

CITY OF STAUNTON, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year July 1, 2016 – June 30, 2017



Photo by Ian Bradshaw

BIRTHPLACE OF THE COUNCIL-MANAGER FORM OF GOVERNMENT - 1908

CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

Prepared By:
Department of Finance

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Chief Financial Officer

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CITY OF STAUNTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017

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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. Obenshain

OFFICIALS

Linda Little	Clerk of Council
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
Alexander L. Caldwell, Jr.	City Sheriff
Dr. Linda Reviea	Superintendent of Schools

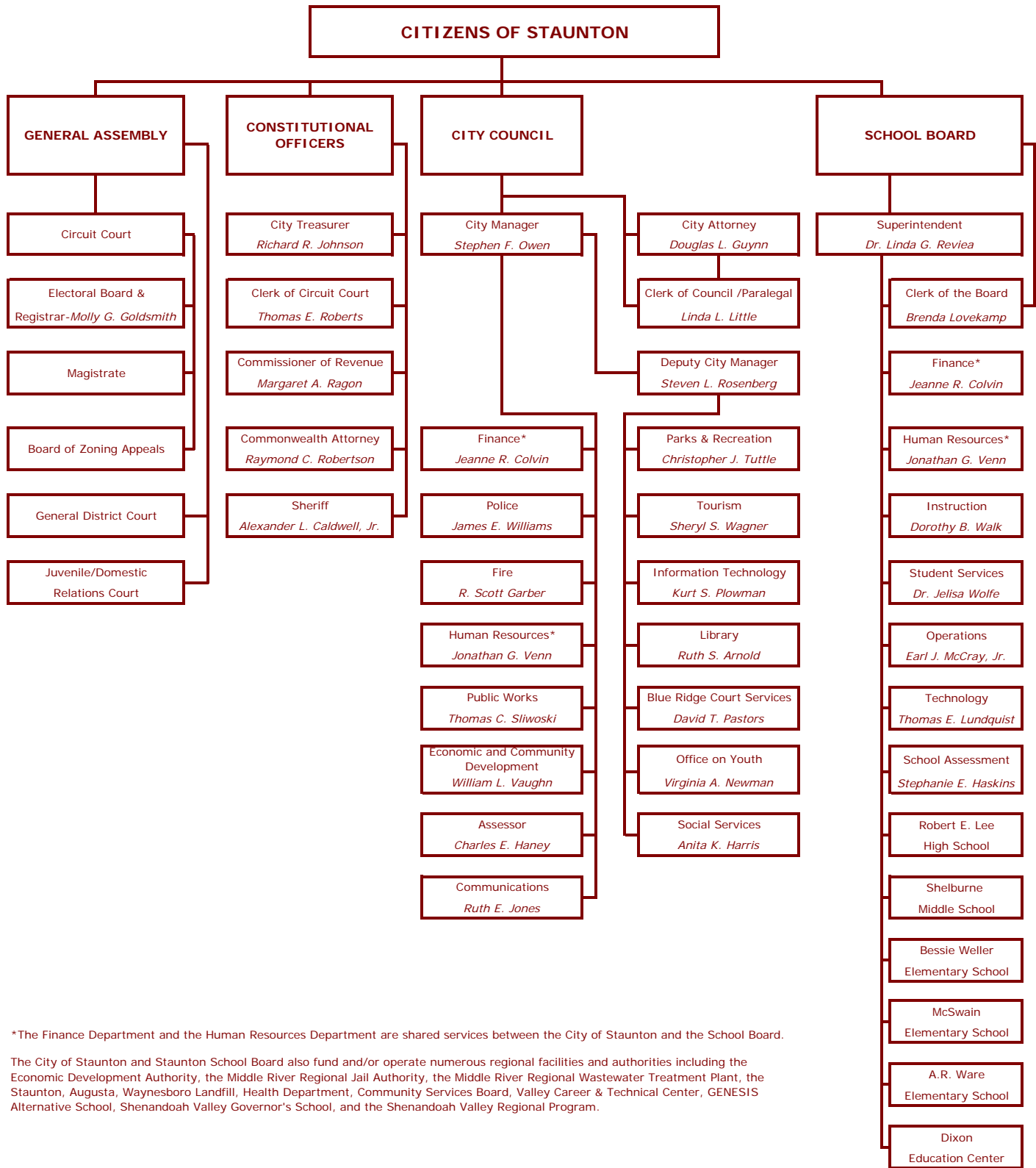
SCHOOL BOARD

	Ronald W. Ramsey, Chair	
	William Lobb, Vice-Chair	
Robert Boyle		Amy G. Darby
Laura Kleiner		Angela Whitesell



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, 2016

Executive Director/CEO

November 29, 2017

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, 2017. 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, 2017. 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 School'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 Superintendent of Staunton City Schools.

