ - | \$ - |
| Capital projects | - | 4,392,848 | - | 1,736,160 |
| Debt service | - | - | 3,453,242 | - |
| General government administration | 251,991 | - | - | - |
| Judicial administration | 2,363 | - | - | - |
| Public safety | 62,437 | - | 211,524 | - |
| Public works | 188,362 | 24,990 | - | - |
| Parks and recreation | 140,951 | 81,132 | - | - |
| Community development | 21,735 | 24,202 | 261,231 | - |
| Education | - | 2,108,548 | - | 1,750,476 |
| Textbooks | - | - | - | 744,730 |
| Food service | - | - | - | 326,796 |
| Total assigned | <u>\$ 2,221,017</u> | <u>\$ 6,631,720</u> | <u>\$ 3,925,997</u> | <u>\$ 4,558,162</u> |
| Unassigned | <u>\$ 4,605,965</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 21. Adoption of New Standard and Prior Period Adjustment

In the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. The statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to fund balance and net position, as applicable, resulting from the adoption of GASB Statement No. 75:

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Component Unit School Board</u> |
|--|------------------------------------|-------------------------------------|--|
| Balance, as previously reported, June 30, 2017 | \$ 54,705,877 | \$ 69,530,878 | \$ (15,753,949) |
| Recognition of OPB related liabilities and deferred outflows in accordance with GASB No. 75 | (6,409,937) | (979,144) | (7,217,472) |
| Balance, as restated, June 30, 2017 | <u>\$ 48,295,940</u> | <u>\$ 68,551,734</u> | <u>\$ (22,971,421)</u> |

Note 22. Subsequent Events

As of July 1, 2018, the Golf fund was closed and balances reverted to the General fund.

Note 23. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2018

Note 23. New Accounting Standards (Continued)

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF STAUNTON, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|---------------------|---|
| REVENUES | | | | |
| General property taxes | \$ 24,141,700 | \$ 24,219,655 | \$ 25,439,640 | \$ 1,219,985 |
| Other local taxes | 14,113,917 | 14,128,642 | 14,715,307 | 586,665 |
| Permits, privilege fees, and regulatory licenses | 311,100 | 311,100 | 287,878 | (23,222) |
| Fines and forfeitures | 95,000 | 95,000 | 134,887 | 39,887 |
| Revenue from use of money and property | 202,000 | 202,000 | 198,538 | (3,462) |
| Charges for services | 1,672,247 | 1,672,247 | 1,799,686 | 127,439 |
| Miscellaneous | 28,000 | 30,800 | 77,362 | 46,562 |
| Recovered costs | 831,081 | 916,300 | 923,212 | 6,912 |
| Intergovernmental: | | | | |
| Federal | 1,111,290 | 1,246,722 | 1,276,171 | 29,449 |
| Commonwealth | 11,743,665 | 11,851,862 | 12,103,565 | 251,703 |
| Total revenues | <u>54,250,000</u> | <u>54,674,328</u> | <u>56,956,246</u> | <u>2,281,918</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | 5,728,938 | 5,808,812 | 5,491,832 | 316,980 |
| Judicial administration | 1,956,996 | 2,009,486 | 1,986,549 | 22,937 |
| Public safety | 10,764,409 | 11,175,402 | 10,946,015 | 229,387 |
| Public works | 6,381,929 | 6,976,330 | 6,768,337 | 207,993 |
| Health and welfare | 6,658,612 | 6,974,012 | 6,973,721 | 291 |
| Education | 12,758,000 | 12,758,000 | 12,758,000 | - |
| Parks, recreation, and cultural | 3,550,021 | 3,638,284 | 3,459,705 | 178,579 |
| Community development | 1,571,545 | 1,694,928 | 1,600,106 | 94,822 |
| Total expenditures | <u>49,370,450</u> | <u>51,035,254</u> | <u>49,984,265</u> | <u>1,050,989</u> |
| Excess of revenues over expenditures | <u>4,879,550</u> | <u>3,639,074</u> | <u>6,971,981</u> | <u>3,332,907</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Appropriation of prior year reserves/encumbrances | - | 1,590,476 | - | (1,590,476) |
| Transfers out | (4,879,550) | (5,229,550) | (5,229,550) | - |
| Total other financing sources (uses) | <u>(4,879,550)</u> | <u>(3,639,074)</u> | <u>(5,229,550)</u> | <u>(1,590,476)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,742,431</u> | <u>\$ 1,742,431</u> |

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT
Year Ended June 30, 2018

| | Plan Year | | | |
|--|---------------|---------------|---------------|---------------|
| | 2014 | 2015 | 2016 | 2017 |
| Total Pension Liability | | | | |
| Service cost | \$ 1,379,588 | \$ 1,417,990 | \$ 1,428,109 | \$ 1,469,762 |
| Interest on total pension liability | 4,740,682 | 4,916,956 | 5,029,018 | 5,157,439 |
| Difference between expected and actual experience | - | (1,160,922) | (946,229) | (1,483,949) |
| Changes in assumptions | - | - | - | (140,647) |
| Benefit payments, including refunds of employee contributions | (3,640,294) | (3,563,843) | (3,582,452) | (3,770,176) |
| Net change in total pension liability | 2,479,976 | 1,610,181 | 1,928,446 | 1,232,429 |
| Total pension liability - beginning | 69,544,178 | 72,024,154 | 73,634,335 | 75,562,781 |
| Total pension liability - ending | 72,024,154 | 73,634,335 | 75,562,781 | 76,795,210 |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | 2,180,741 | 2,260,879 | 2,349,913 | 1,956,240 |
| Contributions - employee | 632,939 | 636,054 | 655,097 | 688,105 |
| Net investment income | 7,195,341 | 2,383,649 | 947,931 | 6,585,902 |
| Benefit payments, including refunds of employee contributions | (3,640,294) | (3,563,843) | (3,582,452) | (3,770,176) |
| Administrative expenses | (39,137) | (32,790) | (33,522) | (38,364) |
| Other | 379 | (504) | (399) | (5,847) |
| Net change in plan fiduciary net position | 6,329,969 | 1,683,445 | 336,568 | 5,415,860 |
| Plan fiduciary net position - beginning | 46,061,614 | 52,391,583 | 54,075,028 | 54,411,596 |
| Plan fiduciary net position - ending | 52,391,583 | 54,075,028 | 54,411,596 | 59,827,456 |
| Net pension liability - ending | \$ 19,632,571 | \$ 19,559,307 | \$ 21,151,185 | \$ 16,967,754 |
| Add Net Pension Liability from Augusta Regional landfill | 23,723 | 29,260 | 48,902 | 23,253 |
| Total Net pension liability - ending | \$ 19,656,294 | \$ 19,588,567 | \$ 21,200,087 | \$ 16,991,007 |
| Plan fiduciary net position as a percentage of total pension liability | 73% | 73% | 72% | 78% |
| Covered payroll of the plan year | \$ 12,343,202 | \$ 12,625,654 | \$ 13,175,660 | \$ 13,293,478 |
| Net pension liability as a percentage of covered payroll | 159% | 155% | 161% | 128% |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
COMPONENT UNIT-SCHOOL NONPROFESSIONAL
Year Ended June 30, 2018

| | Plan Year | | | |
|--|------------|------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 |
| Total Pension Liability | | | | |
| Service cost | \$ 88,093 | \$ 79,198 | \$ 101,429 | \$ 102,400 |
| Interest on total pension liability | 289,866 | 290,196 | 289,147 | 295,498 |
| Other changes | - | - | - | 62 |
| Difference between expected and actual experience | - | (60,971) | 33,649 | (15,763) |
| Changes in assumptions | - | - | - | 3,268 |
| Benefit payments, including refunds of employee contributions | (282,780) | (323,637) | (324,923) | (342,985) |
| Net change in total pension liability | 95,179 | (15,214) | 99,302 | 42,480 |
| Total pension liability - beginning | 4,282,336 | 4,377,515 | 4,292,261 | 4,391,563 |
| Adjustment to remove Genesis | - | (70,040) | - | - |
| Total pension liability - ending | 4,377,515 | 4,292,261 | 4,391,563 | 4,434,043 |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | 102,300 | 102,963 | 115,259 | 82,788 |
| Contributions - employee | 41,269 | 44,375 | 49,030 | 49,531 |
| Net investment income | 547,950 | 173,171 | 63,623 | 448,101 |
| Benefit payments, including refunds of employee contributions | (282,780) | (323,637) | (324,922) | (342,985) |
| Administrative expenses | (3,047) | (2,510) | (2,465) | (2,735) |
| Other | 29 | (36) | (28) | (393) |
| Net change in plan fiduciary net position | 405,721 | (5,674) | (99,503) | 234,307 |
| Plan fiduciary net position - beginning | 3,550,322 | 3,956,043 | 3,887,072 | 3,787,569 |
| Adjustment to remove Genesis | - | (63,297) | - | - |
| Plan fiduciary net position - ending | 3,956,043 | 3,887,072 | 3,787,569 | 4,021,876 |
| Net pension liability - ending | \$ 421,472 | \$ 405,189 | \$ 603,994 | \$ 412,167 |
| Plan fiduciary net position as a percentage of total pension liability | 90% | 91% | 86% | 91% |
| Covered payroll for the plan year | \$ 828,365 | \$ 921,127 | \$ 1,041,460 | \$ 1,048,417 |
| Net pension liability as a percentage of covered payroll | 51% | 44% | 58% | 39% |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

Does not include Genesis

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
Year Ended June 30, 2018

| Entity Fiscal Year Ended June 30 | Actuarially Determined Contribution* | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--|--|---|--|-----------------|--|
| Primary Government | | | | | |
| 2018 | \$ 2,082,997 | \$ 2,082,997 | \$ - | \$ 13,979,807 | 14.90% |
| 2017 | 1,980,734 | 1,980,734 | - | 13,293,478 | 14.90% |
| 2016 | 2,363,713 | 2,363,713 | - | 13,175,660 | 17.94% |
| 2015 | 2,265,042 | 2,265,042 | - | 12,625,654 | 17.94% |
| Schools - Nonprofessional Employees | | | | | |
| 2018 | \$ 91,000 | \$ 91,000 | \$ - | \$ 1,093,747 | 8.32% |
| 2017 | 87,226 | 87,226 | - | 1,048,417 | 8.32% |
| 2016 | 119,455 | 119,455 | - | 1,041,460 | 11.47% |
| 2015 | 112,193 | 112,193 | - | 921,127 | 12.18% |

Schedule is intended to show information for 10 years. Additional years will be included as they come available

*Does not include regional landfill or Genesis

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
Year Ended June 30, 2018

| Plan Year | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Payroll- Plan year | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------|---|--|--|---|---|
| 2017 | 0.21545% | \$ 25,788,557 | \$ 16,558,204 | 155.74% | 72.92% |
| 2016 | 0.22048% | 30,051,395 | 16,313,392 | 184.21% | 68.28% |
| 2015 | 0.21775% | 26,647,826 | 15,705,288 | 169.67% | 70.68% |
| 2014 | 0.21711% | 25,560,457 | 15,304,922 | 167.01% | 70.88% |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the school division's fiscal year.

Does not include Genesis

CITY OF STAUNTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN**

Year Ended June 30, 2018

| Entity Fiscal Year Ended June 30 | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|--|---|---|------------------------|---|
| 2018 | \$ 2,745,601 | \$ 2,745,601 | \$ - | \$ 16,823,514 | 16.32% |
| 2017 | 2,427,393 | 2,427,393 | - | 16,558,204 | 14.66% |
| 2016 | 2,293,663 | 2,293,663 | - | 16,313,392 | 14.06% |
| 2015 | 2,277,267 | 2,277,267 | - | 15,705,288 | 14.50% |

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

Does not include Genesis

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT
Year Ended June 30, 2018

| | Local Plan | |
|---|-------------------|---------------|
| | 2016 | 2017 |
| Total OPEB Liability | | |
| Service cost | \$ 1,621,000 | \$ 184,000 |
| Interest | - | 571,000 |
| Benefit payments, including refunds of employee contributions | (507,000) | (513,000) |
| Net change in total pension liability | 1,114,000 | 242,000 |
| Total OPEB liability - beginning | 6,306,000 | 7,420,000 |
| Adjustment to beginning balance | - | 266,000 |
| Total OPEB liability - ending | 7,420,000 | 7,928,000 |
| Plan Fiduciary Net Position | | |
| Contributions - employer | 648,000 | 712,000 |
| Net investment income | (2,730) | 100,000 |
| Benefit payments, including refunds of employee contributions | (507,000) | (513,000) |
| Administrative expenses | (1,000) | - |
| Net change in plan fiduciary net position | 137,270 | 299,000 |
| Plan fiduciary net position - beginning | 636,680 | 773,950 |
| Adjustment to beginning balance | - | 50 |
| Plan fiduciary net position - ending | 773,950 | 1,073,000 |
| Total Net OPEB liability - ending | \$ 6,646,050 | \$ 6,855,000 |
| Plan fiduciary net position as a percentage of total OPEB liability | 10.43% | 13.53% |
| Covered employee payroll | \$ 11,179,000 | \$ 13,046,000 |
| Net OPEB liability as a percentage of covered employee payroll | 59.45% | 52.54% |
| Annual money-weighted rate of return, net of investment expense | 13.04% | 11.57% |

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

The plan year above is reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2016 information is presented in the entity's fiscal year 2017 financial report.

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
SCHOOL BOARD COMPONENT UNIT
Year Ended June 30, 2018

| | 2016 | | 2017 | |
|---|---------------|---------------|--|-----------|
| | Local Plan | Local Plan | VRS Health Insurance-School Non professional | |
| Total OPEB Liability | | | | |
| Service cost | \$ 1,384,000 | \$ 132,000 | \$ | 2,087 |
| Interest | 1,000 | 304,000 | | 6,865 |
| Changes in assumptions/adjustments | (1,000) | - | | (2,243) |
| Benefit payments, including refunds of employee contributions | (275,000) | (263,000) | | (8,899) |
| Net change in total pension liability | 1,109,000 | 173,000 | | (2,190) |
| Total OPEB liability - beginning | 3,010,000 | 4,119,000 | | 102,533 |
| Adjustment to beginning balance | - | (64,000) | | - |
| Total OPEB liability - ending | 4,119,000 | 4,228,000 | | 100,343 |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | 339,000 | 433,000 | | 7,031 |
| Net investment income (loss) | (2,719) | 90,000 | | 2,786 |
| Benefit payments, including refunds of employee contributions | (275,000) | (263,000) | | (8,899) |
| Administrative expenses | (995) | - | | (41) |
| Other changes | - | - | | 149 |
| Net change in plan fiduciary net position | 60,286 | 260,000 | | 1,026 |
| Plan fiduciary net position - beginning | 634,029 | 694,315 | | 25,676 |
| Adjustment to beginning balance | - | (315) | | - |
| Plan fiduciary net position - ending | 694,315 | 954,000 | | 26,702 |
| Total Net OPEB liability - ending | \$ 3,424,685 | \$ 3,274,000 | \$ | 73,641 |
| Plan fiduciary net position as a percentage of total OPEB liability | 16.86% | 22.56% | | 26.61% |
| Covered employee payroll | \$ 12,820,000 | \$ 18,550,000 | \$ | 1,065,247 |
| Net OPEB liability as a percentage of covered employee payroll | 26.71% | 17.65% | | 6.91% |
| Annual money-weighted rate of return, net of investment expense | 13.04% | 11.69% | | na |

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

The plan year above is reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2016 information is presented in the entity's fiscal year 2017 financial report.

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
Year Ended June 30, 2018

| Entity Fiscal Year Ended June 30 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|------------------------------------|--|-------------------------------|--|
| Primary Government | | | | | |
| Local Plan: | | | | | |
| 2018 | \$ 581,649 | \$ 581,649 | \$ - | \$ 13,046,000 | 4.46% |
| School Board Component Unit | | | | | |
| Local Plan: | | | | | |
| 2018 | \$ 247,991 | \$ 247,991 | \$ - | \$ 16,645,000 | 1.49% |
| VRS Health Insurance Credit Non-Professional | | | | | |
| 2018 | 7,334 | 7,334 | \$ - | \$ 1,111,195 | 0.66% |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - VRS PLANS
June 30, 2018

| Plan Year | Employer's Proportion of the Net OPEB Liability (Asset) | Employer's Proportionate Share of the Net OPEB Liability (Asset) | Employer's Covered Payroll | Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|--|--|--|-------------------------------|---|---|
| Primary Government | | | | | |
| Virginia Retirement System - Group Life Insurance - General Employees | | | | | |
| 2017 | 0.07217% | \$ 1,086,000 | \$ 13,311,529 | 8.16% | 48.86% |
| School Board Component Unit | | | | | |
| Virginia Retirement System - Health Insurance Credit - Teachers | | | | | |
| 2017 | 0.21573% | \$ 2,737,000 | \$ 17,025,052 | 16.08% | 7.04% |
| Virginia Retirement System - Group Life Insurance - Schools | | | | | |
| 2017 | 0.09260% | \$ 1,481,000 | \$ 18,149,297 | 8.16% | 48.86% |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - VRS PLANS
June 30, 2018

| Entity Fiscal Year Ended June 30 | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--|---|--|--|-------------------------------|--|
| Primary Government | | | | | |
| Virginia Retirement System - Group Life Insurance - General Employees | | | | | |
| 2018 | \$ 72,824 | \$ 72,824 | \$ - | \$ 14,004,555 | 0.52% |
| School Board Component Unit | | | | | |
| Virginia Retirement System - Health Insurance Credit - Teachers | | | | | |
| 2018 | \$ 212,605 | \$ 212,605 | \$ - | \$ 17,285,216 | 1.23% |
| Virginia Retirement System - Group Life Insurance - Schools | | | | | |
| 2018 | \$ 95,777 | \$ 95,777 | \$ - | \$ 18,418,733 | 0.52% |

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF STAUNTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

Note 1. Budgetary Comparison Schedule – General Fund

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

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

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

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

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

CITY OF STAUNTON, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

Note 2. Schedules of Changes in Net Pension Liability and Pension Contributions and Net OPEB liability and OPEB contributions VRS plans

Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

CITY OF STAUNTON, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

Note 2. Schedules of Changes in Net Pension Liability and Pension Contributions and Net OPEB liability and OPEB contributions VRS plans (Continued)

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Note 3. Schedules of Changes in Net OPEB Liability and OPEB Contributions

Changes of Assumptions

The last valuation for both the City and School Board was performed as of July 1, 2015. The following items have changed since the previous valuation performed as of July 1, 2013:

- The Claim costs have been updated to reflect the most recent premium rates.
- The termination and retirement tables have been updated to be consistent with the June 30, 2014 VRS Pension Plan valuation.
- The mortality table has been updated to the ROP-2000 Combined Mortality Table projected to 2020.

Changes of Benefit Terms

Plan provision clarifications and Changes to the Actuarial Model for the City are as follows:

- Spouses are able to elect to continue medical coverage upon the death of the retiree, until the spouse reaches Medicare eligibility; changes were made to reflect this clarification.
- The distinction between retiree contribution rates pre-7/1/10 versus post-1/2010 has been eliminate; changes to the actuarial model were made to reflect this revision.
- Eligibility assumptions were updated to also reflect VRS retirement eligibility requirements.

Plan provision clarifications and Changes to the Actuarial Model for the School Board are as follows:

- Spouses are able to elect to continue medical coverage upon the death of the retiree, until the spouse reaches Medicare eligibility; changes were made to reflect this clarification.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

CITY OF STAUNTON, VIRGINIA

**COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

| | Special Revenue Funds | | | Debt Service Fund | Total Nonmajor Governmental |
|--|---------------------------------|------------------|--------------------------|-------------------------|-----------------------------------|
| | Blue Ridge Court Services | Grants | Community Development | Debt Service | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 219,791 | \$ - | \$ 261,231 | \$ 3,453,242 | \$ 3,934,264 |
| Receivables, net | 43,643 | - | - | - | 43,643 |
| Due from other governmental units | - | 16,834 | - | - | 16,834 |
| Prepaid items | 3,617 | - | - | - | 3,617 |
| Total assets | <u>\$ 267,051</u> | <u>\$ 16,834</u> | <u>\$ 261,231</u> | <u>\$ 3,453,242</u> | <u>\$ 3,998,358</u> |
| Liabilities | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 12,619 | \$ - | \$ - | \$ - | \$ 12,619 |
| Accrued liabilities | 23,245 | - | - | - | 23,245 |
| Due to other funds | - | 16,834 | - | - | 16,834 |
| Total liabilities | <u>35,864</u> | <u>16,834</u> | <u>-</u> | <u>-</u> | <u>52,698</u> |
| Fund balances | | | | | |
| Nonspendable | 3,617 | - | - | - | 3,617 |
| Restricted | 16,046 | - | - | - | 16,046 |
| Assigned | 211,524 | - | 261,231 | 3,453,242 | 3,925,997 |
| Total fund balances | <u>231,187</u> | <u>-</u> | <u>261,231</u> | <u>3,453,242</u> | <u>3,945,660</u> |
| Total liabilities and fund balances | <u>\$ 267,051</u> | <u>\$ 16,834</u> | <u>\$ 261,231</u> | <u>\$ 3,453,242</u> | <u>\$ 3,998,358</u> |

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

| | Special Revenue Funds | | | Debt Service Fund | Total Nonmajor Governmental |
|---|---------------------------------|--------|--------------------------|-------------------------|-----------------------------------|
| | Blue Ridge Court Services | Grants | Community Development | Debt Service | |
| REVENUES | | | | | |
| Revenues from use of money and property | \$ 35 | \$ - | \$ 42 | \$ 86 | \$ 163 |
| Charges for services | 146,686 | - | - | - | 146,686 |
| Miscellaneous | 91,738 | 2,500 | - | - | 94,238 |
| Intergovernmental: | | | | | |
| Federal | - | 17,115 | - | - | 17,115 |
| Commonwealth | 708,037 | - | - | - | 708,037 |
| City of Staunton School Board | - | - | - | 50,000 | 50,000 |
| Total revenues | 946,496 | 19,615 | 42 | 50,086 | 1,016,239 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public safety | 1,022,799 | 19,615 | - | - | 1,042,414 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 2,877,922 | 2,877,922 |
| Interest and fiscal charges | - | - | - | 1,024,272 | 1,024,272 |
| Total expenditures | 1,022,799 | 19,615 | - | 3,902,194 | 4,944,608 |
| Excess (deficiency) of revenues over expenditures | (76,303) | - | 42 | (3,852,108) | (3,928,369) |
| OTHER FINANCING SOURCES | | | | | |
| Transfers in | - | - | - | 4,274,200 | 4,274,200 |
| Total other financing sources | - | - | - | 4,274,200 | 4,274,200 |
| Net change in fund balance | (76,303) | - | 42 | 422,092 | 345,831 |
| Fund balances - beginning of year | 307,490 | - | 261,189 | 3,031,150 | 3,599,829 |
| Fund balances - ending of year | \$ 231,187 | \$ - | \$ 261,231 | \$ 3,453,242 | \$ 3,945,660 |

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
BLUE RIDGE COURT SERVICES FUND
Year Ended June 30, 2018

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------------|---|
| REVENUES | | | |
| Revenue from use of money and property | \$ - | \$ 35 | \$ 35 |
| Charges for services | 263,867 | 146,686 | (117,181) |
| Miscellaneous | 82,250 | 91,738 | 9,488 |
| Intergovernmental: | | | |
| Commonwealth | 685,537 | 708,037 | 22,500 |
| Total revenues | <u>1,031,654</u> | <u>946,496</u> | <u>(85,158)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | 1,032,135 | 1,022,799 | 9,336 |
| Total expenditures | <u>1,032,135</u> | <u>1,022,799</u> | <u>9,336</u> |
| Deficiency of revenues over expenditures | <u>(481)</u> | <u>(76,303)</u> | <u>(75,822)</u> |
| Net change in fund balance | <u>\$ (481)</u> | <u>\$ (76,303)</u> | <u>\$ (75,822)</u> |

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GRANTS FUND
Year Ended June 30, 2018

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|---------------|---|
| REVENUES | | | |
| Miscellaneous | \$ 2,500 | \$ 2,500 | \$ - |
| Intergovernmental: | | | |
| Federal | 23,773 | 17,115 | (6,658) |
| Total revenues | <u>26,273</u> | <u>19,615</u> | <u>(6,658)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | 26,273 | 19,615 | 6,658 |
| Total expenditures | <u>26,273</u> | <u>19,615</u> | <u>6,658</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
Year Ended June 30, 2018

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------------|--------------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Revenue from use of money and property | \$ - | \$ 42 | \$ 42 |
| Total revenues | <u> -</u> | <u> 42</u> | <u> 42</u> |
| Excess of revenues over expenditures | <u> -</u> | <u> 42</u> | <u> 42</u> |
| Net change in fund balance | <u><u> -</u></u> | <u><u> 42</u></u> | <u><u> 42</u></u> |

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2018

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------------|--------------------|---|
| REVENUES | | | |
| Revenue from use of money and property | \$ - | \$ 86 | \$ 86 |
| Intergovernmental: | | | |
| City of Staunton School Board | 50,000 | 50,000 | - |
| Total revenues | <u>50,000</u> | <u>50,086</u> | <u>86</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Debt Service | | | |
| Principal | 3,070,349 | 2,877,922 | 192,427 |
| Interest and fiscal charges | 1,023,819 | 1,024,272 | (453) |
| Debt reserve | 1,423,700 | - | 1,423,700 |
| Total expenditures | <u>5,517,868</u> | <u>3,902,194</u> | <u>1,615,674</u> |
| Deficiency of revenues over expenditures | <u>(5,467,868)</u> | <u>(3,852,108)</u> | <u>1,615,760</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in: | | | |
| Transfer from General fund | 4,274,200 | 4,274,200 | - |
| Total other financing sources | <u>4,274,200</u> | <u>4,274,200</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (1,193,668)</u> | <u>\$ 422,092</u> | <u>\$ 1,615,760</u> |

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
From Inception of Project through June 30, 2018

| | Prior Years Actual | Current Year Actual | Total Actual to Date | Project Authorization |
|--|-----------------------|------------------------|-------------------------|--------------------------|
| REVENUES | | | | |
| Revenue from use of money and property | \$ 260,552 | \$ 1,109 | \$ 261,661 | \$ 5,314 |
| Recovered costs | 1,481,606 | 924,665 | 2,406,271 | 2,471,983 |
| Miscellaneous | 24,450 | - | 24,450 | 450 |
| Intergovernmental: | | | | |
| Federal | 563,013 | 81,659 | 644,672 | 1,906,671 |
| Commonwealth of Virginia | 3,115,367 | 368,994 | 3,484,361 | 3,793,117 |
| Total revenues | <u>5,444,988</u> | <u>1,376,427</u> | <u>6,821,415</u> | <u>8,177,535</u> |
| EXPENDITURES | | | | |
| Capital outlay: | | | | |
| General government administration | 2,601,125 | - | 2,601,125 | 2,716,210 |
| Public safety | 6,517,578 | 195,130 | 6,712,708 | 7,507,942 |
| Public works | 8,250,660 | 1,540,153 | 9,790,813 | 14,556,401 |
| Education | 661,544 | 371,649 | 1,033,193 | 42,002,598 |
| Parks, recreation, and culture | 2,047,832 | 3,029 | 2,050,861 | 2,438,587 |
| Community development | 2,900,899 | 1,128 | 2,902,027 | 3,312,219 |
| Debt service: | | | | |
| Interest and fiscal charges | 165,000 | - | 165,000 | 165,000 |
| Total expenditures | <u>23,144,638</u> | <u>2,111,089</u> | <u>25,255,727</u> | <u>72,698,957</u> |
| Deficiency of revenues over expenditures | <u>(17,699,650)</u> | <u>(734,662)</u> | <u>(18,434,312)</u> | <u>(64,521,422)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 23,206,629 | 791,050 | 23,997,679 | 31,697,204 |
| Transfers out | <u>(6,006,943)</u> | <u>-</u> | <u>(6,006,943)</u> | <u>(7,656,943)</u> |
| Total other financing sources (uses) | <u>17,199,686</u> | <u>791,050</u> | <u>17,990,736</u> | <u>24,040,261</u> |
| Net change in fund balance | | <u>\$ 56,388</u> | | |

NONMAJOR PROPRIETARY FUNDS

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

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

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

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS

June 30, 2018

| | Business-Type Activities – Nonmajor Enterprise Funds | | |
|---|--|--------------|--------------|
| | Golf | Parking | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,218 | \$ 569,373 | \$ 571,591 |
| Receivables, net | - | 17,567 | 17,567 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 2,164,971 | 2,164,971 |
| Total current assets | 2,218 | 2,751,911 | 2,754,129 |
| Capital assets: | | | |
| Nondepreciable | 24,694 | 1,624,614 | 1,649,308 |
| Depreciable, net | 334,127 | 3,626,386 | 3,960,513 |
| Total capital assets, net | 358,821 | 5,251,000 | 5,609,821 |
| Total noncurrent assets | 358,821 | 5,251,000 | 5,609,821 |
| Total assets | 361,039 | 8,002,911 | 8,363,950 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 7,499 | - | 7,499 |
| Deferred outflows related to other post employment benefits | 2,356 | - | 2,356 |
| Total deferred outflows of resources | 9,855 | - | 9,855 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 732 | 65,752 | 66,484 |
| Retainage payable | - | 18,815 | 18,815 |
| Accrued liabilities | 9,865 | 12,547 | 22,412 |
| Unearned revenue | 4,433 | - | 4,433 |
| Deposits payable | - | 4,450 | 4,450 |
| Due to other funds | 15,646 | - | 15,646 |
| General obligation bonds | 19,510 | 109,645 | 129,155 |
| Virginia Revolving Loan Fund | - | 13,784 | 13,784 |
| Total current liabilities | 50,186 | 224,993 | 275,179 |
| Noncurrent liabilities: | | | |
| Net OPEB liability | 28,588 | - | 28,588 |
| Net pension liability | 61,084 | - | 61,084 |
| General obligation bonds | 410,892 | - | 410,892 |
| Virginia Revolving Loan Fund | - | 2,168,113 | 2,168,113 |
| Total noncurrent liabilities | 500,564 | 2,168,113 | 2,668,677 |
| Total liabilities | 550,750 | 2,393,106 | 2,943,856 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 8,960 | - | 8,960 |
| Deferred inflows related to other post employment benefits | 500 | - | 500 |
| Total deferred inflows of resources | 9,460 | - | 9,460 |
| NET POSITION | | | |
| Net investment in capital assets | (71,581) | 5,118,883 | 5,047,302 |
| Unrestricted | (117,735) | 490,922 | 373,187 |
| Total net position | \$ (189,316) | \$ 5,609,805 | \$ 5,420,489 |

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
NONMAJOR PROPRIETARY FUNDS

Year Ended June 30, 2018

| | Business-Type Activities – Nonmajor Enterprise Funds | | |
|---|--|--------------|--------------|
| | Golf | Parking | Total |
| OPERATING REVENUES | | | |
| Parking fines | \$ - | \$ 67,150 | \$ 67,150 |
| Charges for services | 90,372 | 370,191 | 460,563 |
| Rental of property | - | 4,167 | 4,167 |
| Miscellaneous | 26 | 3,114 | 3,140 |
| Total operating revenues | 90,398 | 444,622 | 535,020 |
| OPERATING EXPENSES | | | |
| Personal services | 81,220 | 121,162 | 202,382 |
| Rental of property | - | 7,706 | 7,706 |
| Repairs and maintenance | - | 100 | 100 |
| Contractual services | 1,228 | 17,321 | 18,549 |
| Materials and supplies | 9,007 | 5,950 | 14,957 |
| Depreciation | 32,138 | 140,449 | 172,587 |
| Utilities | 2,027 | 29,009 | 31,036 |
| Other expenses | 1,378 | 117,035 | 118,413 |
| Total operating expenses | 126,998 | 438,732 | 565,730 |
| Operating income (loss) | (36,600) | 5,890 | (30,710) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 1 | 1,262 | 1,263 |
| Debt issuance costs | - | (47,972) | (47,972) |
| Interest and fiscal charges | (19,070) | (19,419) | (38,489) |
| Total nonoperating revenues (expenses) | (19,069) | (66,129) | (85,198) |
| Loss before transfers | (55,669) | (60,239) | (115,908) |
| Capital Contributed from governmental activities | - | 75,000 | 75,000 |
| Transfers in | 50,000 | 114,300 | 164,300 |
| Change in net position | (5,669) | 129,061 | 123,392 |
| Total net position - beginning of year, as restated | (183,647) | 5,480,744 | 5,297,097 |
| Total net position - end of year | \$ (189,316) | \$ 5,609,805 | \$ 5,420,489 |

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-Type Activities – Nonmajor Enterprise Funds | | |
|---|--|--------------|--------------|
| | Golf | Parking | Total |
| OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 87,198 | \$ 457,804 | \$ 545,002 |
| Cash paid to suppliers | (13,862) | (181,576) | (195,438) |
| Cash paid to employees for services | (88,986) | (121,186) | (210,172) |
| Net cash provided by (used in) operating activities | (15,650) | 155,042 | 139,392 |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | 50,000 | 114,300 | 164,300 |
| Interfund borrowing | 3,584 | - | 3,584 |
| Net cash provided by noncapital financing activities | 53,584 | 114,300 | 167,884 |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | - | (465,214) | (465,214) |
| Principal paid on long-term debt | (20,000) | (212,893) | (232,893) |
| Interest paid on long-term debt | (18,906) | (11,506) | (30,412) |
| Proceeds from debt issuance | - | 2,133,925 | 2,133,925 |
| Net cash provided by (used by) capital and related financing activities | (38,906) | 1,444,312 | 1,405,406 |
| INVESTING ACTIVITIES | | | |
| Interest received | 1 | 1,262 | 1,263 |
| Net cash provided by investing activities | 1 | 1,262 | 1,263 |
| Net increase (decrease) in cash and cash equivalents | (971) | 1,714,916 | 1,713,945 |
| CASH AND CASH EQUIVALENTS | | | |
| Beginning of year | 3,189 | 1,019,428 | 1,022,617 |
| End of year | \$ 2,218 | \$ 2,734,344 | \$ 2,736,562 |
| Cash and cash equivalents at end of year is composed of the following: | | | |
| Cash and cash equivalents | \$ 2,218 | \$ 569,373 | \$ 571,591 |
| Restricted cash and cash equivalents | - | 2,164,971 | 2,164,971 |
| Total | \$ 2,218 | \$ 2,734,344 | \$ 2,736,562 |

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2018**

| | Business-Type Activities – Nonmajor Enterprise Funds | | |
|---|--|-------------------|-------------------|
| | Golf | Parking | Total |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (36,600) | \$ 5,890 | \$ (30,710) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | |
| Depreciation | 32,138 | 140,449 | 172,587 |
| Pension and OPEB expense net of employer contributions | (7,212) | - | (7,212) |
| Change in assets and liabilities: | | | |
| Decrease in accounts receivable | - | 13,387 | 13,387 |
| Decrease in accounts payable | (222) | (4,455) | (4,677) |
| Decrease in accrued liabilities | (554) | (24) | (578) |
| Decrease in unearned revenue | (3,200) | - | (3,200) |
| Decrease in deposits payable | - | (205) | (205) |
| Net cash provided by (used in) operating activities | <u>\$ (15,650)</u> | <u>\$ 155,042</u> | <u>\$ 139,392</u> |
| Noncash investing, capital, and financing activities: | | | |
| Contributions of capital assets from other funds | \$ - | \$ 75,000 | \$ 75,000 |
| Capital assets purchased on account | - | 64,070 | 64,070 |
| Total noncash activities | <u>\$ -</u> | <u>\$ 139,070</u> | <u>\$ 139,070</u> |