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

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

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

LOCAL ECONOMY

The City's overall financial health is determined by several economic factors based on retail sales volume, consumer based taxes, new residential 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 2017 total taxable real estate assessed values increased 3.18%. Other local consumer based tax revenue sources increased slightly from 2016. General increase in economic activity resulted in increases in meals, lodging and consumer sales taxes. The local unemployment rate for June 2017 was 3.8%, which is well below the national average of 4.5% and slightly below the statewide average of 3.9%. 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 \$8,137,500. 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. In FY 2017, City Council accomplished their goal of increasing the safety net reserve to 15%, a task begun in 2012.

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

FY2017 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 2017 budget, \$106.2 million, an increase of 1.4% or \$ 1.4 million from the previous year was adopted with no tax rate increases for property tax or other local tax rates. The general fund budget increased 2.5% over the previous year. Property tax revenues were projected to increase by \$.5 million, or 2.2%, and other local tax revenues were projected to increase 3.2% over the previous year's budget. The general fund budget increased its transfer to the education fund by 3.2%.

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 will have a Marriott Fairfield Inn and Suites and a Tru by Hilton hotel. 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.

Frontier Center

Frontier Center is near the intersection of Interstates 81 and 64 and is in the first phase of the development. Construction began in December, 2016 for the road and infrastructure improvements. This phase will add three new fast food restaurants and a grocery center, adding to the City's property, meals, and sales tax revenues.

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:

- "The Next Great Mountain Towns" Blue Ridge Outdoors
- "The 15 Most Beautiful Main Streets Across America" Architectural Digest
- "23 Best Small Town Main Streets in America" Country Living Magazine

Parks and Recreation

The Department of Parks and Recreation received two awards from the Virginia Recreation and Park Society for Best New Special Event for its Gypsy Hill Drive in for Kids and Best New Renovation/Addition (Bricks and Mortar) for the renovation of the Montgomery Hall Park pool.

The Horticulture Division of the Department of Parks and Recreation received a Tree City USA award from the National Arbor Day Foundation. This is the 21ST year the City has achieved this award recognizing municipalities with active tree care and replacement programs.

The department has also earned the 2017 Harry J. Banker Gold Leaf Award from the International Society of Arboriculture (ISA) for Arbor Day activities. The ISA said the award is intended to recognize individuals, organizations and communities for either outstanding Arbor Day activities or for outstanding landscape beautification activities as submitted by an ISA Chapter.

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.

Staunton Fire & Rescue recently achieved an extraordinarily rare advancement for a municipal fire department when it was recognized by the Insurance Services Office (ISO) for improving its fire insurance classification from a Class 5 to a Class 2. The rating reflects the effectiveness of a fire department's fire suppression program—its ability to receive and respond to fire alarms; sufficiently staff, equip and train its department; maintain a water supply system, and educate the community about fire risks.

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

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.

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 2016. A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Jeanne R. Colvin
Chief Financial Officer

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FINANCIAL SECTION



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Augusta Regional Landfill. The City's share of this undivided interest represents 58%, 52%, and 18%, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2017, the City adopted new accounting guidance, *GASB Statement No. 74, 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 29, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 29, 2017

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, 2017. 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 \$54.7 million at June 30, 2017. Net position of the City's business-type activities was \$69.5 million.
- Total revenues of governmental activities exceeded total expenses by \$4.2 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were \$61.4 million for FY 2017. Revenues of the City's business-type activities were \$12.2 million.
- Expenses were \$56.2 million for governmental activities and expenses for the business-type activities were \$10.8 million for FY 2017.
- The City's total general obligation bond and loans payable at June 30, 2017 was \$51.8 million, a net decrease of \$4.7 million from FY 2016 due to normal scheduled debt reduction.
- At June 30, 2017, the total fund balance for all governmental funds was \$24 million with the General Fund comprising \$13.8 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, 2017 and 2016						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 55,744,260	\$ 55,301,314	\$ 19,635,281	\$ 18,243,671	\$ 75,379,541	\$ 73,544,985
Capital assets	58,144,852	58,426,009	74,372,111	75,336,786	132,516,963	133,762,795
Total assets	113,889,112	113,727,323	94,007,392	93,580,457	207,896,504	207,307,780
Total deferred outflows of resources	3,307,311	2,425,982	466,332	363,922	3,773,643	2,789,904
Liabilities:						
Long-term liabilities	49,049,303	50,695,270	21,554,116	23,357,433	70,603,419	74,052,703
Other liabilities	7,980,059	8,767,436	3,249,297	3,156,341	11,229,356	11,923,777
Total liabilities	57,029,362	59,462,706	24,803,413	26,513,774	81,832,775	85,976,480
Total deferred inflows of resources	5,461,184	6,154,153	139,433	296,078	5,600,617	6,450,231
Net Position:						
Invested in capital assets	45,372,360	43,963,323	55,688,479	54,599,310	101,060,839	98,562,633
Restricted	41,469	27,466	-	-	41,469	27,466
Unrestricted	9,292,048	6,545,657	13,842,399	12,535,217	23,134,447	19,080,874
Total net position	\$ 54,705,877	\$ 50,536,446	\$ 69,530,878	\$ 67,134,527	\$ 124,236,755	\$ 117,670,973