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INTERNAL SERVICE FUNDS

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

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

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

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS

June 30, 2018

| | Health Insurance | Inventory | Total |
|----------------------------------|---------------------|-------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 4,998,704 | \$ 451,524 | \$ 5,450,228 |
| Receivables, net | 823 | 18,394 | 19,217 |
| Inventory | - | 246,604 | 246,604 |
| Prepaid items | - | 15,933 | 15,933 |
| Total current assets | <u>4,999,527</u> | <u>732,455</u> | <u>5,731,982</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Depreciable, net | - | 57,268 | 57,268 |
| Total capital assets, net | <u>-</u> | <u>57,268</u> | <u>57,268</u> |
| Total noncurrent assets | <u>-</u> | <u>57,268</u> | <u>57,268</u> |
| Total assets | <u>4,999,527</u> | <u>789,723</u> | <u>5,789,250</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 10,048 | 18,567 | 28,615 |
| Claims payable | 700,000 | - | 700,000 |
| Total current liabilities | <u>710,048</u> | <u>18,567</u> | <u>728,615</u> |
| Total liabilities | <u>710,048</u> | <u>18,567</u> | <u>728,615</u> |
| NET POSITION | | | |
| Net investment in capital assets | - | 57,268 | 57,268 |
| Unrestricted | 4,289,479 | 713,888 | 5,003,367 |
| Total net position | <u>\$ 4,289,479</u> | <u>\$ 771,156</u> | <u>\$ 5,060,635</u> |

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
INTERNAL SERVICE FUNDS
Year Ended June 30, 2018**

| | Health Insurance | Inventory | Total |
|--|---------------------|-------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 7,309,385 | \$ 848,523 | \$ 8,157,908 |
| Miscellaneous | 7,730 | - | 7,730 |
| Total operating revenues | <u>7,317,115</u> | <u>848,523</u> | <u>8,165,638</u> |
| OPERATING EXPENSES | | | |
| Claims paid | 5,080,605 | - | 5,080,605 |
| Rental of property | - | 3,732 | 3,732 |
| Administrative charges | 361,729 | - | 361,729 |
| Stop loss fees | 786,204 | - | 786,204 |
| Contractual services | - | 17,946 | 17,946 |
| Materials and supplies | - | 28,098 | 28,098 |
| Depreciation | - | 3,398 | 3,398 |
| Other expenses | - | 770,464 | 770,464 |
| Total operating expenses | <u>6,228,538</u> | <u>823,638</u> | <u>7,052,176</u> |
| Operating income | <u>1,088,577</u> | <u>24,885</u> | <u>1,113,462</u> |
| NONOPERATING REVENUES | | | |
| Interest income | 730 | 61 | 791 |
| Total nonoperating revenues | <u>730</u> | <u>61</u> | <u>791</u> |
| Change in net position | 1,089,307 | 24,946 | 1,114,253 |
| Total net position - beginning of year | <u>3,200,172</u> | <u>746,210</u> | <u>3,946,382</u> |
| Total net position - end of year | <u>\$ 4,289,479</u> | <u>\$ 771,156</u> | <u>\$ 5,060,635</u> |

CITY OF STAUNTON, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS –
INTERNAL SERVICE FUNDS
Year Ended June 30, 2018

| | Health Insurance | Inventory | Total |
|---|---------------------|--------------------|---------------------|
| OPERATING ACTIVITIES | | | |
| Cash received from internal services provided | \$ 7,316,292 | \$ 856,470 | \$ 8,172,762 |
| Cash paid to suppliers | - | (866,477) | (866,477) |
| Claims paid | (5,080,605) | - | (5,080,605) |
| Administrative and stop loss fees | (1,143,674) | - | (1,143,674) |
| Net cash provided (used) by operating activities | <u>1,092,013</u> | <u>(10,007)</u> | <u>1,082,006</u> |
| INVESTING ACTIVITIES | | | |
| Interest received | <u>730</u> | <u>61</u> | <u>791</u> |
| Net cash provided by investing activities | <u>730</u> | <u>61</u> | <u>791</u> |
| Net increase (decrease) in cash and cash equivalents | 1,092,743 | (9,947) | 1,082,797 |
| CASH AND CASH EQUIVALENTS | | | |
| Beginning of year | <u>3,905,961</u> | <u>461,470</u> | <u>4,367,431</u> |
| End of year | <u>\$ 4,998,704</u> | <u>\$ 451,523</u> | <u>\$ 5,450,228</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 1,088,577 | \$ 24,885 | \$ 1,113,462 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | - | 3,398 | 3,398 |
| Change in assets and liabilities: | | | |
| Decrease (increase) in accounts receivable | (823) | 7,947 | 7,124 |
| Increase in prepaid items | - | (3,768) | (3,768) |
| Increase in inventory | - | (60,096) | (60,096) |
| Increase in accounts payable | <u>4,259</u> | <u>17,627</u> | <u>21,886</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,092,013</u> | <u>\$ (10,007)</u> | <u>\$ 1,082,006</u> |

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

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Funds

Special Revenue Funds:

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

Nonmajor Funds

Special Revenue Funds:

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

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

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

Capital Projects Funds:

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

Agency Fund:

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

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2018

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 5,309,320 |
| Accounts receivable | 197,580 |
| Due from other governmental units | 1,725,096 |
| Prepaid items | 2,001 |
| Capital assets: | |
| Land | 236,000 |
| Other capital assets, net of accumulated depreciation | <u>10,342,316</u> |
| Total assets | <u>17,812,313</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 3,489,662 |
| Deferred outflows related to other post employment benefits | <u>563,707</u> |
| | <u>4,053,369</u> |
| LIABILITIES | |
| Accounts payable | 289,609 |
| Accrued liabilities | 1,578,980 |
| Amounts held for others | 2,703 |
| Unearned revenue | 1,000 |
| Noncurrent liabilities: | |
| Net pension liability | 26,200,724 |
| Net other post employment benefit liability | 7,565,641 |
| Due within one year | 238,515 |
| Due in more than one year | <u>318,881</u> |
| Total liabilities | <u>36,196,053</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 3,718,300 |
| Deferred inflows related to other postemployment benefits | <u>267,625</u> |
| Total deferred inflows of resources | <u>3,985,925</u> |
| NET POSITION | |
| Net investment in capital assets | 10,578,316 |
| Restricted for: | |
| Programs | 10,405 |
| Donor purposes | 11,379 |
| Unrestricted | <u>(28,916,396)</u> |
| Total net position | <u>\$ (18,316,296)</u> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction and related services | \$ 25,435,080 | \$ 1,097,809 | \$ 10,362,712 | \$ - | \$ (13,974,559) |
| Administration, attendance, and health | 2,003,695 | - | - | - | (2,003,695) |
| Pupil transportation | 1,130,134 | - | - | - | (1,130,134) |
| Food service | 1,559,462 | 261,111 | 1,174,428 | - | (123,923) |
| Operations | 2,737,877 | - | - | 95,266 | (2,642,611) |
| Technology | 1,404,584 | - | - | - | (1,404,584) |
| Total School Board | \$ 34,270,832 | \$ 1,358,920 | \$ 11,537,140 | \$ 95,266 | (21,279,506) |
| General revenues: | | | | | |
| | | | | | 8,944 |
| | | | | | 9,893,921 |
| | | | | | 16,031,766 |
| | | | | | <u>25,934,631</u> |
| | | | | | 4,655,125 |
| | | | | | <u>(22,971,421)</u> |
| | | | | | <u>\$ (18,316,296)</u> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2018

| | <u>Education</u> | <u>Other Governmental</u> | <u>Total Governmental</u> |
|---|---------------------|-------------------------------|-------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,456,094 | \$ 2,853,226 | \$ 5,309,320 |
| Accounts receivable | 135,570 | 62,010 | 197,580 |
| Prepaid items | 2,001 | - | 2,001 |
| Due from other governmental units | 953,745 | 771,351 | 1,725,096 |
| Due from other funds | 616,504 | - | 616,504 |
| Total assets | <u>\$ 4,163,914</u> | <u>\$ 3,686,587</u> | <u>\$ 7,850,501</u> |
| Liabilities | | | |
| Accounts payable | \$ 273,104 | \$ 16,505 | \$ 289,609 |
| Accrued liabilities | 1,378,514 | 234,014 | 1,612,528 |
| Due to other funds | - | 616,504 | 616,504 |
| Unearned revenue | 1,000 | - | 1,000 |
| Held for others | 2,703 | - | 2,703 |
| Total liabilities | <u>1,655,321</u> | <u>867,023</u> | <u>2,522,344</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | 129,706 | - | 129,706 |
| Fund Balances | | | |
| Nonspendable | 618,505 | - | 618,505 |
| Restricted | | | |
| Programs | - | 10,405 | 10,405 |
| Donor | 9,906 | 1,473 | 11,379 |
| Assigned | 1,750,476 | 2,807,686 | 4,558,162 |
| Total fund balances | <u>2,378,887</u> | <u>2,819,564</u> | <u>5,198,451</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 4,163,914</u> | <u>\$ 3,686,587</u> | <u>\$ 7,850,501</u> |

CITY OF STAUNTON, VIRGINIA

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

June 30, 2018

| | | |
|---|----|----------------------------|
| Total Fund Balances – Component Unit School Board | \$ | 5,198,451 |
| Amounts reported for governmental activities in the statement of net position (Exhibit D-1) are different because: | | |
| Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds. | | |
| Capital assets | \$ | 26,240,681 |
| Less: accumulated depreciation | | <u>(15,662,365)</u> |
| | | 10,578,316 |
| Receivables that are not available to pay for current period expenditures are not reported in the funds. | | |
| | | 129,706 |
| Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows | \$ | 3,489,662 |
| Deferred inflows | | (3,718,300) |
| Net pension liability | | <u>(26,200,724)</u> |
| | | (26,429,362) |
| Financial statement elements related to other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows | \$ | 563,707 |
| Deferred inflows | | (267,625) |
| Net OPEB liability | | <u>(7,565,641)</u> |
| | | (7,269,559) |
| Compensated absences are not due and payable in the current period and therefore are not reported in the funds. | | |
| | | <u>(523,848)</u> |
| Total Net Position – Component Unit School Board | \$ | <u><u>(18,316,296)</u></u> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

| | Education | Other Governmental | Total Governmental |
|---|---------------------|-----------------------|-----------------------|
| REVENUES | | | |
| Revenues from use of money and property | \$ 16,777 | \$ 8,882 | \$ 25,659 |
| Charges for services | 1,081,094 | 261,111 | 1,342,205 |
| Miscellaneous | 102,698 | 21,761 | 124,459 |
| Recovered costs | 263,566 | 395,198 | 658,764 |
| Intergovernmental: | | | |
| Federal | 1,787,620 | 1,065,500 | 2,853,120 |
| Commonwealth | 15,312,360 | 2,698,682 | 18,011,042 |
| City of Staunton | 12,750,000 | - | 12,750,000 |
| Total revenues | <u>31,314,115</u> | <u>4,451,134</u> | <u>35,765,249</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Payment to City | - | 50,000 | 50,000 |
| Education | 30,209,289 | 4,425,856 | 34,635,145 |
| Capital projects | - | 282,830 | 282,830 |
| Total expenditures | <u>30,209,289</u> | <u>4,758,686</u> | <u>34,967,975</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,104,826</u> | <u>(307,552)</u> | <u>797,274</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 53,913 | 657,691 | 711,604 |
| Transfers out | <u>(657,691)</u> | <u>(53,913)</u> | <u>(711,604)</u> |
| Total other financing sources (uses) | <u>(603,778)</u> | <u>603,778</u> | <u>-</u> |
| Net change in fund balances | 501,048 | 296,226 | 797,274 |
| Fund balances - beginning of year | 1,877,839 | 2,523,338 | 4,401,177 |
| Fund balances - end of year | <u>\$ 2,378,887</u> | <u>\$ 2,819,564</u> | <u>\$ 5,198,451</u> |

CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

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

| | | | |
|---|--------------------|------------|---------------------|
| Net changes in fund balances - school board component unit | | \$ 797,274 | |
| Governmental funds report the cost of capital assets acquired as current expenditures while the statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. | | | |
| Depreciation | \$ (749,445) | | |
| Capital expenses | 407,923 | | |
| Transfer of assets from the City | 3,331,766 | | |
| Contributed Capital | <u>3,350</u> | | |
| | | | 2,993,594 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | | | |
| | | | (206,590) |
| Governmental funds report employer contributions to other postemployment benefit as expenditures. However, in the statement of activities the cost of other postemployment benefits earned net of employee contributions is reported as OPEB expense. | | | |
| Employer OPEB contributions | 563,707 | | |
| OPEB expense | <u>(615,794)</u> | | |
| | | | (52,087) |
| Governmental funds report employer pension contributions as expenditures. However in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. | | | |
| Employer pension contributions | 2,836,601 | | |
| Pension expense | <u>(1,764,208)</u> | | |
| | | | 1,072,393 |
| Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds. | | | |
| Compensated absences | | | <u>50,541</u> |
| Change in net position of governmental activities | | | <u>\$ 4,655,125</u> |

CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

| | Special Revenue Funds | | | Capital Projects Fund | Total Nonmajor Governmental |
|--|-----------------------|-------------------|-------------------------------|--------------------------|-----------------------------------|
| | School Cafeteria | Textbook | State Operated Programs | School Construction | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 372,336 | \$ 744,730 | \$ - | \$ 1,736,160 | \$ 2,853,226 |
| Accounts receivable | - | - | 62,010 | - | 62,010 |
| Due from other governmental units | 29,550 | - | 741,801 | - | 771,351 |
| | | | | | |
| Total assets | <u>\$ 401,886</u> | <u>\$ 744,730</u> | <u>\$ 803,811</u> | <u>\$ 1,736,160</u> | <u>\$ 3,686,587</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 16,137 | \$ - | \$ 368 | \$ - | \$ 16,505 |
| Accrued liabilities | 47,075 | - | 186,939 | - | 234,014 |
| Due to other funds | - | - | 616,504 | - | 616,504 |
| | | | | | |
| Total liabilities | <u>63,212</u> | <u>-</u> | <u>803,811</u> | <u>-</u> | <u>867,023</u> |
| Fund Balance | | | | | |
| Restricted | | | | | |
| Programs | 10,405 | - | - | - | 10,405 |
| Donor | 1,473 | - | - | - | 1,473 |
| Assigned | 326,796 | 744,730 | - | 1,736,160 | 2,807,686 |
| | | | | | |
| Total fund balances | <u>338,674</u> | <u>744,730</u> | <u>-</u> | <u>1,736,160</u> | <u>2,819,564</u> |
| | | | | | |
| Total liabilities and fund balances | <u>\$ 401,886</u> | <u>\$ 744,730</u> | <u>\$ 803,811</u> | <u>\$ 1,736,160</u> | <u>\$ 3,686,587</u> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

| | Special Revenue Funds | | | Capital Projects Fund | Total Nonmajor Governmental |
|--|-----------------------|-------------------|-------------------------------|--------------------------|-----------------------------------|
| | School Cafeteria | Textbook | State Operated Programs | School Construction | |
| REVENUES | | | | | |
| Revenues from use of money and property | \$ 60 | \$ 101 | \$ - | \$ 8,721 | \$ 8,882 |
| Charges for services | 261,111 | - | - | - | 261,111 |
| Miscellaneous | 21,761 | - | - | - | 21,761 |
| Recovered costs | - | - | 395,198 | - | 395,198 |
| Intergovernmental: | | | | | |
| Federal | 1,030,864 | - | 34,636 | - | 1,065,500 |
| Commonwealth | 39,621 | 173,707 | 2,393,438 | 91,916 | 2,698,682 |
| Total revenues | 1,353,417 | 173,808 | 2,823,272 | 100,637 | 4,451,134 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Payment to the City | - | - | - | 50,000 | 50,000 |
| Education | 1,473,552 | 63,056 | 2,769,359 | 119,889 | 4,425,856 |
| Capital projects | - | - | - | 282,830 | 282,830 |
| Total expenditures | 1,473,552 | 63,056 | 2,769,359 | 452,719 | 4,758,686 |
| Excess (deficiency) of revenues over expenditures | (120,135) | 110,752 | 53,913 | (352,082) | (307,552) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 107,691 | - | 550,000 | 657,691 |
| Transfers out | - | - | (53,913) | - | (53,913) |
| Total other financing sources (uses) | - | 107,691 | (53,913) | 550,000 | 603,778 |
| Net change in fund balances | (120,135) | 218,443 | - | 197,918 | 296,226 |
| Fund balances - beginning of year | 458,809 | 526,287 | - | 1,538,242 | 2,523,338 |
| Fund balances - end of year | <u>\$ 338,674</u> | <u>\$ 744,730</u> | <u>\$ -</u> | <u>\$ 1,736,160</u> | <u>\$ 2,819,564</u> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE –
EDUCATION FUND
Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| REVENUES | | | | |
| Revenues from use of money and property | \$ 26,400 | \$ 26,400 | \$ 16,777 | \$ (9,623) |
| Charges for services | 943,923 | 943,923 | 1,081,094 | 137,171 |
| Miscellaneous | 155,735 | 107,057 | 102,698 | (4,359) |
| Recovered costs | 250,848 | 250,848 | 263,566 | 12,718 |
| Intergovernmental: | | | | |
| Federal | 1,801,734 | 2,371,756 | 1,787,620 | (584,136) |
| Commonwealth | 15,036,360 | 15,057,549 | 15,312,360 | 254,811 |
| City of Staunton | 12,750,000 | 12,750,000 | 12,750,000 | - |
| Total revenues | <u>30,965,000</u> | <u>31,507,533</u> | <u>31,314,115</u> | <u>(193,418)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | 31,154,548 | 31,890,257 | 30,209,289 | 1,680,968 |
| Total expenditures | <u>31,154,548</u> | <u>31,890,257</u> | <u>30,209,289</u> | <u>1,680,968</u> |
| Excess (deficiency) of revenues over expenditures | <u>(189,548)</u> | <u>(382,724)</u> | <u>1,104,826</u> | <u>1,487,550</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Appropriation of prior year reserve/encumbrances | 250,000 | 945,415 | - | (945,415) |
| Transfers in: | | | | |
| Transfer from State Operated Programs Fund | 95,000 | 95,000 | 53,913 | (41,087) |
| Transfers out: | | | | |
| Transfer to School Textbook Fund | (105,452) | (107,691) | (107,691) | - |
| Transfer to School Construction Fund | (50,000) | (550,000) | (550,000) | - |
| Total other financing sources (uses) | <u>189,548</u> | <u>382,724</u> | <u>(603,778)</u> | <u>(986,502)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 501,048</u> | <u>\$ 501,048</u> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

| | Agency Fund |
|---------------------------|----------------|
| | Genesis |
| ASSETS | |
| Cash and cash equivalents | \$ 546,953 |
| Total assets | \$ 546,953 |
| LIABILITIES | |
| Amounts held for Program | \$ 513,772 |
| Accounts payable | 5,112 |
| Accrued liabilities | 28,069 |
| Total liabilities | \$ 546,953 |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUND
Year Ended June 30, 2018

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---------------------------|--------------------------|---------------------|---------------------|--------------------------|
| GENESIS FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 485,010 | \$ 862,397 | \$ 800,454 | \$ 546,953 |
| Accounts receivable | 1,050 | 288,568 | 289,618 | - |
| | <u>486,060</u> | <u>1,150,965</u> | <u>1,090,072</u> | <u>546,953</u> |
| Total assets | <u>\$ 486,060</u> | <u>\$ 1,150,965</u> | <u>\$ 1,090,072</u> | <u>\$ 546,953</u> |
| LIABILITIES | | | | |
| Amounts held for Program | \$ 449,611 | \$ 1,023,749 | \$ 959,588 | \$ 513,772 |
| Accounts payable | 4,644 | 99,147 | 98,679 | 5,112 |
| Accrued liabilities | 31,805 | 28,069 | 31,805 | 28,069 |
| | <u>486,060</u> | <u>1,150,965</u> | <u>1,090,072</u> | <u>546,953</u> |
| Total liabilities | <u>\$ 486,060</u> | <u>\$ 1,150,965</u> | <u>\$ 1,090,072</u> | <u>\$ 546,953</u> |

DISCRETELY PRESENTED COMPONENT UNIT – EDA

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

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

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 153,155 |
| Accounts receivable | 16,667 |
| Inventory | 12,970,053 |
| Capital assets: | |
| Nondepreciable assets | 793,946 |
| Depreciable assets, net | <u>6,604,216</u> |
| Total assets | <u>20,538,037</u> |

LIABILITIES

| | |
|---------------------------|-------------------|
| Accounts payable | 136,038 |
| Due to primary government | <u>12,750,000</u> |
| Total liabilities | <u>12,886,038</u> |

NET POSITION

| | |
|----------------------------------|----------------------------|
| Net investment in capital assets | 7,398,162 |
| Unrestricted | <u>253,837</u> |
| Total net position | <u><u>\$ 7,651,999</u></u> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2018

| | |
|----------------------------------|--------------|
| OPERATING REVENUES | |
| Rental of property | \$ 31,000 |
| Operating grants-City | 158,628 |
| Sale of salvage | 17,600 |
| | <hr/> |
| Total operating revenues | 207,228 |
| | <hr/> |
| OPERATING EXPENSES | |
| Professional fees | 4,255 |
| Stonewall Jackson rental payment | 25,000 |
| Enterprise Zone payment | 78,081 |
| Villages | 71,753 |
| Staunton Frontier | 8,794 |
| Depreciation | 229,220 |
| | <hr/> |
| Total operating expenses | 417,103 |
| | <hr/> |
| Operating loss | (209,875) |
| | <hr/> |
| Change in net position | (209,875) |
| Net position - beginning of year | 7,861,874 |
| | <hr/> |
| Net position - end of year | \$ 7,651,999 |
| | <hr/> <hr/> |

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

OPERATING ACTIVITIES

| | |
|---|-----------|
| Cash received from customers | \$ 31,000 |
| Cash paid to suppliers/grantees | (72,582) |
| Other operating grants | 158,628 |
| Sale of salvage | 17,600 |
| | <hr/> |
| Net cash provided by operating activities | 134,646 |
| | <hr/> |
| Net increase in cash and cash equivalents | 134,646 |

CASH AND CASH EQUIVALENTS

| | |
|-------------------|-------------|
| Beginning of year | 18,509 |
| | <hr/> |
| End of year | \$ 153,155 |
| | <hr/> <hr/> |

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

| | |
|---|--------------|
| Operating loss | \$ (209,875) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 229,220 |
| Change in assets and liabilities: | |
| Increase in accounts payable | 115,301 |
| | <hr/> |
| Net cash provided by operating activities | \$ 134,646 |
| | <hr/> <hr/> |

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

SUPPLEMENTARY SCHEDULES

Certain Governmental Funds and Discretely Presented Component Unit – School Board

Schedule 1: Schedule of Revenues –
Budget and Actual

Schedule 2: Schedule of Expenditures –
Budget and Actual

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|------------------------------------|
| PRIMARY GOVERNMENT: | | | |
| General Fund: | | | |
| Revenue from Local Sources: | | | |
| General property taxes: | | | |
| Real property taxes | \$ 17,873,475 | \$ 18,332,959 | \$ 459,484 |
| Real and personal public service corporation property taxes | 746,000 | 815,412 | 69,412 |
| Personal property taxes | 4,777,500 | 5,289,547 | 512,047 |
| Machinery and tools taxes | 457,680 | 540,744 | 83,064 |
| Penalties and interest | 365,000 | 460,978 | 95,978 |
| Total General Property Taxes | <u>24,219,655</u> | <u>25,439,640</u> | <u>1,219,985</u> |
| Other local taxes: | | | |
| Local sales and use taxes | 4,102,225 | 4,123,862 | 21,637 |
| Consumers' utility taxes | 1,130,000 | 1,164,277 | 34,277 |
| Local communication tax | 1,330,000 | 1,278,401 | (51,599) |
| Business license taxes | 2,151,000 | 2,216,754 | 65,754 |
| Bank stock taxes | 378,517 | 479,603 | 101,086 |
| Taxes on recordation and wills | 174,000 | 230,357 | 56,357 |
| Lodging taxes | 587,900 | 677,917 | 90,017 |
| Restaurant food tax | 3,850,000 | 4,118,267 | 268,267 |
| Short term rental tax | 25,000 | 28,333 | 3,333 |
| Cigarette tax | 400,000 | 397,536 | (2,464) |
| Total Other Local Taxes | <u>14,128,642</u> | <u>14,715,307</u> | <u>586,665</u> |
| Permits, privilege fees, and regulatory licenses: | | | |
| Animal licenses | 15,000 | 11,182 | (3,818) |
| Permits and other licenses | 296,100 | 276,696 | (19,404) |
| Total Permits, Privilege Fees, and Regulatory Licenses | <u>311,100</u> | <u>287,878</u> | <u>(23,222)</u> |
| Fines and forfeitures | <u>95,000</u> | <u>134,887</u> | <u>39,887</u> |
| Revenue from use of money and property: | | | |
| Revenue from use of money | 157,000 | 151,343 | (5,657) |
| Revenue from use of property | 45,000 | 47,195 | 2,195 |
| Total Revenue from Use of Money and Property | <u>202,000</u> | <u>198,538</u> | <u>(3,462)</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|---|-------------------|-------------------|------------------------------------|
| PRIMARY GOVERNMENT: (cont'd) | | | |
| General Fund: (cont'd) | | | |
| Revenue from Local Sources: (cont'd) | | | |
| Charges for services: | | | |
| Court costs | \$ 11,000 | \$ 15,395 | \$ 4,395 |
| Charges for Commonwealth's Attorney | 3,000 | 3,741 | 741 |
| Charges for Sheriff | 2,617 | 2,617 | - |
| Courtroom security fee | 40,000 | 38,571 | (1,429) |
| Jail admission fee | 3,500 | 3,942 | 442 |
| Charges for publications and maps | 2,000 | 1,406 | (594) |
| Charges for parks and recreation | 329,000 | 393,612 | 64,612 |
| Charges for library fines | 25,000 | 21,961 | (3,039) |
| Tourism advertising | - | 3,000 | 3,000 |
| Property clean up fees | 3,000 | 33,983 | 30,983 |
| Administrative fees | 28,000 | 29,907 | 1,907 |
| Payments in lieu of tax from Enterprise funds | 1,220,130 | 1,246,761 | 26,631 |
| Charges for tax-exempt organizations | 5,000 | 4,790 | (210) |
| Total Charges for Services | <u>1,672,247</u> | <u>1,799,686</u> | <u>127,439</u> |
| Miscellaneous revenue: | | | |
| Payment in lieu of tax-SRHA | 13,000 | 13,593 | 593 |
| Sale of salvage and surplus | 15,000 | 31,046 | 16,046 |
| Donations | 2,800 | 14,506 | 11,706 |
| Tourism Marketing leverage program | - | 10,000 | 10,000 |
| Miscellaneous | - | 8,217 | 8,217 |
| Total Miscellaneous Revenue | <u>30,800</u> | <u>77,362</u> | <u>46,562</u> |
| Recovered Costs | <u>916,300</u> | <u>923,212</u> | <u>6,912</u> |
| Total Revenue from Local Sources | <u>41,575,744</u> | <u>43,576,510</u> | <u>2,000,766</u> |
| Revenue from the Commonwealth: | | | |
| Non-categorical Aid: | | | |
| Public facilities tax | 150,000 | 118,602 | (31,398) |
| Rolling stock taxes | 12,000 | 14,036 | 2,036 |
| Auto rental taxes | 75,000 | 79,340 | 4,340 |
| Law enforcement | 886,250 | 886,252 | 2 |
| Grantor's tax | 45,000 | 56,784 | 11,784 |
| Recordation tax | 57,000 | 74,058 | 17,058 |
| PPTRA reimbursement | 1,652,200 | 1,652,200 | - |
| Total Non-Categorical Aid | <u>2,877,450</u> | <u>2,881,272</u> | <u>3,822</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|------------------------------------|
| PRIMARY GOVERNMENT: (cont'd) | | | |
| General Fund: (cont'd) | | | |
| Revenue from the Commonwealth: (cont'd) | | | |
| Categorical Aid: | | | |
| Shared expenses: | | | |
| Commonwealth's attorney | \$ 415,000 | \$ 410,185 | \$ (4,815) |
| Sheriff | 286,000 | 293,314 | 7,314 |
| Commissioner of the revenue | 118,000 | 121,584 | 3,584 |
| Treasurer | 110,000 | 109,726 | (274) |
| Registrar/Electoral Board | 37,000 | 37,391 | 391 |
| Circuit court clerk | 266,976 | 270,668 | 3,692 |
| Circuit court clerk-technology trust fund | 14,300 | 25,304 | 11,004 |
| Total Shared Expenses | <u>1,247,276</u> | <u>1,268,172</u> | <u>20,896</u> |
| Health and welfare | <u>1,355,274</u> | <u>1,336,203</u> | <u>(19,071)</u> |
| Other Categorical Aid: | | | |
| Street and highway maintenance | 4,073,907 | 4,073,907 | - |
| Circuit Court Library grant | 2,554 | 2,554 | - |
| Library | 147,129 | 146,297 | (832) |
| E911 Wireless funds | 65,000 | 75,027 | 10,027 |
| Fire programs | 75,000 | 80,240 | 5,240 |
| Commission for the Arts | 4,500 | 4,500 | - |
| Comprehensive Services Act funds | 1,916,786 | 2,164,486 | 247,700 |
| Four-for-Life funds | 20,000 | - | (20,000) |
| Animal license plates | 600 | 827 | 227 |
| Victim/Witness funds | 27,585 | 24,934 | (2,651) |
| Forfeited assets | 28,801 | 34,486 | 5,685 |
| Jurors/Witness fees | 10,000 | 10,660 | 660 |
| Total Other Categorical Aid | <u>6,371,862</u> | <u>6,617,918</u> | <u>246,056</u> |
| Total Categorical Aid | <u>8,974,412</u> | <u>9,222,293</u> | <u>247,881</u> |
| Total Revenue from the Commonwealth | <u>11,851,862</u> | <u>12,103,565</u> | <u>251,703</u> |
| Revenue from the Federal Government: | | | |
| Categorical aid: | | | |
| Health and welfare | 1,031,290 | 1,080,266 | 48,976 |
| Victim/Witness | 82,756 | 74,803 | (7,953) |
| Historic district guidelines grant | - | 9,895 | 9,895 |
| SAFER grant | 132,676 | 111,207 | (21,469) |
| Total Revenue from the Federal Government | <u>1,246,722</u> | <u>1,276,171</u> | <u>29,449</u> |
| Total General Fund | <u>\$ 54,674,328</u> | <u>\$ 56,956,246</u> | <u>\$ 2,281,918</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|---------------|------------------------------------|
| PRIMARY GOVERNMENT: (cont'd) | | | |
| Special Revenue Funds: | | | |
| Blue Ridge Court Services Fund: | | | |
| Revenue from Local Sources: | | | |
| Revenue from use of money and property: | | | |
| Revenue from use of money | \$ - | \$ 35 | \$ 35 |
| Total Revenue from Use of Money and Property | - | 35 | 35 |
| Charges for services: | | | |
| Supervision fees | 30,000 | 17,985 | (12,015) |
| Drug screen fees | 13,867 | 6,447 | (7,420) |
| Home electronic monitoring fees | 200,000 | 110,248 | (89,752) |
| Group therapy fees | 20,000 | 12,006 | (7,994) |
| Total Charges for Services | 263,867 | 146,686 | (117,181) |
| Miscellaneous: | | | |
| CAPSAW | 20,500 | 20,886 | 386 |
| Augusta Health | 16,750 | 16,750 | - |
| VCSB-Therapeutic docket | 45,000 | 54,102 | 9,102 |
| Total Miscellaneous Revenue | 82,250 | 91,738 | 9,488 |
| Total Revenue from Local Sources | 346,117 | 238,459 | (107,658) |
| Revenue from the Commonwealth: | | | |
| Drug Court | 67,500 | 90,000 | 22,500 |
| Community Corrections and Pre-trial services funds | 618,037 | 618,037 | - |
| Total Revenue from the Commonwealth | 685,537 | 708,037 | 22,500 |
| Total Blue Ridge Court Services Fund | \$ 1,031,654 | \$ 946,496 | \$ (85,158) |
| Grants Fund: | | | |
| Miscellaneous: | | | |
| FM Global Foundation camera grant | \$ 2,500 | \$ 2,500 | \$ - |
| Total Miscellaneous | 2,500 | 2,500 | - |
| Revenue from the Federal Government: | | | |
| FEMA Fire equipment | 282 | 281 | (1) |
| JAG-Byrne Justice Assistance Grant | 23,491 | 16,834 | (6,657) |
| Total Revenue from the Federal Government | 23,773 | 17,115 | (6,658) |
| Total Grants Fund | \$ 26,273 | \$ 19,615 | \$ (6,658) |
| Community Development Fund: | | | |
| Revenue from Local Sources: | | | |
| Revenue from use of money | \$ - | \$ 42 | \$ 42 |
| Total Revenue from Local Sources | - | 42 | 42 |
| Total Community Development Fund | \$ - | \$ 42 | \$ 42 |
| Total Special Revenue Funds | \$ 1,057,927 | \$ 966,153 | \$ (91,774) |
| Grand Total Revenues - Primary Government | | | |
| General and special revenue funds | \$ 55,732,255 | \$ 57,922,399 | \$ 2,190,144 |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|------------|------------------------------------|
| COMPONENT UNIT – SCHOOL BOARD: | | | |
| Special Revenue Funds: | | | |
| Education Fund: | | | |
| Revenue from Local Sources: | | | |
| Revenue from use of money and property: | | | |
| Revenue from use of money | \$ 400 | \$ 62 | \$ (338) |
| Revenue from use of property | 26,000 | 16,715 | (9,285) |
| Total Revenue from Use of Money and Property | 26,400 | 16,777 | (9,623) |
| Charges for services: | | | |
| Charges for education | 13,600 | 15,009 | 1,409 |
| Tuition or other payments from another county or city | 930,323 | 1,066,085 | 135,762 |
| Total Charges for Services | 943,923 | 1,081,094 | 137,171 |
| Miscellaneous revenue: | | | |
| Donations | 12,322 | 10,500 | (1,822) |
| E-Rate reimbursement | 12,920 | - | (12,920) |
| Wellness program | 15,000 | 14,996 | (4) |
| Miscellaneous grants | 66,815 | 72,469 | 5,654 |
| Sale of salvage and surplus | - | 4,733 | 4,733 |
| Total Miscellaneous Revenue | 107,057 | 102,698 | (4,359) |
| Recovered Costs | 250,848 | 263,566 | 12,718 |
| Contribution from City of Staunton | 12,750,000 | 12,750,000 | - |
| Total Revenue from Local Sources | 14,078,228 | 14,214,135 | 135,907 |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|------------------------------------|
| COMPONENT UNIT – SCHOOL BOARD (Cont'd): | | | |
| Special Revenue Funds (Cont'd): | | | |
| Education Fund (Cont'd): | | | |
| Revenue from the Commonwealth: | | | |
| Categorical Aid: | | | |
| Share of state sales tax | 3,402,775 | 3,413,456 | \$ 10,681 |
| Basic school aid | 6,567,981 | 6,687,055 | 119,074 |
| Foster care | 20,000 | 35,975 | 15,975 |
| Gifted and talented-SOQ | 76,375 | 77,534 | 1,159 |
| Remedial Education-SOQ | 361,614 | 367,098 | 5,484 |
| ISAEF funds | 15,717 | 16,587 | 870.0 |
| Special education-SOQ | 586,065 | 594,952 | 8,887 |
| Special education-foster care | 25,000 | 19,703 | (5,297) |
| Homebound | 3,312 | 5,096 | 1,784 |
| Regional tuition programs | 590,421 | 606,579 | 16,158 |
| Primary Class size (K-3) | 412,914 | 388,420 | (24,494) |
| Vocational education-SOQ | 132,488 | 134,497 | 2,009 |
| Social security instructional | 422,403 | 428,808 | 6,405 |
| VRS retirement instructional | 969,501 | 984,202 | 14,701 |
| Lottery | 427,266 | 434,141 | 6,875 |
| Group Life Insurance instructional | 28,056 | 28,482 | 426 |
| At risk | 308,880 | 316,885 | 8,005 |
| VPSA Technology grants | 180,000 | 180,000 | - |
| At Risk - Four Year Olds (VPSI) | 204,172 | 204,172 | - |
| STEM recruitment | - | 1,000 | 1,000 |
| Remedial Summer School | 53,813 | 43,297 | (10,516) |
| English as a second language | 25,486 | 28,318 | 2,832 |
| Early Reading Intervention | 44,343 | 52,406 | 8,063 |
| Early Reading Specialist (ERSIP) | 19,868 | 19,868 | - |
| SOL-Algebra readiness | 34,599 | 38,740 | 4,141 |
| PBIS | 15,050 | 15,050 | - |
| Vocational - Equipment | 6,483 | 9,812 | 3,329 |
| Project Graduation | 7,658 | 3,829 | (3,829) |
| Math and reading incentive | 39,736 | 39,736 | - |
| Mentor Teacher Program | 5,265 | 2,068 | (3,197) |
| Compensation supplement | 67,808 | 68,853 | 1,045 |
| National board certification | 2,500 | 2,500 | - |
| Other state funds | - | 63,241 | 63,241 |
| Total Categorical Aid | <u>15,057,549</u> | <u>15,312,360</u> | <u>254,811</u> |
| Total Revenue from the Commonwealth | <u>15,057,549</u> | <u>15,312,360</u> | <u>254,811</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|--|----------------------|----------------------|------------------------------------|
| COMPONENT UNIT – SCHOOL BOARD (Cont'd): | | | |
| Special Revenue Funds (Cont'd): | | | |
| Education Fund (Cont'd): | | | |
| Revenue from the Federal Government: | | | |
| Categorical Aid: | | | |
| Title I | 1,222,012 | 928,146 | \$ (293,866) |
| Title VI - B - Special Education | 898,862 | 711,177 | (187,685) |
| Preschool grants | 48,270 | 22,554 | (25,716) |
| Title II A-Training and Recruiting | 115,315 | 46,492 | (68,823) |
| Title III ESEA - Limited English proficient | 6,918 | 2,591 | (4,327) |
| Tech Prep Education (Carl Perkins) | 23,173 | 19,224 | (3,949) |
| Total Categorical Aid | <u>2,371,756</u> | <u>1,787,620</u> | <u>(584,136)</u> |
| Total Revenue from the Federal Government | <u>2,371,756</u> | <u>1,787,620</u> | <u>(584,136)</u> |
| Total Education Fund | <u>\$ 31,507,533</u> | <u>\$ 31,314,115</u> | <u>\$ (193,418)</u> |
| School Cafeteria Fund: | | | |
| Revenue from Local Sources: | | | |
| Revenue from the use of money and property: | | | |
| Revenue from use of money | \$ 100 | \$ 60 | \$ (40) |
| Charges for services: | | | |
| Charges for food service | 358,555 | 261,111 | (97,444) |
| Miscellaneous Revenue: | | | |
| Donations | - | 1,473 | 1,473 |
| Action for Healthy Kids grant | 4,790 | 7,300 | 2,510 |
| Charlie cart grant | - | 8,500 | 8,500 |
| Share our Strength grant | - | 687 | 687 |
| Other | 2,500 | 3,801 | 1,301 |
| Total Miscellaneous revenue | <u>7,290</u> | <u>21,761</u> | <u>14,471</u> |
| Total Revenue from Local Sources | <u>365,945</u> | <u>282,932</u> | <u>(83,013)</u> |
| Revenue from the Commonwealth: | | | |
| Meal reimbursement | 13,919 | 13,919 | - |
| State Breakfast Incentive | 9,900 | 20,845 | 10,945 |
| Breakfast after the Bell | 3,900 | 4,857 | 957 |
| Total revenue from the Commonwealth | <u>27,719</u> | <u>39,621</u> | <u>11,902</u> |
| Revenue from the Federal Government: | | | |
| Child care food program | 5,000 | 5,932 | 932 |
| National school lunch and breakfast program | 947,925 | 1,024,932 | 77,007 |
| Total Revenue from the Federal Government | <u>952,925</u> | <u>1,030,864</u> | <u>77,939</u> |
| Total School Cafeteria Fund | <u>\$ 1,346,589</u> | <u>\$ 1,353,417</u> | <u>\$ 6,828</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Final Budget | Actual | Variance Positive (Negative) |
|--|----------------------|----------------------|------------------------------------|
| COMPONENT UNIT – SCHOOL BOARD: (cont'd) | | | |
| Special Revenue Funds: (cont'd) | | | |
| Textbook Fund: | | | |
| Revenue from Local Sources: | | | |
| Revenue from use of money and property: | \$ - | \$ 101 | \$ 101 |
| Total Revenue from Local Sources | - | 101 | 101 |
| Revenue from the Commonwealth: | | | |
| Textbook payment (including lottery fund) | 173,707 | 173,707 | - |
| Total Textbook Fund | <u>\$ 173,707</u> | <u>\$ 173,808</u> | <u>\$ 101</u> |
| State Operated Programs Fund: | | | |
| Revenue from Local Sources: | | | |
| E-rate reimbursement | \$ 46,228 | \$ - | \$ (46,228) |
| Recovered costs | 391,700 | 395,198 | 3,498 |
| Total Revenue from local sources | <u>437,928</u> | <u>395,198</u> | <u>(42,730)</u> |
| Revenue from the Commonwealth: | | | |
| Hospitals, clinics, and detention homes | 2,682,942 | 2,393,438 | (289,504) |
| Revenue from the Federal Government: | | | |
| Categorical Aid | | | |
| Title I Part D | 5,000 | 11,102 | 6,102 |
| Title VI-B | 10,000 | 23,534 | 13,534 |
| Total Revenue from Federal Government | <u>15,000</u> | <u>34,636</u> | <u>19,636</u> |
| Total State Operated Programs Fund | <u>\$ 3,135,870</u> | <u>\$ 2,823,272</u> | <u>\$ (312,598)</u> |
| Total Special Revenue Funds | <u>\$ 4,656,166</u> | <u>\$ 4,350,497</u> | <u>\$ (305,669)</u> |
| Grand Total Revenues - Component Unit | | | |
| School Board | <u>\$ 36,163,699</u> | <u>\$ 35,664,612</u> | <u>\$ (499,087)</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2018