The City's total net position of \$124.2 million increased by 5.6%, or \$6.6 million, from FY 2016. This change is due to changes in deferred inflows and outflows related to the pension liability and a net decrease in long term liabilities due to scheduled debt reduction.

The largest component of the City's net position (\$101.1 million or 81.4%) is the investment in capital assets (e.g. facilities, equipment, and infrastructure), net of any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Current year increase of \$2.5 million is mainly due to reductions 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 (\$23.1 million or 18.6%) is used to finance day-to-day operations.

As of June 30, 2017, 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, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016

Revenues:

Program Revenues

Charges for services	\$ 6,905,408	\$ 6,716,972	\$ 11,892,822	\$ 11,375,702	\$ 18,798,230	\$ 18,092,674
Operating grants and contributions	11,227,647	16,839,852	9,704	14,389	11,237,351	16,854,241
Capital grants and contributions	2,215,355	1,105,977	252,436	139,445	2,467,791	1,245,422

General revenues

Property taxes	24,281,660	23,798,051	-	-	24,281,660	23,798,051
Other taxes	13,673,932	13,324,942	-	-	13,673,932	13,324,942
Unrestricted intergovernmental	2,862,470	2,805,667	-	-	2,862,470	2,805,667
Interest and investment earnings	133,649	68,532	36,455	50,658	170,104	119,190
Other	57,572	29,086	-	-	57,572	29,086
Total revenues	61,357,693	64,689,079	12,191,417	11,580,194	73,549,110	76,269,273

Expenses:

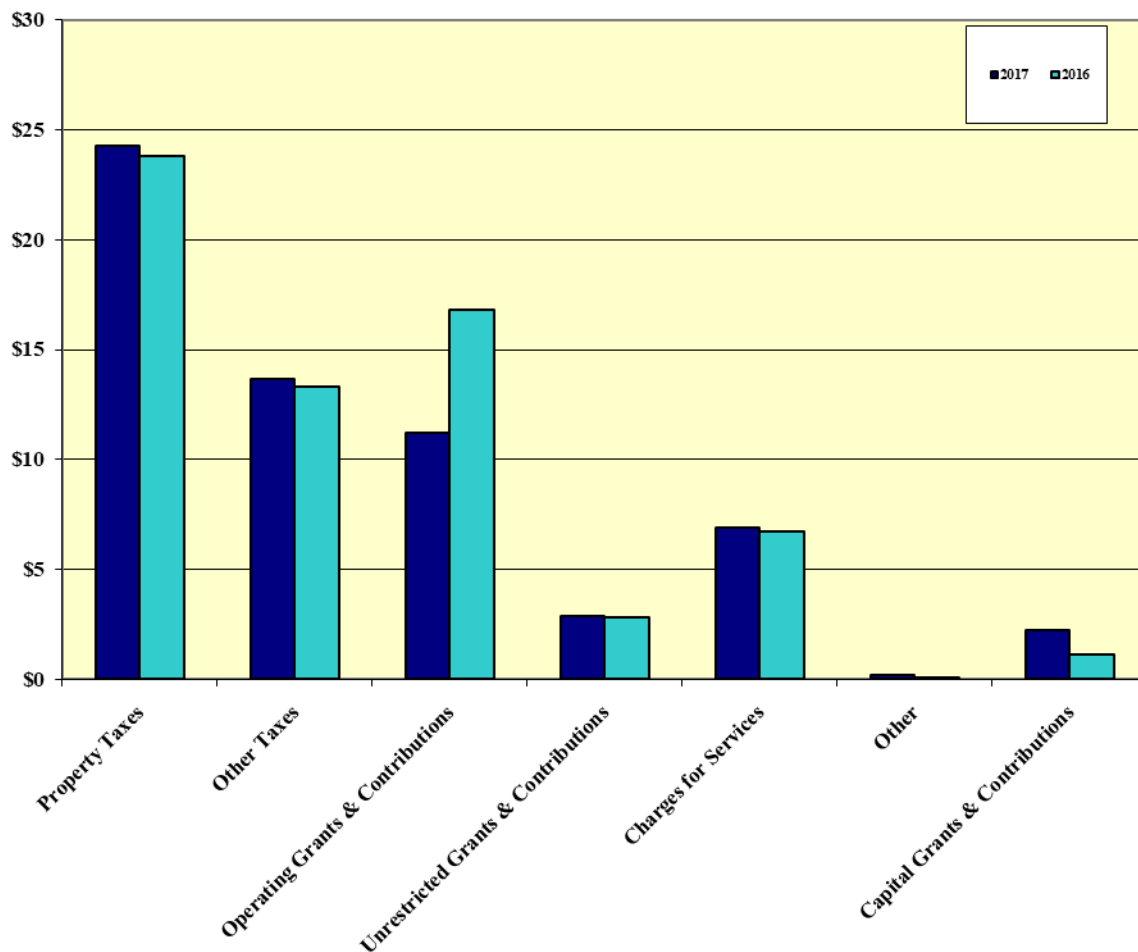
General government	8,881,755	9,063,531	-	-	8,881,755	9,063,531
Judicial administration	1,882,696	1,774,669	-	-	1,882,696	1,774,669
Public safety	11,718,559	10,622,194	-	-	11,718,559	10,622,194
Public works	7,688,195	7,195,893	-	-	7,688,195	7,195,893
Health and welfare	6,236,892	5,975,631	-	-	6,236,892	5,975,631
Education (includes payment to Schools)	12,895,304	12,792,065	-	-	12,895,304	12,792,065
Parks, recreation and culture	3,488,880	3,354,852	-	-	3,488,880	3,354,852
Community Development	2,243,574	1,621,715	-	-	2,243,574	1,621,715
Interest on long-term debt	1,111,334	1,207,248	-	-	1,111,334	1,207,248
Water	-	-	3,425,966	3,611,452	3,425,966	3,611,452
Sewer	-	-	3,534,495	3,556,814	3,534,495	3,556,814
Storm Water	-	-	806,458	785,238	806,458	785,238
Environmental	-	-	2,456,118	2,207,342	2,456,118	2,207,342
Golf	-	-	152,966	151,865	152,966	151,865
Parking	-	-	460,136	414,275	460,136	414,275
Total expenses	56,147,189	53,607,798	10,836,139	10,726,986	66,983,328	64,334,784
Increase in net position before transfers	5,210,504	11,081,281	1,355,278	853,208	6,565,782	11,934,489
Transfers	(1,041,073)	(236,488)	1,041,073	236,488	-	-
Increase in net position	4,169,431	10,844,793	2,396,351	1,089,696	6,565,782	11,934,489
Net position - beginning of year	50,536,446	39,691,653	67,134,527	66,044,831	117,670,973	105,736,484
Net position - end of year	\$ 54,705,877	\$ 50,536,446	\$ 69,530,878	\$ 67,134,527	\$ 124,236,755	\$ 117,670,973

Governmental Activities - Revenues

- The City's total revenues from governmental activities were \$61.4 million for the fiscal year ended June 30, 2017, a decrease of \$3.3 million over the previous year.
- Property taxes, the largest source of general revenue, accounted for \$24.3 million or 39.6% of revenue in 2017. Property tax revenues increased \$.5 million over 2016 due to an increase in assessed values. Real estate rates were \$.97 per \$100 of assessed value. Personal property taxes were \$2.75 per \$100 of assessed value.
- Operating grants and contributions decreased \$5.6 million mainly due to the regional jail buy in that occurred in FY2016.
- Capital grants and contributions increased \$1.1 million over FY 2016 due to the capital grants from VDOT.

Governmental Activities - Revenues by Source

Fiscal Years Ended June 30, 2017 and 2016
(\$ In Millions)