| Fund, Function, Activity, and Elements: | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|-----------|------------------------------------|
| PRIMARY GOVERNMENT: | | | |
| General Fund: | | | |
| General Government Administration: | | | |
| Legislative: | | | |
| Clerk of City Council | \$ 44,897 | \$ 38,533 | \$ 6,364 |
| City Council | 145,404 | 126,884 | 18,520 |
| Total Legislative | 190,301 | 165,417 | 24,884 |
| General and Financial Administration: | | | |
| City Manager | 572,380 | 569,170 | 3,210 |
| City Attorney | 371,578 | 319,373 | 52,205 |
| City Memberships | 27,865 | 27,683 | 182 |
| Professional Consultants | 63,500 | 63,500 | - |
| Commissioner of the Revenue | 302,638 | 302,624 | 14 |
| Assessor and Equalization Board | 260,364 | 250,697 | 9,667 |
| Treasurer | 411,224 | 408,493 | 2,731 |
| Finance | 1,240,218 | 1,120,474 | 119,744 |
| Information Technology | 1,236,341 | 1,147,813 | 88,528 |
| Risk Management | 556,897 | 556,008 | 889 |
| Human Resources | 349,375 | 340,223 | 9,152 |
| Communications Manager | 93,868 | 91,897 | 1,971 |
| Total General and Financial Administration | 5,486,248 | 5,197,955 | 288,293 |
| Board of Elections: | | | |
| Electoral Board and Registrar | 132,263 | 128,460 | 3,803 |
| Total Board of Elections | 132,263 | 128,460 | 3,803 |
| Total General Government Administration | 5,808,812 | 5,491,832 | 316,980 |
| Judicial Administration: | | | |
| Courts: | | | |
| Circuit court | 144,709 | 139,558 | 5,151 |
| General District Court | 6,800 | 6,037 | 763 |
| Juvenile and Domestic Relations Court | 81,147 | 81,145 | 2 |
| Clerk of the Circuit Court | 491,140 | 490,921 | 219 |
| Sheriff | 586,572 | 582,372 | 4,200 |
| Victim/Witness | 112,076 | 110,076 | 2,000 |
| Magistrates | 1,890 | 1,890 | - |
| Total Courts | 1,424,334 | 1,411,999 | 12,335 |
| Commonwealth Attorney | 585,152 | 574,550 | 10,602 |
| Total Judicial Administration | 2,009,486 | 1,986,549 | 22,937 |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2018

| Fund, Function, Activity, and Elements: | Final Budget | Actual | Variance Positive (Negative) |
|---|-------------------|-------------------|------------------------------------|
| PRIMARY GOVERNMENT: (cont'd) | | | |
| General Fund: (cont'd) | | | |
| Public Safety: | | | |
| Law Enforcement and Traffic Control: | | | |
| Police Department | \$ 5,142,429 | \$ 4,988,726 | \$ 153,703 |
| E-911 Communications | 744,918 | 740,183 | 4,735 |
| Total Law Enforcement and Traffic Control | <u>5,887,347</u> | <u>5,728,909</u> | <u>158,438</u> |
| Fire and Rescue Services: | | | |
| Fire Department | 2,841,745 | 2,816,390 | 25,355 |
| EMS Council/Four for Life | 42,383 | 26,126 | 16,257 |
| State Fire Programs | 106,507 | 71,393 | 35,114 |
| Total Fire and Rescue Services | <u>2,990,635</u> | <u>2,913,909</u> | <u>76,726</u> |
| Correction and Detention: | | | |
| Juvenile Detention Home - Contribution | 137,804 | 137,804 | - |
| Jail Facility | 1,556,911 | 1,556,911 | - |
| Youth Commission | 140,500 | 139,767 | 733 |
| Total Correction and Detention | <u>1,835,215</u> | <u>1,834,482</u> | <u>733</u> |
| Inspections: | | | |
| Building Inspection | 408,965 | 399,809 | 9,156 |
| Other Protection: | | | |
| Animal control - Animal Care | 53,000 | 68,666 | (15,666) |
| Medical Examiner | 240 | 240 | - |
| Total Other Protection | <u>53,240</u> | <u>68,906</u> | <u>(15,666)</u> |
| Total Public Safety | <u>11,175,402</u> | <u>10,946,015</u> | <u>229,387</u> |
| Public Works: | | | |
| Administration | 275,067 | 274,075 | 992 |
| Traffic Engineering (signs) | 209,494 | 207,412 | 2,082 |
| Highways, Streets, and Sidewalks | 3,956,237 | 3,796,083 | 160,154 |
| City Engineering | 317,627 | 305,377 | 12,250 |
| Traffic Signals | 356,767 | 356,651 | 116 |
| Total | <u>5,115,192</u> | <u>4,939,598</u> | <u>175,594</u> |
| Maintenance of General Buildings, Grounds, and Equipment: | | | |
| General Properties Maintenance | 1,412,048 | 1,379,671 | 32,377 |
| Equipment Maintenance | 449,090 | 449,068 | 22 |
| Total Maintenance of General Buildings, Grounds, Equipment | <u>1,861,138</u> | <u>1,828,739</u> | <u>32,399</u> |
| Total Public Works | <u>6,976,330</u> | <u>6,768,337</u> | <u>207,993</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2018

| Fund, Function, Activity, and Elements: | Final Budget | Actual | Variance Positive (Negative) |
|---|-----------------|------------|------------------------------------|
| PRIMARY GOVERNMENT: (cont'd) | | | |
| General Fund: (cont'd) | | | |
| Health and Welfare: | | | |
| Health: | | | |
| Local Health Department | \$ 269,722 | \$ 269,721 | \$ 1 |
| Mental Health and Mental Retardation: | | | |
| Chapter X Board | 158,030 | 158,030 | - |
| Total Health | 427,752 | 427,751 | 1 |
| Welfare: | | | |
| DSS-public assistance | 3,209,168 | 3,209,014 | 154 |
| Children Services Act | 3,051,000 | 3,050,876 | 124 |
| Tax Relief - Elderly and Disabled | 116,400 | 109,845 | 6,555 |
| Tax Relief - Veterans | 75,000 | 81,543 | (6,543) |
| Staunton Senior Center | 6,000 | 6,000 | - |
| CAPSAW | 26,650 | 26,650 | - |
| Contribution to Area Agency on Aging (VPAS) | 20,000 | 20,000 | - |
| CATS Contribution | 42,042 | 42,042 | - |
| Total Welfare | 6,546,260 | 6,545,970 | 290 |
| Total Health and Welfare | 6,974,012 | 6,973,721 | 291 |
| Education: | | | |
| Contribution to Community College | 8,000 | 8,000 | - |
| Contribution to Component Unit - School Board | 12,750,000 | 12,750,000 | - |
| Total Education | 12,758,000 | 12,758,000 | - |
| Parks, Recreation and Cultural: | | | |
| Parks and Recreation: | | | |
| Administration | 1,104,927 | 1,047,290 | 57,637 |
| Park Maintenance | 1,191,593 | 1,133,950 | 57,643 |
| Horticulture | 161,213 | 154,399 | 6,814 |
| Boys and Girls Club | 20,000 | 20,000 | - |
| Total Parks and Recreation | 2,477,733 | 2,355,639 | 122,094 |
| Cultural Enrichment: | | | |
| Contributions to Community Organizations | 14,499 | 14,499 | - |
| Total Cultural Enrichment | 14,499 | 14,499 | - |
| Library: | | | |
| Library Administration and Operations | 1,146,052 | 1,089,567 | 56,485 |
| Total Library | 1,146,052 | 1,089,567 | 56,485 |
| Total Parks, Recreation, and Cultural | 3,638,284 | 3,459,705 | 178,579 |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2018

| Fund, Function, Activity, and Elements: | Final Budget | Actual | Variance Positive (Negative) |
|--|----------------------|----------------------|------------------------------------|
| PRIMARY GOVERNMENT: (cont'd) | | | |
| General Fund: (cont'd) | | | |
| Community Development: | | | |
| Planning and Community Development: | | | |
| Economic Development | \$ 535,031 | \$ 491,841 | \$ 43,190 |
| Planning and Development | 308,120 | 286,348 | 21,772 |
| Tourism Development | 430,699 | 404,139 | 26,560 |
| VRT-Trolley Operation | 63,000 | 63,000 | - |
| Staunton Welcome Center | 53,586 | 52,555 | 1,031 |
| Special Service District | 155,000 | 152,271 | 2,729 |
| Contribution - Valley Airport | 48,159 | 48,159 | - |
| Planning District Commission | 33,833 | 34,293 | (460) |
| Historic Staunton Foundation | 27,500 | 27,500 | - |
| GART Tourism Board | 20,000 | 20,000 | - |
| Staunton Creative Community Fund | 20,000 | 20,000 | - |
| Total Planning and Community Development | <u>1,694,928</u> | <u>1,600,106</u> | <u>94,822</u> |
| Total Community Development | <u>1,694,928</u> | <u>1,600,106</u> | <u>94,822</u> |
| Total General Fund | <u>\$ 51,035,254</u> | <u>\$ 49,984,265</u> | <u>\$ 1,050,989</u> |
| Special Revenue Funds: | | | |
| Blue Ridge Court Services Fund: | | | |
| Public Safety: | | | |
| Correction and Detention: | | | |
| Community Corrections | \$ 859,576 | \$ 837,776 | \$ 21,800 |
| Therapeutic Docket | 54,030 | 54,202 | (172) |
| Augusta Health Grant | - | 11,600 | (11,600) |
| Drug Court | 118,529 | 119,221 | (692) |
| Total Correction and Detention | <u>1,032,135</u> | <u>1,022,799</u> | <u>9,336</u> |
| Total Public Safety | <u>1,032,135</u> | <u>1,022,799</u> | <u>9,336</u> |
| Total Blue Ridge Court Services Fund | <u>\$ 1,032,135</u> | <u>\$ 1,022,799</u> | <u>\$ 9,336</u> |
| State and Federal Grants Fund: | | | |
| Public Safety: | | | |
| Sheriff Department Grants | \$ 23,491 | 16,834 | \$ 6,657 |
| Fire Department Grants | 2,782 | 2,781 | 1 |
| Total Public Safety | <u>26,273</u> | <u>19,615</u> | <u>6,658</u> |
| Total State and Federal Grants Fund | <u>\$ 26,273</u> | <u>\$ 19,615</u> | <u>\$ 6,658</u> |
| Total Special Revenue Funds | <u>\$ 1,058,408</u> | <u>\$ 1,042,414</u> | <u>\$ 15,994</u> |
| Grand Total - Expenditures -Primary Government- General and special revenue | <u>\$ 52,093,662</u> | <u>\$ 51,026,679</u> | <u>\$ 1,066,983</u> |

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2018

| Fund, Function, Activity, and Elements: | Final Budget | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|------------------------------------|
| COMPONENT UNIT – SCHOOL BOARD: | | | |
| Education: | | | |
| Instructional Costs | \$ 24,184,738 | \$ 22,954,586 | \$ 1,230,152 |
| Administration, Attendance & Health | 2,239,358 | 2,117,681 | 121,677 |
| Pupil Transportation | 1,164,298 | 1,095,937 | 68,361 |
| Operations and Maintenance | 2,822,468 | 2,599,792 | 222,676 |
| Technology | 1,479,395 | 1,441,293 | 38,102 |
| Total Education Fund | <u>\$ 31,890,257</u> | <u>\$ 30,209,289</u> | <u>\$ 1,680,968</u> |
| School Cafeteria Fund: | | | |
| Food Service | \$ 1,392,239 | \$ 1,473,552 | \$ (81,313) |
| Total School Cafeteria Fund | <u>\$ 1,392,239</u> | <u>\$ 1,473,552</u> | <u>\$ (81,313)</u> |
| Textbook Fund | | | |
| Education: | | | |
| Instructional costs | \$ 305,850 | \$ 63,056 | \$ 242,794 |
| Total Textbook Fund | <u>\$ 305,850</u> | <u>\$ 63,056</u> | <u>\$ 242,794</u> |
| State Operated Programs Fund | | | |
| Education: | | | |
| Instructional costs | \$ 3,040,975 | \$ 2,769,359 | \$ 271,616 |
| Total State Operated Programs Fund | <u>\$ 3,040,975</u> | <u>\$ 2,769,359</u> | <u>\$ 271,616</u> |
| Total Special Revenue Funds | <u>\$ 4,739,064</u> | <u>\$ 4,305,967</u> | <u>\$ 433,097</u> |
| Grand Total - Expenditures - Component Unit - School Board | <u>\$ 36,629,321</u> | <u>\$ 34,515,256</u> | <u>\$ 2,114,065</u> |

STATISTICAL SECTION

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

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

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

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

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

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

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

CITY OF STAUNTON, VIRGINIA

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 43,232,721 | \$ 45,372,360 | \$ 43,963,323 | \$ 32,734,112 | \$ 32,253,859 | \$ 31,074,300 | \$ 31,321,359 | \$ 29,909,806 | \$ 24,406,532 | \$ 25,235,126 |
| Restricted | 31,265 | 41,469 | 27,466 | 117,646 | 122,452 | 120,217 | 184,868 | 103,639 | 27,485 | 32,366 |
| Unrestricted | 8,386,181 | 9,292,048 | 6,545,657 | 6,839,895 | 21,671,005 | 20,530,870 | 17,813,098 | 18,269,177 | 16,550,240 | 15,199,232 |
| Total governmental activities net position | <u>\$ 51,650,167</u> | <u>\$ 54,705,877</u> | <u>\$ 50,536,446</u> | <u>\$ 39,691,653</u> | <u>\$ 54,047,316</u> | <u>\$ 51,725,387</u> | <u>\$ 49,319,325</u> | <u>\$ 48,282,622</u> | <u>\$ 40,984,257</u> | <u>\$ 40,466,724</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 57,260,176 | \$ 55,688,479 | \$ 54,599,310 | \$ 53,499,079 | \$ 51,946,042 | \$ 51,646,845 | \$ 51,212,802 | \$ 49,958,761 | \$ 50,278,514 | \$ 48,929,485 |
| Unrestricted | 13,252,492 | 13,842,399 | 12,535,217 | 12,545,752 | 15,594,582 | 15,253,532 | 16,101,004 | 17,720,858 | 15,786,830 | 16,283,224 |
| Total business-type activities net position | <u>\$ 70,512,668</u> | <u>\$ 69,530,878</u> | <u>\$ 67,134,527</u> | <u>\$ 66,044,831</u> | <u>\$ 67,540,624</u> | <u>\$ 66,900,377</u> | <u>\$ 67,313,806</u> | <u>\$ 67,679,619</u> | <u>\$ 66,065,344</u> | <u>\$ 65,212,709</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 100,492,897 | \$ 101,060,839 | \$ 98,562,633 | \$ 86,233,191 | \$ 82,721,145 | \$ 82,721,145 | \$ 79,868,567 | \$ 74,685,046 | \$ 74,164,611 | \$ 71,508,211 |
| Restricted | 31,265 | 41,469 | 27,466 | 117,646 | 120,217 | 120,217 | 103,639 | 27,485 | 32,366 | 64,201 |
| Unrestricted | 21,638,673 | 23,134,447 | 19,080,874 | 19,385,647 | 35,784,402 | 35,784,402 | 35,990,035 | 32,337,070 | 31,482,456 | 28,932,479 |
| Total primary net position | <u>\$ 122,162,835</u> | <u>\$ 124,236,755</u> | <u>\$ 117,670,973</u> | <u>\$ 105,736,484</u> | <u>\$ 118,625,764</u> | <u>\$ 118,625,764</u> | <u>\$ 115,962,241</u> | <u>\$ 107,049,601</u> | <u>\$ 105,679,433</u> | <u>\$ 100,504,891</u> |

CITY OF STAUNTON, VIRGINIA

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 8,613,523 | \$ 8,881,755 | \$ 9,063,531 | \$ 6,639,656 | \$ 4,744,935 | \$ 4,524,704 | \$ 4,372,745 | \$ 4,269,567 | \$ 4,240,405 | \$ 4,353,053 |
| Judicial administration | 1,844,938 | 1,882,696 | 1,774,669 | 1,753,470 | 1,750,740 | 1,703,187 | 1,734,157 | 1,612,892 | 1,624,017 | 1,756,105 |
| Public safety | 11,829,002 | 11,718,559 | 10,622,194 | 10,864,551 | 11,088,236 | 10,869,981 | 10,137,714 | 9,808,670 | 9,402,422 | 9,248,940 |
| Public works | 6,647,903 | 7,688,195 | 7,195,893 | 6,975,749 | 6,645,051 | 7,053,141 | 6,262,440 | 5,666,355 | 5,718,532 | 6,302,122 |
| Health and welfare | 7,051,987 | 6,236,892 | 5,975,631 | 6,438,253 | 6,075,695 | 5,642,143 | 5,587,112 | 5,532,072 | 5,018,405 | 4,987,275 |
| Education | 16,566,371 | 12,895,304 | 12,792,065 | 12,245,921 | 12,136,856 | 11,597,335 | 11,199,889 | 10,814,412 | 12,096,550 | 12,219,779 |
| Parks, recreation and culture | 3,420,386 | 3,488,880 | 3,354,852 | 3,368,301 | 3,115,119 | 3,091,574 | 2,905,849 | 2,860,422 | 2,935,093 | 3,242,457 |
| Community development | 1,541,098 | 2,243,574 | 1,621,715 | 1,682,092 | 1,672,001 | 1,508,661 | 2,067,996 | 1,720,234 | 3,040,240 | 1,664,278 |
| Interest on long-term debt | 1,017,723 | 1,111,334 | 1,207,248 | 1,290,984 | 1,360,734 | 1,333,627 | 1,198,129 | 1,332,691 | 1,361,328 | 1,441,577 |
| Total governmental activities expenses | <u>58,532,931</u> | <u>56,147,189</u> | <u>53,607,798</u> | <u>51,258,977</u> | <u>48,589,367</u> | <u>47,324,353</u> | <u>45,466,031</u> | <u>43,617,315</u> | <u>45,436,992</u> | <u>45,215,586</u> |
| Business-Type Activities: | | | | | | | | | | |
| Golf | 3,886,966 | 3,425,966 | 3,611,452 | 3,421,897 | 3,610,302 | 167,950 | 191,022 | 179,702 | 158,480 | 162,124 |
| Water | 3,917,693 | 3,534,495 | 3,556,814 | 3,629,070 | 3,532,854 | 3,595,525 | 3,557,493 | 3,446,557 | 3,139,885 | 3,392,655 |
| Sewer | 966,907 | 806,458 | 785,238 | 724,382 | 749,025 | 3,908,777 | 3,984,420 | 3,358,564 | 2,688,221 | 2,913,749 |
| Stormwater | 2,790,626 | 2,456,118 | 2,207,342 | 2,210,477 | 2,362,161 | 781,975 | 710,250 | 742,232 | 564,181 | 486,581 |
| Environmental | 146,068 | 152,966 | 151,865 | 155,309 | 158,691 | 2,431,257 | 2,594,453 | 1,777,831 | 2,773,641 | 2,615,547 |
| Parking | 506,123 | 460,136 | 414,275 | 430,555 | 411,135 | 421,934 | 468,930 | 423,434 | 455,855 | 466,889 |
| Total business-type activities expenses | <u>12,214,383</u> | <u>10,836,139</u> | <u>10,726,986</u> | <u>10,571,690</u> | <u>10,824,168</u> | <u>11,307,418</u> | <u>11,506,568</u> | <u>9,928,320</u> | <u>9,780,263</u> | <u>10,037,545</u> |
| Total primary government expenses | <u>\$ 70,747,314</u> | <u>\$ 66,983,328</u> | <u>\$ 64,334,784</u> | <u>\$ 61,830,667</u> | <u>\$ 59,413,535</u> | <u>\$ 58,631,771</u> | <u>\$ 56,972,599</u> | <u>\$ 53,545,635</u> | <u>\$ 55,217,255</u> | <u>\$ 55,253,131</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Governmental-PILOT from enterprise funds | \$ 1,246,761 | \$ 1,220,130 | \$ 1,034,202 | \$ 980,711 | \$ 1,035,568 | \$ 1,083,122 | \$ 1,056,120 | \$ 1,127,162 | \$ 817,375 | \$ 909,072 |
| Public safety | 425,342 | 433,289 | 558,495 | 391,728 | 317,028 | 291,172 | 309,363 | 226,605 | 294,628 | 312,814 |
| Parks and recreation | 421,828 | 395,378 | 371,053 | 329,414 | 315,569 | 336,266 | 354,003 | 314,065 | 330,649 | 352,207 |
| Other activities | 4,649,306 | 4,856,611 | 4,753,222 | 3,115,420 | 562,709 | 480,508 | 512,293 | 445,442 | 318,251 | 394,589 |
| Operating grants and contributions | 11,748,393 | 11,227,647 | 16,839,852 | 11,676,827 | 10,694,950 | 9,759,857 | 10,003,989 | 10,018,844 | 9,379,027 | 9,472,611 |
| Capital grants and contributions | 1,356,628 | 2,215,355 | 1,105,977 | 546,586 | 683,527 | 471,852 | 274,810 | 4,684,814 | 217,303 | 379,550 |
| Total governmental activities program revenues | <u>19,848,258</u> | <u>20,348,410</u> | <u>24,662,801</u> | <u>17,040,686</u> | <u>13,609,351</u> | <u>12,422,777</u> | <u>12,510,578</u> | <u>16,816,932</u> | <u>11,357,233</u> | <u>11,820,843</u> |

(Continued)

CITY OF STAUNTON, VIRGINIA

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Program Revenues: (cont'd) | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Golf | \$ 90,398 | \$ - | \$ 118,900 | \$ 120,931 | \$ 137,413 | \$ 147,255 | \$ 147,371 | \$ 147,200 | \$ 174,954 | \$ 176,720 |
| Water | 4,285,464 | - | 3,744,712 | 3,590,380 | 3,598,658 | 3,610,812 | 4,036,110 | 3,235,783 | 3,305,946 | 3,552,940 |
| Sewer | 3,976,558 | - | 3,946,570 | 3,908,059 | 3,908,330 | 3,544,433 | 3,423,605 | 3,239,743 | 3,274,390 | 2,910,547 |
| Stormwater | 767,497 | - | 760,611 | 788,237 | 715,878 | 689,179 | 709,206 | 464,462 | 325,967 | - |
| Environmental | 2,660,459 | 6,092 | 2,397,526 | 2,312,748 | 1,953,912 | 2,064,570 | 1,740,587 | 1,705,239 | 1,722,333 | 2,198,807 |
| Parking | 444,622 | - | 407,383 | 396,382 | 302,234 | 315,158 | 241,846 | 240,989 | 260,062 | 264,351 |
| Operating grants and contributions | 6,092 | 785,443 | 14,389 | 65,031 | 13,374 | 5,044 | 13,341 | 2,876 | 3,947 | 10,950 |
| Capital grants and contributions | 785,443 | - | 139,445 | 686,595 | - | 65,871 | 925,347 | 1,269,948 | 3,815,810 | 4,347,999 |
| Total business-type activities program revenues | <u>13,016,533</u> | <u>791,535</u> | <u>11,529,536</u> | <u>11,868,363</u> | <u>10,629,799</u> | <u>10,442,322</u> | <u>11,237,413</u> | <u>10,306,240</u> | <u>12,883,409</u> | <u>13,462,314</u> |
| Total primary government program revenues | <u>\$ 32,864,791</u> | <u>\$ 21,139,945</u> | <u>\$ 36,192,337</u> | <u>\$ 28,909,049</u> | <u>\$ 24,239,150</u> | <u>\$ 22,865,099</u> | <u>\$ 23,747,991</u> | <u>\$ 27,123,172</u> | <u>\$ 24,240,642</u> | <u>\$ 25,283,157</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (38,684,673) | \$ (35,798,779) | \$ (28,944,997) | \$ (34,218,291) | \$ (34,980,016) | \$ (34,901,576) | \$ (32,955,453) | \$ (26,800,383) | \$ (34,079,759) | \$ (33,394,743) |
| Business-type activities | 802,150 | 1,318,823 | 802,550 | 1,296,673 | (194,369) | (865,096) | (269,155) | 377,920 | 3,103,146 | 3,424,769 |
| Total primary government net expense | <u>\$ (37,882,523)</u> | <u>\$ (34,479,956)</u> | <u>\$ (28,142,447)</u> | <u>\$ (32,921,618)</u> | <u>\$ (35,174,385)</u> | <u>\$ (35,766,672)</u> | <u>\$ (33,224,608)</u> | <u>\$ (26,422,463)</u> | <u>\$ (30,976,613)</u> | <u>\$ (29,969,974)</u> |
| General Revenues and Other | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 25,335,057 | \$ 24,281,660 | \$ 23,798,051 | \$ 22,339,862 | \$ 22,333,005 | \$ 20,076,871 | \$ 20,296,688 | \$ 20,311,531 | \$ 20,499,305 | \$ 19,304,861 |
| Sales tax | 4,123,862 | 4,039,658 | 4,079,919 | 3,988,839 | 3,729,201 | 3,588,738 | 3,381,018 | 3,495,905 | 3,554,096 | 3,862,575 |
| Hotel and meals tax | 4,796,184 | 4,032,180 | 3,651,814 | 3,546,923 | 3,141,504 | 2,988,497 | 2,794,600 | 2,698,937 | 2,681,277 | 2,840,345 |
| Business license | 2,216,754 | 2,111,282 | 2,092,035 | 2,147,291 | 2,197,306 | 2,113,160 | 1,925,106 | 1,828,598 | 1,872,462 | 1,921,537 |
| Utility tax | 1,164,277 | 1,144,504 | 1,125,214 | 1,125,737 | 1,123,536 | 1,102,556 | 1,120,868 | 1,103,514 | 1,108,625 | 1,116,030 |
| Local communication tax | 1,278,401 | 1,319,656 | 1,352,910 | 1,394,184 | 1,430,821 | 1,427,036 | 1,456,638 | 1,463,883 | 1,457,808 | 1,604,473 |
| Other taxes | 1,135,829 | 1,026,652 | 1,023,050 | 1,000,048 | 728,998 | 763,722 | 741,910 | 1,110,569 | 1,244,487 | 1,302,851 |
| Unrestricted investment earnings | 155,183 | 133,649 | 68,532 | 11,241 | 11,370 | 18,196 | 26,298 | 32,403 | 115,142 | 343,008 |
| Grants and contributions not restricted to a specific program | 2,881,272 | 2,862,470 | 2,805,667 | 2,805,165 | 2,827,514 | 2,526,975 | 2,527,349 | 2,756,972 | 2,740,644 | 3,066,910 |
| Miscellaneous | 18,684 | 57,572 | 29,086 | 25,089 | 8,783 | 27,765 | 52,673 | 19,380 | 31,975 | 11,153 |
| Gain (loss) on sale of assets | - | - | - | - | - | - | - | - | 25,105 | - |
| Transfers | (1,066,603) | (1,041,073) | (236,488) | 12,752 | (224,400) | (641,360) | (224,400) | (224,400) | (4,454,401) | 229,502 |
| Total governmental activities | <u>42,038,900</u> | <u>39,968,210</u> | <u>39,789,790</u> | <u>38,397,131</u> | <u>37,307,638</u> | <u>33,992,156</u> | <u>34,098,748</u> | <u>34,597,292</u> | <u>30,876,525</u> | <u>35,603,245</u> |

(Continued)

CITY OF STAUNTON, VIRGINIA

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | \$ 92,181 | \$ 36,455 | \$ 50,658 | \$ 29,192 | \$ 39,790 | \$ 57,073 | \$ 80,782 | \$ 102,258 | \$ 392,495 | \$ 668,398 |
| Transfers | 1,066,603 | 1,041,073 | 236,488 | (12,752) | 224,400 | 641,360 | 224,400 | 224,400 | 4,454,401 | (229,502) |
| Total business-type activities | <u>1,158,784</u> | <u>1,077,528</u> | <u>287,146</u> | <u>16,440</u> | <u>264,190</u> | <u>698,433</u> | <u>305,182</u> | <u>326,658</u> | <u>4,846,896</u> | <u>438,896</u> |
| Total primary government | <u>\$ 43,197,684</u> | <u>\$ 41,045,738</u> | <u>\$ 40,076,936</u> | <u>\$ 38,413,571</u> | <u>\$ 37,571,828</u> | <u>\$ 34,690,589</u> | <u>\$ 34,403,930</u> | <u>\$ 34,923,950</u> | <u>\$ 35,723,421</u> | <u>\$ 36,042,141</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 3,354,227 | \$ 4,169,431 | \$ 10,844,793 | \$ 4,178,840 | \$ 2,327,622 | \$ (909,420) | \$ 1,143,295 | \$ 7,796,909 | \$ (3,203,234) | \$ 2,208,502 |
| Business-type activities | <u>1,960,934</u> | <u>2,396,351</u> | <u>1,089,696</u> | <u>1,313,113</u> | <u>69,821</u> | <u>(166,663)</u> | <u>36,027</u> | <u>704,578</u> | <u>7,950,042</u> | <u>3,863,665</u> |
| Total primary government | <u>\$ 5,315,161</u> | <u>\$ 6,565,782</u> | <u>\$ 11,934,489</u> | <u>\$ 5,491,953</u> | <u>\$ 2,397,443</u> | <u>\$ (1,076,083)</u> | <u>\$ 1,179,322</u> | <u>\$ 8,501,487</u> | <u>\$ 4,746,808</u> | <u>\$ 6,072,167</u> |