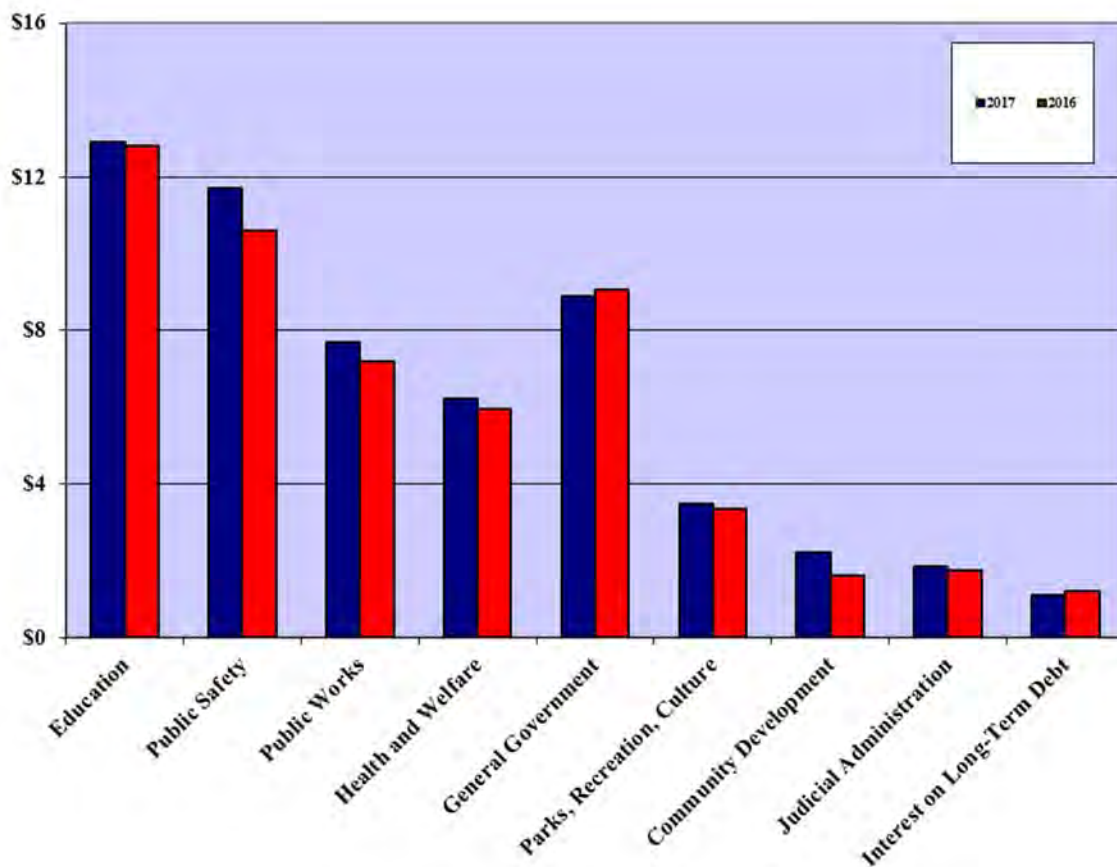
Governmental Activities - Expenses

- The total expenses from governmental activities were \$56.2 million for the year, an increase of \$2.5 million from FY 2016.
- Education is the largest expense for the City at \$12.9 million or 23% of the total governmental activities. The net cost remained stable compared to FY 2016.
- Community Development increased \$.6 million over FY 2016 due to Commonwealth Opportunity fund grant and other grants to the EDA and the addition of a position in the Tourism department.
- Public Safety increased \$1.1 million over FY2016 due to the filling of vacant positions in police and fire and an increase in costs of prisoner care.

Governmental Activities - Expenses by Function

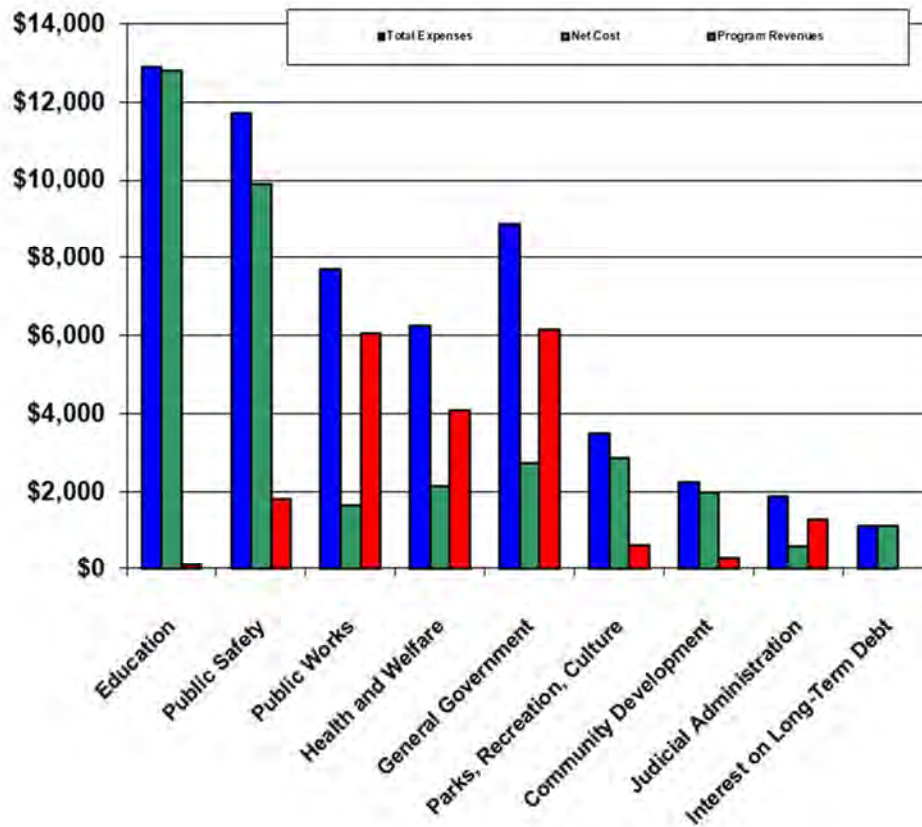
Fiscal Years Ended June 30, 2017 and 2016

(\$ 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 2017 totaled \$20.4 million and general revenues totaled \$41 million.

The net cost of services represents the amount of tax or other revenue required to support these functions. The Education function requires the largest amount of general revenue support at 35.8%, an increase of \$.1 million from FY 2016. Public safety net cost of service increased \$7 million because the jail buy in was recorded in FY 2016.

Net Cost of the City of Staunton's Governmental Activities				
	2017		2016	
	Total Cost	Net Cost	Total Cost	Net Cost
Education	\$ 12,895,304	\$ 12,804,904	\$ 12,792,065	\$ 12,704,395
Public Safety	11,718,559	9,913,194	10,622,194	2,944,360
Public Works	7,688,195	1,646,406	7,195,893	2,137,604
Health and Welfare	6,236,892	2,150,956	5,975,631	2,167,016
General Government	8,881,755	2,738,713	9,063,531	3,151,564
Parks, Recreation, Culture	3,488,880	2,869,235	3,354,852	2,583,619
Community Development	2,243,574	1,958,779	1,621,715	1,537,270
Judicial Administration	1,882,696	605,258	1,774,669	511,921
Interest on Long-Term Debt	1,111,334	1,111,334	1,207,248	1,207,248
	\$ 56,147,189	\$ 35,798,779	\$ 53,607,798	\$ 28,944,997

Business-Type Activities

1. Total revenues of the City's business-type activities were \$12.2 million for FY 2017. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at \$11.9 million or 97.6% of total revenues for business-type activities.
2. Overall expenses of business-type activities remained relatively stable increasing only \$.1 million over FY 2016.

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 2017, the City's governmental funds reported combined ending fund balances of \$24 million, an increase of \$2.2 million over FY 2016. Of that amount \$.5 million was nonspendable, \$8.1 million was committed, \$12.6 million was assigned, and \$2.6 million was unassigned. The general fund's increase in fund balance was \$1.5 million. The capital project fund's decrease in fund balance was \$.5 million.

General Fund

The General Fund reported \$13.8 million in fund balance at year end. Of the total General Fund balance, \$2.6 million is unassigned, \$8.1 million is committed for specific purposes, and \$2.5 million is assigned.

In total, FY 2017 revenues increased \$3.6 million over FY 2016. Property tax revenues increased \$1.3 million, due to increased assessment and tax rate. Recovered costs increased \$1.2 million over FY 2016 due to payment from the EDA for partial sale of Staunton Crossing.

General Fund actual expenditures were \$47.8 million versus the revised budget totaling \$50.1 million. The contribution to the Component Unit School Board was the largest expense at \$12.5 million. Expenditure savings of \$2.4 million resulted from \$.5 million in general government administration due to professional fees and maintenance costs being less than expected and technology equipment and maintenance savings; \$.4 million in public safety due to vacancies and turnover resulting in saving in salaries and benefits as well as maintenance and fuel cost savings; \$.5 million in public works due to public works equipment and maintenance expenditure savings; \$.4 million in health and welfare due to CSA and social services expenditures being less than anticipated; \$.3 million in parks and recreation from maintenance and capital expenditure savings, and the balance of \$.3 million in expenditures savings resulting from judicial and community development expenditure savings.

Capital Projects Fund

The City's Capital Improvements 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 \$1.6 million in FY 2017 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, 2017:

PROJECT	REVISED BUDGET - PROJECT TO DATE	FY2017 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	\$ 1,332,482	\$ -	\$ 1,229,729	\$ 102,753
COMPUTER NETWORK EQUIPMENT	195,137	7,703	182,804	12,333
E911 CALL HANDLING EQUIPMENT	102,273	45,916	45,916	56,357
E911 RECORDING EQUIPMENT	150,000	88,456	88,456	61,544
FIRE TRUCK RESERVE	1,104,383	-	886,973	217,410
RADIO NARROWBAND	500,000	-	438,947	61,053
REGIONAL JAIL RESERVE	5,376,286	-	5,057,286	319,000
REGIONAL ANIMAL SHELTER	125,000	-	-	125,000
STREET IMPROVEMENT PROJECTS	1,055,250	147,216	985,999	69,251
URBAN STREET CONSTRUCTION 2% MATCH	786,478	-	465,395	321,083
STATLER/RICHMOND RD PROJ	50,000	-	-	50,000
RICHMOND RD/GREENVILLE AVE	35,000	-	-	35,000
CENTRAL AVE STREETScape	1,708,349	29,612	112,079	1,596,270
STATE ROUTE 1426	2,110,000	12,341	1,786,334	323,666
NEW SIDEWALKS	400,000	-	-	400,000
BESSIE WELLER SAFE ROUTE TO SCHOOL	459,838	-	1,192	458,646
RICHMOND RD/COCHRAN PARKWAY	3,193,636	1,422,027	1,422,027	1,771,609
BRICK SIDEWALK PROJECTS	200,000	-	85,162	114,838
VDOT PRIMARY EXT PAVING	455,673	55,058	455,664	9
MLK MEMORIAL SIGN	41,450	216	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	80,305	185,035	659,965
PUBLIC SAFETY BUILDING	40,000	-	24,339	15,661
PUBLIC WORKS BUILDING MAINTENANCE RESERVE	200,000	50,500	50,500	149,500
BLUE RIDGE COMMUNITY COLLEGE	386,548	41,048	386,544	4
LEE HIGH SCHOOL PROJECT	1,300,000	-	-	1,300,000
BOOKER T BUILDING	266,818	-	262,603	4,215
GHP BANDSTAND PROJECT	30,000	-	26,971	3,029
MONTGOMERY HALL SOCCER FIELDS	166,272	-	165,878	394
GHP POOL RENOVATIONS	500,000	-	492,565	7,435
MHP BATHROOM/WATER PARK	275,000	82,820	274,317	683
BETSY BELL PICNIC SHELTER	75,000	-	-	75,000
GREENWAYS PROJECT	100,000	-	-	100,000
CORRIDOR OVERLAY INCENTIVES	25,000	1,350	1,350	23,650
COUNTY COURTS PROJECT	127,453	-	99,060	28,393
ECONOMIC DEVELOPMENT RESERVE	1,243,811	1,739	1,218,482	25,329
ENTERPRISE ZONE PROGRAM	360,521	-	262,834	97,687
STAUNTON CROSSING DEVELOPMENT	1,025,000	194,362	800,689	224,311
FRONTIER CULTURE PROJECT	100,000	-	88,051	11,949
COMPLETED PROJECTS	5,520,138	-	5,520,517	(379)
TOTALS	\$ 32,217,796	\$ 2,260,669	\$ 23,144,638	\$ 9,073,158

General Fund Budgetary Highlights

City Council revised the total FY 2017 City Budget two times during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - \$1,457,534. This amendment appropriated \$88,104 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 2016. This amendment also included additional appropriations of \$119,430 for additional grant funds and donations. The amendment also included an appropriation of \$1,250,000 from the EDA for the proceeds from the sale of a portion of the Staunton Crossing Property.
- Budget Amendment Number 2 - \$1,179,409. This amendment appropriated \$1,050,000 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 \$129,409 made up of \$71,546 in additional grant funds, \$23,500 in police security fees, \$16,012 in recovered costs, and \$18,351 for donations.

CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2017 amounts to \$132.5 million (net of depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Total net capital assets are \$58.2 million for the governmental activities, and \$74.4 million for the business-type activities.

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

- \$.5 million for improvements, including the Lake Tams Shoreline project, \$.3 million in new roads, sidewalks and traffic control equipment and \$.5 million in vehicles and other equipment.

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

- \$1.6 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

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 4,737,487	\$ 2,014,863	\$ 6,752,350	\$ 4,737,487	\$ 1,997,183	\$ 6,734,670
Landfill	-	1,421,469	1,421,469	-	1,526,723	1,526,723
Buildings	25,391,882	28,600,064	53,991,946	26,184,110	29,547,216	55,731,326
Improvements	1,725,535	1,894,408	3,619,943	1,184,212	1,863,880	3,048,092
Equipment	4,633,846	4,575,332	9,209,178	4,336,195	4,203,763	8,539,958
Infrastructure Construction in Progress	19,995,324	35,404,934	55,400,258	20,916,273	35,299,270	56,215,543
	<u>1,660,778</u>	<u>461,041</u>	<u>2,121,819</u>	<u>1,067,732</u>	<u>898,751</u>	<u>1,966,483</u>
Total	<u>\$ 58,144,852</u>	<u>\$ 74,372,111</u>	<u>\$ 132,516,963</u>	<u>\$ 58,426,009</u>	<u>\$ 75,336,786</u>	<u>\$ 133,762,795</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 May 2014.
- The *Code of Virginia* limits the amount of general obligation debt the City may issue to ten percent of its total assessed taxable value of real estate which is \$186.3 million for the City. The City currently has net bonded debt payable of \$51.8 million. The current legal margin for creating additional debt for the City of Staunton is \$135 million.
- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