Table 3

CITY OF STAUNTON, VIRGINIA

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 198,490 | \$ 475,098 | \$ 103,252 | \$ 78,126 | \$ 95,561 | \$ 58,666 | \$ 61,789 | \$ 125,118 | \$ 59,636 | \$ 35,742 |
| Restricted | 15,219 | 25,401 | 15,825 | 117,646 | 122,452 | 120,217 | 149,868 | 88,639 | 13,985 | 18,866 |
| Committed | 8,489,250 | 8,137,500 | 7,295,960 | 6,607,250 | 5,777,532 | 5,178,250 | 4,540,000 | 4,738,109 | 3,968,993 | 3,788,452 |
| Assigned | 2,221,017 | 2,516,915 | 2,790,139 | 2,762,575 | 2,152,899 | 2,089,799 | 1,857,022 | 1,878,480 | 1,647,680 | 1,517,667 |
| Unassigned | 4,605,965 | 2,632,596 | 2,106,836 | 2,364,510 | 3,386,768 | 3,472,715 | 2,647,250 | 2,496,844 | 3,309,359 | 2,752,859 |
| Total General Fund | <u>\$ 15,529,941</u> | <u>\$ 13,787,510</u> | <u>\$ 12,312,012</u> | <u>\$ 11,930,107</u> | <u>\$ 11,535,212</u> | <u>\$ 10,919,647</u> | <u>\$ 9,255,929</u> | <u>\$ 9,327,190</u> | <u>\$ 8,999,653</u> | <u>\$ 8,113,586</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ 3,617 | \$ 49,571 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 16,046 | 16,068 | 11,641 | 3,490 | - | - | 35,000 | 15,000 | 13,500 | - |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | 10,557,717 | 10,109,522 | 9,415,644 | 10,561,433 | 9,453,593 | 9,910,873 | 9,414,308 | 9,689,435 | 8,505,743 | 7,101,881 |
| Unassigned | - | - | - | - | - | (5,308) | - | - | - | (101,509) |
| Total all other governmental funds | <u>\$ 10,577,380</u> | <u>\$ 10,175,161</u> | <u>\$ 9,427,285</u> | <u>\$ 10,564,923</u> | <u>\$ 9,453,593</u> | <u>\$ 9,905,565</u> | <u>\$ 9,449,308</u> | <u>\$ 9,704,435</u> | <u>\$ 8,519,243</u> | <u>\$ 7,000,372</u> |

Notes:

Includes only the primary government

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| REVENUES | | | | | | | | | | |
| General property taxes | \$ 25,439,640 | \$ 24,368,117 | \$ 23,036,507 | \$ 22,789,212 | \$ 22,544,761 | \$ 21,767,074 | \$ 20,073,697 | \$ 20,069,387 | \$ 20,253,506 | \$ 19,989,078 |
| Sales and use tax | 4,123,862 | 4,039,658 | 4,079,919 | 3,988,839 | 3,760,505 | 3,729,202 | 3,588,738 | 3,381,018 | 3,495,905 | 3,554,096 |
| Hotel and meals tax | 4,118,267 | 3,391,337 | 3,203,638 | 3,099,130 | 2,868,910 | 2,732,598 | 2,599,776 | 2,406,577 | 2,344,698 | 2,304,448 |
| Utility taxes | 1,164,277 | 1,144,504 | 1,125,214 | 1,125,737 | 1,406,473 | 1,123,537 | 1,102,556 | 1,120,868 | 1,103,514 | 1,108,625 |
| Business license tax | 2,216,754 | 2,111,282 | 2,092,035 | 2,147,291 | 2,092,817 | 2,197,306 | 2,113,198 | 1,925,106 | 1,828,598 | 1,872,462 |
| Local communication tax | 1,278,401 | 1,319,656 | 1,352,910 | 1,394,184 | 1,127,910 | 1,430,821 | 1,427,036 | 1,456,638 | 1,463,883 | 1,457,808 |
| Other local taxes | 1,813,746 | 1,667,495 | 1,471,226 | 1,447,840 | 1,178,087 | 1,137,304 | 1,151,406 | 1,129,732 | 1,463,007 | 1,621,317 |
| Permits, privilege fees, and regulatory licenses | 287,878 | 204,627 | 340,019 | 194,875 | 157,536 | 192,509 | 211,744 | 176,104 | 240,985 | 257,003 |
| Fines and forfeitures | 134,887 | 94,155 | 97,667 | 96,231 | 102,876 | 61,682 | 71,616 | 59,336 | 70,171 | 74,901 |
| Charges for services | 1,946,372 | 1,954,079 | 1,728,423 | 1,608,212 | 1,622,035 | 1,606,586 | 1,620,194 | 1,603,565 | 1,294,706 | 1,418,765 |
| Intergovernmental | 14,605,541 | 15,077,113 | 14,217,692 | 13,964,649 | 14,003,453 | 12,562,122 | 12,579,801 | 12,879,542 | 11,938,753 | 11,780,626 |
| Investment earnings | 152,529 | 124,450 | 74,703 | 11,826 | 9,238 | 14,607 | 28,659 | 510,633 | 34,041 | 121,033 |
| Other revenues | 2,066,758 | 3,264,835 | 1,191,662 | 1,189,448 | 693,820 | 665,595 | 681,836 | 61,329 | 580,000 | 637,355 |
| Total revenues | 59,348,912 | 58,761,308 | 54,011,615 | 53,057,474 | 51,568,421 | 49,220,943 | 47,250,257 | 46,779,835 | 46,111,767 | 46,197,517 |
| EXPENDITURES | | | | | | | | | | |
| General government administration | 5,491,832 | 5,323,924 | 5,256,366 | 4,995,152 | 4,612,315 | 4,200,956 | 4,074,848 | 4,052,531 | 4,094,106 | 3,870,367 |
| Judicial administration | 1,986,549 | 1,887,175 | 1,908,434 | 1,819,367 | 1,741,001 | 1,717,714 | 1,720,680 | 1,594,913 | 1,638,486 | 1,734,845 |
| Public safety | 11,988,429 | 11,840,326 | 10,983,509 | 10,995,906 | 10,921,912 | 10,692,670 | 9,151,531 | 9,750,857 | 9,319,610 | 9,434,294 |
| Public works | 6,783,337 | 6,545,773 | 6,406,425 | 6,048,808 | 5,467,440 | 5,532,890 | 5,126,188 | 5,048,667 | 4,749,252 | 5,272,649 |
| Health and welfare | 6,973,721 | 6,217,517 | 5,953,836 | 6,418,179 | 6,063,427 | 5,636,446 | 5,582,630 | 5,527,635 | 5,012,585 | 4,982,095 |
| Education | 12,799,048 | 12,570,848 | 12,188,148 | 11,896,270 | 11,780,170 | 11,004,427 | 10,715,366 | 10,602,061 | 9,948,427 | 11,506,943 |
| Parks, recreation and cultural | 3,462,734 | 3,386,445 | 3,495,384 | 3,235,318 | 3,107,917 | 2,964,000 | 2,860,619 | 2,793,380 | 2,789,783 | 3,101,115 |
| Community development | 1,601,234 | 1,954,345 | 1,639,414 | 1,723,742 | 1,778,665 | 1,510,259 | 2,263,642 | 1,724,699 | 1,987,336 | 1,649,671 |
| Capital outlay | 2,050,884 | 1,798,102 | 2,969,485 | 339,235 | 1,868,965 | 533,126 | 2,900,387 | 625,192 | 219,482 | - |
| Debt service: | | | | | | | | | | |
| Principal retirement | 2,877,922 | 2,827,195 | 2,546,046 | 2,500,449 | 2,466,353 | 1,783,845 | 1,785,018 | 2,042,417 | 2,281,258 | 16,727,747 |
| Interest and fiscal charges | 1,024,272 | 1,117,284 | 1,205,009 | 1,289,295 | 1,372,263 | 1,203,682 | 1,220,736 | 1,298,202 | 1,355,642 | 1,166,623 |
| Bond issue costs | - | - | - | - | - | 96,553 | - | - | 106,621 | 9,675 |
| Total expenditures | 57,039,962 | 55,468,934 | 54,552,056 | 51,261,721 | 51,180,428 | 46,876,568 | 47,401,645 | 45,060,554 | 43,502,588 | 59,456,024 |
| Excess (deficiency) of revenues over (under) expenditures | 2,308,950 | 3,292,374 | (540,441) | 1,795,753 | 387,993 | 2,344,375 | (151,388) | 1,719,281 | 2,609,179 | (13,258,507) |

(Continued)

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|----------------------|------------------------|
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Bonds issued | - | - | - | - | 15,000,000 | - | - | - | 15,000,000 | - |
| Sale of building and equipment | - | - | - | - | - | - | 17,848 | 20,159 | 25,105 | - |
| Payment to refunding bond escrow agent* | - | - | - | - | (15,000,000) | - | - | - | - | - |
| Transfers in | 5,065,250 | 6,491,550 | 5,391,619 | 5,992,012 | 8,933,104 | 9,296,443 | 5,945,984 | 4,077,358 | 3,117,242 | 1,418,913 |
| Transfers out | <u>(5,229,550)</u> | <u>(7,560,550)</u> | <u>(5,606,911)</u> | <u>(6,281,540)</u> | <u>(9,157,504)</u> | <u>(9,471,443)</u> | <u>(6,170,384)</u> | <u>(4,301,758)</u> | <u>(3,296,682)</u> | <u>(1,677,993)</u> |
| Total other financing sources (uses) | <u>(164,300)</u> | <u>(1,069,000)</u> | <u>(215,292)</u> | <u>(289,528)</u> | <u>(224,400)</u> | <u>(175,000)</u> | <u>(206,552)</u> | <u>(204,241)</u> | <u>14,845,665</u> | <u>(259,080)</u> |
| Net change in fund balance | <u>\$ 2,144,650</u> | <u>\$ 2,223,374</u> | <u>\$ (755,733)</u> | <u>\$ 1,506,225</u> | <u>\$ 163,593</u> | <u>\$ 2,169,375</u> | <u>\$ (357,940)</u> | <u>\$ 1,515,040</u> | <u>\$ 17,454,844</u> | <u>\$ (13,517,587)</u> |
| Debt service as a percentage of noncapital expenditures | 7.22% | 7.40% | 7.40% | 7.57% | 7.92% | 6.47% | 6.71% | 7.73% | 8.57% | 6.65% |

Notes:

Includes only the primary government

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

CITY OF STAUNTON, VIRGINIA

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

| Calendar Year | Residential | Commercial | Industrial | Total Taxable and Actual Assessed Value | Total Direct Tax Rate |
|---------------|------------------|----------------|---------------|---|--------------------------|
| 2018 | \$ 1,492,968,667 | \$ 319,767,739 | \$ 64,834,593 | \$ 1,877,570,999 | \$ 0.97 |
| 2017 | 1,480,970,446 | 317,552,066 | 64,858,693 | 1,863,381,205 | 0.97 |
| 2016 | 1,441,318,317 | 309,192,006 | 55,452,633 | 1,805,962,956 | 0.95 |
| 2015 | 1,431,614,975 | 309,735,756 | 52,469,958 | 1,793,820,689 | 0.95 |
| 2014 | 1,423,202,760 | 311,476,860 | 53,212,038 | 1,787,891,658 | 0.95 |
| 2013 | 1,417,105,412 | 311,919,138 | 53,212,038 | 1,782,236,588 | 0.90 |
| 2012 | 1,465,244,126 | 313,111,572 | 52,355,253 | 1,830,710,951 | 0.90 |
| 2011 | 1,456,303,391 | 315,889,749 | 48,128,961 | 1,960,478,554 | 0.90 |
| 2010 | 1,584,972,579 | 322,101,977 | 53,403,998 | 1,944,786,867 | 0.90 |
| 2009 | 1,570,574,212 | 321,077,444 | 53,135,211 | 1,823,613,850 | 0.90 |

Sources:

City of Staunton Assessor's Office.

Notes:

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

TABLE 6

CITY OF STAUNTON, VIRGINIA

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

| Taxpayer Name | 2018 | | | 2009 | | |
|--------------------------------|-----------------------|------|--|-----------------------|------|--|
| | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value |
| One Industry Way Co-Owners | \$ 14,014,000 | 1 | 0.75% | \$ 14,901,600 | 1 | 0.77% |
| Wal-Mart Real Estate Business | 11,638,200 | 2 | 0.62% | 12,236,540 | 2 | 0.63% |
| Gypsy Hill Place LLC | 11,629,500 | 3 | 0.62% | | | |
| ETCL Staunton LLC | 10,996,050 | 4 | 0.59% | | | |
| Staunton Station LLC | 9,788,180 | 5 | 0.52% | | | |
| Big Sky LLC | 9,628,200 | 6 | 0.51% | 10,132,690 | 4 | 0.52% |
| Statler Station LLC | 9,524,400 | 7 | 0.51% | 9,893,390 | 6 | 0.51% |
| LSK Properties LLC | 9,375,370 | 8 | 0.50% | | | |
| Big Sky II LLC | 8,983,170 | 9 | 0.48% | | | |
| BH Brightview Baldwin Park LLC | 8,977,130 | 10 | 0.48% | | | |
| Staunton Plaza LLC | - | | - | 10,439,320 | 3 | 0.54% |
| Baldwin Park LLC | - | | - | 10,121,260 | 5 | 0.52% |
| Staunton Hotel LLC | - | | - | 8,649,740 | 9 | 0.44% |
| FAP Properties | - | | - | 9,598,330 | 7 | 0.49% |
| KM Staunton Development LLC | - | | - | 8,920,660 | 8 | 0.46% |
| Land'Or Williamsburg LLC | - | | - | 8,644,600 | 10 | 0.44% |
| Totals | <u>\$ 104,554,200</u> | | <u>5.57%</u> | <u>\$ 103,538,130</u> | | <u>5.32%</u> |

Source: City Assessor

Notes:

Real Estate Only

CITY OF STAUNTON, VIRGINIA

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

| Calendar Year | Taxes Levied for the Calendar Year | Collected within the Calendar Year of the Levy | | Collections in Subsequent Calendar Years | Total Collections To Date | |
|---------------|------------------------------------|--|--------------------|--|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2018 | (1) \$ 18,239,912 | (2) \$ - | 0.00% | \$ - | \$ - | 0.00% |
| 2017 | 18,025,255 | 17,170,918 | 95.26% | - | 17,170,918 | 95.26% |
| 2016 | 17,097,175 | 16,281,518 | 95.23% | 278,649 | 16,560,167 | 96.86% |
| 2015 | 16,968,376 | 16,082,688 | 94.78% | 416,273 | 16,498,940 | 97.23% |
| 2014 | 16,887,817 | 15,988,802 | 94.68% | 499,723 | 16,488,525 | 97.64% |
| 2013 | 16,782,813 | 15,819,093 | 94.26% | 618,871 | 16,437,965 | 97.95% |
| 2012 | 16,261,738 | 15,280,479 | 93.97% | 683,418 | 15,963,897 | 98.17% |
| 2011 | 16,140,585 | 15,094,471 | 93.52% | 775,907 | 15,870,378 | 98.33% |
| 2010 | 17,426,047 | 16,310,945 | 93.60% | 877,618 | 17,188,563 | 98.64% |
| 2009 | 17,310,637 | 16,259,263 | 93.93% | 833,180 | 17,092,443 | 98.74% |
| 2008 | 16,247,090 | 15,434,142 | 95.00% | 619,758 | 16,053,900 | 98.81% |

Sources: City of Staunton Assessor and Finance Department

Includes real estate and downtown service district taxes

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

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

CITY OF STAUNTON, VIRGINIA

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

| Fiscal Year | Governmental Activities | | | | Business - type Activities | | Total Primary Government | Percentage of Personal Income (a) | Per Capita (a) |
|----------------|--------------------------------|----------------------------|-------------------|-------------------|--------------------------------|--------------|--------------------------------|---|-------------------|
| | General Obligation Bonds | Contractual Obligations | Literary Loans | Capital Leases | General Obligation Bonds | VRA Loans | | | |
| 2018 | \$ 21,161,511 | \$ - | \$ 9,050,000 | \$ - | \$ 540,047 | \$18,441,805 | \$ 49,193,363 | 10.52% | \$ 2,030 |
| 2017 | 23,080,231 | - | 10,000,000 | - | 772,426 | 17,897,090 | 51,749,747 | 9.29% | 2,124 |
| 2016 | 24,947,870 | - | 10,950,000 | - | 996,003 | 19,570,861 | 56,464,734 | 8.25% | 2,293 |
| 2015 | 26,534,048 | - | 11,900,000 | - | 1,211,072 | 21,433,518 | 61,078,638 | 7.37% | 2,489 |
| 2014 | 28,074,301 | - | 12,850,000 | - | 1,723,328 | 23,469,544 | 66,117,173 | 6.63% | 2,692 |
| 2013 | 29,596,293 | - | 13,800,000 | - | 2,217,443 | 25,427,880 | 71,041,616 | 5.80% | 2,944 |
| 2012 | 15,435,709 | 15,000,000 | 14,750,000 | - | 2,693,605 | 27,324,698 | 75,204,012 | 5.33% | 3,096 |
| 2011 | 16,976,230 | 15,000,000 | 15,000,000 | - | 3,153,233 | 29,167,307 | 79,296,770 | 5.03% | 3,266 |
| 2010 | 17,372,086 | 15,000,000 | 16,650,000 | - | 3,672,289 | 29,805,721 | 82,500,096 | 4.78% | 3,440 |
| 2009 | 18,699,651 | - | 17,600,000 | 11,068 | 4,523,372 | 19,869,137 | 60,703,228 | 6.46% | 2,528 |

Notes:

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

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

TABLE 9

CITY OF STAUNTON, VIRGINIA

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

| Fiscal Year | General Bonded Debt Outstanding | | | | Percentage of Actual Taxable Value of Property (a) | Per Capita (b) |
|----------------|---------------------------------|-------------------|---------------|-----------------------|--|-------------------|
| | General Obligation Bonds | Literary Loans | VRA Loans | Net Bonded Debt | | |
| 2018 | \$ 21,701,558 | \$ 9,050,000 | \$ 18,441,805 | \$ 49,193,363 | 2.62% | \$ 2,030 |
| 2017 | 23,852,657 | 10,000,000 | 17,897,090 | 51,749,747 | 2.78% | 2,124 |
| 2016 | 25,943,873 | 10,950,000 | 19,570,861 | 56,464,734 | 3.10% | 2,293 |
| 2015 | 27,745,120 | 11,900,000 | 21,433,518 | 61,078,638 | 3.40% | 2,489 |
| 2014 | 29,797,629 | 12,850,000 | 23,469,544 | 66,117,173 | 3.67% | 2,692 |
| 2013 | 31,813,736 | 13,800,000 | 25,427,880 | 71,041,616 | 3.95% | 2,944 |
| 2012 | 18,129,314 | 14,750,000 | 27,324,698 | 60,204,012 | 3.25% | 2,473 |
| 2011 | 20,129,463 | 15,000,000 | 29,167,307 | 64,296,770 | 3.49% | 2,666 |
| 2010 | 21,044,375 | 16,650,000 | 29,805,721 | 67,500,096 | 4.17% | 2,808 |
| 2009 | 23,223,023 | 17,600,000 | 19,869,137 | 60,692,160 | 3.11% | 2,528 |

Notes:

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

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

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

TABLE 10

CITY OF STAUNTON, VIRGINIA

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt Limit | \$ 187,757,100 | \$ 186,338,121 | \$ 180,596,296 | \$ 179,382,069 | \$ 178,789,166 | \$ 178,223,659 | \$ 183,071,095 | \$ 182,032,210 | \$ 196,047,855 | \$ 194,478,687 |
| Total net debt applicable to limit | <u>49,193,363</u> | <u>51,749,747</u> | <u>55,997,284</u> | <u>61,078,638</u> | <u>66,117,173</u> | <u>71,041,616</u> | <u>60,204,012</u> | <u>64,296,770</u> | <u>67,500,096</u> | <u>60,692,160</u> |
| Legal debt margin | <u>\$ 138,563,737</u> | <u>\$ 134,588,374</u> | <u>\$ 124,599,012</u> | <u>\$ 118,303,431</u> | <u>\$ 112,671,993</u> | <u>\$ 107,182,043</u> | <u>\$ 122,867,083</u> | <u>\$ 117,735,440</u> | <u>\$ 128,547,759</u> | <u>\$ 133,786,527</u> |
| Legal debt margin as a percentage of the debt limit | 73.80% | 72.23% | 68.99% | 65.95% | 63.02% | 60.14% | 67.11% | 64.68% | 65.57% | 68.79% |

CITY OF STAUNTON, VIRGINIA

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

| Fiscal Year | Population (1) | Personal Income (2) | Per Capita Personal Income (2) | Median age (1) | School enrollment (3) | Unemployment rate (4) |
|----------------|----------------|------------------------|---|-------------------|--------------------------|--------------------------|
| 2018 | 24,234 | \$ 5,177,207 | \$ 42,436 | 44.2 | 2,563 | 3.2% |
| 2017 | 24,363 | 4,808,881 | 40,000 | 44.0 | 2,534 | 3.8% |
| 2016 | 24,416 | 4,620,405 | 38,579 | 43.4 | 2,535 | 3.9% |
| 2015 | 24,538 | 4,501,809 | 37,664 | 42.3 | 2,590 | 5.1% |
| 2014 | 24,350 | 4,343,540 | 36,597 | 42.3 | 2,535 | 5.6% |
| 2013 | 23,921 | 4,085,833 | 34,442 | 42.9 | 2,522 | 6.3% |
| 2012 | 24,067 | 3,969,481 | 33,502 | 42.9 | 2,605 | 6.3% |
| 2011 | 23,834 | 3,912,376 | 33,114 | 42.1 | 2,528 | 6.7% |
| 2010 | 23,746 | 3,903,337 | 33,161 | 41.8 | 2,572 | 7.7% |
| 2009 | 23,899 | 3,903,337 | 33,161 | 41.8 | 2,578 | 7.5% |

Sources:

- (1) U. S. Census
- (2) Bureau of Economic Analysis - Regional Data for the County of Augusta and the Cities of Staunton and Waynesboro. The most recent data is for 2017.
- (3) Staunton City School Board
- (4) US Department of Labor-Bureau of Labor Statistics

CITY OF STAUNTON, VIRGINIA

Demographic and Economic Information
Principal Employers
Current Year
UNAUDITED

| Employer | 2018 | | | 2009 | | |
|--|------------------|------|-------------------------------------|------------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Western State Hospital | 500-999 | 1 | 6.31% | 500-999 | 1 | 4.68% |
| Staunton City School Board | 250-499 | 2 | 3.16% | 500-999 | 2 | 4.68% |
| City of Staunton | 250-499 | 3 | 3.16% | 250-499 | 6 | 3.19% |
| Mart Baldwin College | 250-499 | 4 | 3.16% | 250-499 | 3 | 3.19% |
| Walmart | 250-499 | 5 | 3.16% | 250-499 | 5 | 3.19% |
| Federated Auto Parts | 250-499 | 6 | 3.16% | 100-249 | 9 | |
| Brightview Senior Living LLC | 100-249 | 7 | 1.47% | | | |
| VDOT | 100-249 | 8 | 1.47% | 250-499 | 4 | 3.19% |
| Cadence Inc | 100-249 | 9 | 1.47% | | | |
| Virginia School for the Deaf and Blind | 100-249 | 10 | 1.47% | 100-249 | 8 | 0.64% |
| Alphastaff Inc | | | | 250-499 | 7 | 3.19% |
| Best Buy | | | | 100-249 | 10 | 0.64% |
| Total | 2400-4990 | | 27.99% | 2400-4990 | | 26.59% |

Source: Virginia Employment Commission (VEC)

Notes:

Percentage of Total City employment (2018) is based on the midpoints in the ranges given.

CITY OF STAUNTON, VIRGINIA

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

| Function/Program | Full Time Equivalent Employees as of June 30 | | | | | | | | | |
|--------------------------------|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| General Government | 33 | 33 | 35 | 35 | 32 | 33 | 31 | 31 | 30 | 33 |
| Judicial | 22 | 22 | 22 | 21 | 21 | 21 | 21 | 21 | 23 | 23 |
| Public Safety | 103 | 103 | 103 | 99 | 99 | 99 | 99 | 98 | 101 | 107 |
| Public Works | 41 | 40 | 40 | 40 | 38 | 38 | 38 | 38 | 39 | 40 |
| Parks, Recreation, and Culture | 25 | 24 | 24 | 24 | 24 | 23 | 23 | 22 | 26 | 26 |
| Community Development | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 8 | 8 |
| Blue Ridge Courts | 9 | 9 | 9 | 9 | 8 | 8 | 8 | 8 | 8 | 8 |
| Golf | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | 26 | 26 | 26 | 25 | 25 | 25 | 25 | 25 | 24 | 25 |
| Sewer | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |
| Environmental | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 20 | 22 | 24 |
| Stormwater | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Total | 292 | 290 | 291 | 285 | 279 | 279 | 277 | 289 | 289 | 292 |

na-not available

Source: Finance Department

Notes:

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

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

CITY OF STAUNTON, VIRGINIA

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

| Function/Program | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------------------|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Public Safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Arrests | 2,660 | 2,560 | 2,542 | 2,363 | 2,438 | 2,429 | 2,415 | 2,402 | 2,378 | 2,517 |
| Parking tickets | 5,269 | 4,618 | 4,855 | 4,813 | 4,931 | 5,036 | 5,548 | 5,117 | 3,639 | 5,428 |
| Traffic summons | 3,381 | 2,541 | 3,143 | 3,066 | 4,263 | 2,982 | 3,809 | 4,693 | 4,093 | 4,525 |
| Fire: | | | | | | | | | | |
| Incident responses | 3,245 | 2,693 | 3,200 | 3,176 | 3,087 | 3,450 | 2,640 | 3,372 | 3,000 | 2,812 |
| Fires extinguished | 67 | 65 | 50 | 78 | 50 | 55 | 56 | 65 | 45 | 80 |
| Inspections | 1,910 | 1,611 | 1,311 | 1,250 | 1,193 | 918 | 424 | 417 | 407 | 348 |
| Inspections: | | | | | | | | | | |
| Building permits issued | 945 | 588 | 960 | 907 | 957 | 881 | 1,010 | 1,036 | 896 | 1,024 |
| Building inspections conducted | 3,339 | 2,615 | 3,054 | 2,352 | 2,353 | 2,772 | 2,592 | 2,753 | 2,538 | 3,587 |
| Public Works: | | | | | | | | | | |
| Refuse: | | | | | | | | | | |
| Recycling collected (tons per day) | 2.20 | 2.26 | 2.28 | 2.73 | 2.27 | 2.16 | 2.12 | 1.72 | 1.58 | 1.65 |
| Refuse collected (tons per day) | 64.86 | 59.58 | 60.95 | 57.4 | 59.6 | 61.8 | 63.7 | 62.6 | 69.9 | 67.6 |
| Other public works: | | | | | | | | | | |
| Lane miles paved | 6.42 | 10.5 | 12 | 13.7 | 11.1 | 10.2 | 12.3 | 10.08 | 9.78 | 5.25 |
| Parks and Recreation: | | | | | | | | | | |
| Rounds of golf | 6,133 | 6,871 | 7,796 | 8,555 | 9,040 | 9,698 | 9,731 | 9,863 | 8,939 | 10,283 |
| Library: | | | | | | | | | | |
| Volumes in collection | na | 145,943 | 163,930 | 172,836 | 174,577 | 177,957 | 177,037 | 175,505 | 171,652 | 172,345 |
| Total volumes borrowed | na | 401,074 | 388,795 | 379,306 | 393,416 | 389,551 | 397,243 | 418,107 | 432,276 | 450,949 |
| Utility: | | | | | | | | | | |
| New connections-water | 11 | 13 | 4 | 8 | 8 | 8 | 9 | 16 | 11 | 13 |
| Active customers-water | 9,572 | 9,520 | 9,454 | 9,401 | 9,351 | 9,347 | 9,358 | 9,335 | 9,727 | 9,296 |

Sources: Various city departments; regional landfill

na- data not available

CITY OF STAUNTON, VIRGINIA

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

| Function/Program | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Units-marked | 21 | 21 | 18 | 18 | 19 | 19 | 19 | 20 | 20 | 20 |
| Units-unmarked | 26 | 26 | 20 | 20 | 18 | 18 | 18 | 16 | 16 | 16 |
| Fire Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Refuse | | | | | | | | | | |
| Collection trucks | 7 | 7 | 7 | 8 | 8 | 10 | 8 | 7 | 7 | 7 |
| Recycling trucks | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 3 |
| Other Public Works | | | | | | | | | | |
| Lane miles of streets | 300.57 | 300.52 | 300.19 | 300.28 | 299.72 | 298.7 | 298.7 | 298.55 | 298.55 | 298.55 |
| Traffic Signals-signals and flashers | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 63 | 64 | 64 |
| Parks and Recreation | | | | | | | | | | |
| Acreage | 482 | 482 | 482 | 482 | 482 | 482 | 482 | 482 | 482 | 477 |
| Number of Parks | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 7 |
| Baseball/softball fields | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 7 |
| # of baseball/softball games played | 820 | 1,580 | 1,670 | 1,798 | 1,619 | 1,614 | 1,585 | 1,560 | 1,522 | 1,590 |
| Soccer/football fields | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| # of soccer/football games played | 350 | 195 | 385 | 196 | 211 | 220 | 212 | 195 | 214 | 217 |
| Water | | | | | | | | | | |
| Miles of water mains | 183.44 | 181.97 | 181.41 | 181.27 | 181.11 | 181.4 | 179.41 | 175.37 | 175.35 | 175.15 |
| Fire Hydrants | 1072 | 1065 | 1062 | 964 | 957 | 919 | 912 | 912 | 897 | 887 |
| Storage capacity (thousands of gal) | 8,200 | 8,200 | 8,200 | 8,200 | 8,200 | 8,200 | 8,200 | 8,200 | 8,200 | 8,200 |
| Sewer | | | | | | | | | | |
| Miles of sanitary sewers | 134.47 | 133.85 | 133.41 | 133.39 | 132.8 | 132.84 | 132.84 | 132.79 | 132.42 | 132.35 |

Sources: Various City departments
 na - data not available.



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COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia (the “City”), as of and for the year ended June 30, 2018, 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 30, 2018.

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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*.**

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Staunton, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB 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, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements 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; and 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). 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 of Staunton, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

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.**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2018

CITY OF STAUNTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2018

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Economic Development Opportunity Funds

Sheriff Internal Controls

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

| | |
|--|--------|
| Title I Grants to Local Educational Agencies | 84.010 |
| Special Education – Grants to States | 84.027 |
| Special Education – Preschool Grants | 84.173 |

8. The **threshold** for distinguishing Type A and B programs was **\$750,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

CITY OF STAUNTON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

| Federal Granting Agency/Pass-Through State Agency/Grant Program | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|------------------------------------|---|---------------------------------|
| <u>DEPARTMENT OF AGRICULTURE:</u> | | | |
| <u>Pass-Through Programs:</u> | | | |
| <u>Department of Agriculture:</u> | | | |
| Child Nutrition Cluster: | | | |
| National School Lunch Program - Non Cash Commodities | 10.555 | N/A | \$ 82,182 |
| <u>Department of Education:</u> | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | 201818N109941;201717N109941 | 294,012 |
| National School Lunch Program | 10.555 | 201818N109941;201717N109941 | 730,920 |
| Child and Adult Care Food Program | 10.558 | na | 5,932 |
| <u>Department of Social Services:</u> | | | |
| Food Stamp Cluster: | | | |
| State Administrative Matching Grants for the Food Stamp Program: | | | |
| Cost Allocations - Food Stamps | 10.561 | 84322 | 5,701 |
| <u>DEPARTMENT OF EDUCATION:</u> | | | |
| <u>Pass-Through Programs:</u> | | | |
| <u>Department of Education:</u> | | | |
| Title 1, Part A Cluster: | | | |
| Title I Educationally Deprived Children - LEA | 84.010 | S010A170046; S010A160046 | 910,951 |
| Title I, Part D - Neglected & Delinquent Children Special Education Cluster | 84.013 | S013A160046; S013A150046 | 28,297 |
| Title VIB - Special Education | 84.027 | H027A160107; H027A150107; H027A170107 | 734,711 |
| Special Education - Pre-School Grants | 84.173 | H173A160112 | 22,554 |
| Vocational Education - Basic Grants to States | 84.048 | V048A170046; V048A160046 | 57,436 |
| Title II, Part A - Training & Recruiting Grant | 84.367 | S367A160044; S367A170044 | 46,492 |
| Title III ESEA - Limited English Proficient | 84.365 | na | 2,591 |
| Title IV-Student Support and Academic Enrichment Grants | 84.424 | S424A170048 | 19,224 |

Continued

CITY OF STAUNTON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

| Federal Granting Agency/Pass-Through State Agency/Grant Program | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|------------------------------------|---|---------------------------------|
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u> | | | |
| <u>Pass-Through Programs:</u> | | | |
| <u>Department of Social Services:</u> | | | |
| Temporary Assistance for Needy Families: | 93.558 | | |
| VIEW Component and Component-Related Activities | | 87201 | \$ 897 |
| VIEW-Supportive Services | | 87202 | 8,345 |
| VIEW- Transitional Transportation | | 87204 | 7,153 |
| VIEW-Transportation | | 87207 | 40,778 |
| Adjustment | | | (37,905) |
| Child Care and Development Block Grant: | 93.575 | | |
| Discretionary Recoupment for VACMS | | 88801 | (1,550) |
| Adjustment | | | 15 |
| Child Care and Development Fund:-Mandatory and Matching Funds | 93.596 | | |
| Mandatory/Matching Recoupment for VaCMS | | 88901 | (518) |
| Foster Care - Title IV-E: | 93.658 | | |
| Children's Residential Facility | | 81107 | 112,491 |
| Licensed Child Placing Agency-Basic Maintenance | | 81108 | 106,294 |
| Local Agency Foster Home-Basic Maintenance | | 81110 | 49,792 |
| Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision | | 81112 | 172,895 |
| Fostering Futures LCP Basic Maintenance | | 81401 | 2,352 |
| Fostering Futures IL Basic Maintenance | | 81403 | 7,875 |
| Fostering Futures LCP Enhanced Maintenance | | 81404 | 726 |
| Central Service Cost Allocation - IV-E serv | | 84319 | 2,238 |
| Adoption Assistance: | 93.659 | | |
| Subsidized Adoption Assistance-Basic Maintenance | | 81201 | 276,043 |
| Nonrecurring Adoption Assistance | | 81202 | 2,855 |
| Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision | | 81203 | 230,736 |
| Central Service Cost Allocation-IVE Adoption | | 84324 | 218 |
| Adjustment | | | 12,146 |
| Social Services Block Grant: | 93.667 | | |
| State Adoption Assistance Purchase of Service | | 81701 | 54,245 |
| Home Based Homemaker (State Supplement) | | 83304 | 19,017 |
| Prevention Services | | 83306 | 327 |
| Adult Protective Services | | 89501 | 1,877 |
| Medical Assistance Program (Title XIX) | 93.778 | | |
| Central Service Cost Allocation-Medicaid | | 84323 | 5,223 |

Continued

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

| <u>Federal Granting Agency/Pass-Through State Agency/Grant Program</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| <u>DEPARTMENT OF HOMELAND SECURITY:</u> | | | |
| <u>Direct Programs:</u> | | | |
| Assistance to Firefighters | 97.044 | EMW-2010-FO-07322 | 281 |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | EMH-2016-FH-00549 | 111,207 |
| <u>ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| <u>Chesapeake Bay Trust</u> | | | |
| Chesapeake Bay Implementation Grant Program | 66.640 | 13111 | 75,000 |
| <u>DEPARTMENT OF JUSTICE:</u> | | | |
| <u>Pass-Through Programs:</u> | | | |
| <u>Department of Criminal Justice Services:</u> | | | |
| Crime Victim Assistance | 16.575 | 18-V9264VW16 | 74,803 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 18-A4494AD13 | 16,834 |
| <u>DEPARTMENT OF TRANSPORTATION:</u> | | | |
| <u>Pass-Through Programs:</u> | | | |
| <u>Virginia Department of Transportation:</u> | | | |
| Highway Planning and Construction | 20.205 | UPC 80485 | 6,659 |
| <u>DEPARTMENT OF THE INTERIOR</u> | | | |
| <u>Virginia Department of Historic Resources</u> | | | |
| Historic Preservation Fund Grants in Aid | 19.204 | na | 9,895 |
| Total Expenditures of Federal Awards | | | <u>\$ 4,310,247</u> |

CITY OF STAUNTON, VIRGINIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

Note 1. BASIS OF PRESENTATION

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

Note 2. INDIRECT COST RATE

The City did not elect to use the 10% de minimus indirect cost rate.

Note 3. OUTSTANDING LOAN BALANCES

At June 30, 2018, the City had no outstanding loan balances requiring continuing disclosure.