City of Staunton Outstanding Debt

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 23,080,231	\$ 772,426	\$ 23,852,657	\$ 24,947,870	\$ 996,003	\$ 25,943,873
Virginia Revolving Loan	-	17,897,090	17,897,090	-	19,570,861	19,570,861
Literary Loans	10,000,000	-	10,000,000	10,950,000	-	10,950,000
Total	\$ 33,080,231	\$ 18,669,516	\$ 51,749,747	\$ 35,897,870	\$ 20,566,864	\$ 56,464,734

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The FY 2018 general fund budget was adopted at \$54.3 million, an increase of \$2.2 million over the \$52.1 million budget for FY 2017.
- The Real Estate tax rate is \$.97/\$100 of assessed value. The January 1, 2017 taxable real estate reassessment reflected an increase of 3.18%, or \$57.4 million in market value for the City's taxable real estate base. The Personal property tax rate will increase to \$2.90/\$100 of assessed value and personal property taxes are projected to generate an additional \$312,500 in revenue for 2018.
- There is a 1% increase budgeted for meals taxes. The rate will increase from 6% to 7%.
- Funding from the Commonwealth constitutes 21.6% of the total budget and is projected to decrease \$31,308 from 2017, from \$11,774,973 to \$11,743,665. 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 October 1, 2017. The General Fund increase for wages and benefits for FY 2018 is \$285,172. The City added two new positions in the FY 2018 General Fund budget. One for a traffic technician to be funded from street and highway maintenance funds and a recreation aquatics manager and programmer to be funded from recreation user fees. The total FTE count for the City is 292 full-time employees, an increase of 1 position.
- The General Fund budgeted transfer to the City Capital Improvement Fund is \$441,150 for FY 2018, a decrease of \$150,000 from 2017.
- The General Fund transfer to the Debt Service Fund increased over 2017 to \$4,274,200. The City will reduce its total outstanding debt by \$4.5 million in 2018.
- The General Fund transfer to the Education Fund increased 3.1%, or \$378,200, to help fund an average 3% pay increase for school employees.
- As of September 2017, the unemployment rate for the City of Staunton is 3.5%. Staunton's rate is slightly lower than the state's average unemployment rate of 3.6% and well below the national average of 4.1%.

All these factors were considered in preparing the FY 2018 budget to finance the cost of programs and services provided to citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 24,967,034	\$ 5,300,121	\$ 30,267,155	\$ 4,086,158	\$ 18,509
Investments (Note 2)	4,198,722	7,320,351	11,519,073	-	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 11)	5,115,455	-	5,115,455	-	-
Accounts	693,573	1,957,862	2,651,435	506,302	16,667
Interest	12,032	15,915	27,947	-	-
Internal balances (Note 4)	104,871	(104,871)	-	-	-
Due from other governments (Note 3)	7,546,865	-	7,546,865	2,093,883	-
Due from component unit (Note 15)	12,750,000	-	12,750,000	-	-
Inventory (Note 1, 15)	186,508	-	186,508	-	12,970,053
Prepaid items	157,200	2,853	160,053	19,156	-
Restricted assets: (Notes 2, 12)					
Cash and cash equivalents	12,000	2,592,264	2,604,264	-	-
Due from other governments (Note 3)	-	2,550,786	2,550,786	-	-
Capital assets: (Note 5)					
Nondepreciable	6,398,265	2,475,904	8,874,169	236,000	793,946
Depreciable, net	51,746,587	71,896,207	123,642,794	7,348,722	6,833,436
Total assets	113,889,112	94,007,392	207,896,504	14,290,221	20,632,611
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date (Notes 1, 7, 8)	1,738,094	250,895	1,988,989	2,514,619	-
Net difference between expected and actual experience (Notes 1, 7, 8)	-	2,825	2,825	21,186	-
Changes in proportion - teacher cost sharing plan (Notes 1, 8)	-	-	-	347,218	-
Net difference between projected and actual investment earnings on pension plan investments (Notes 1, 7, 8)	1,235,313	181,882	1,417,195	1,815,013	-
Deferred charges on refunding	333,904	30,730	364,634	-	-
Total deferred outflows of resources	3,307,311	466,332	3,773,643	4,698,036	-
LIABILITIES					
Accounts payable	892,496	484,151	1,376,647	267,817	20,737
Retainage payable	71,101	2,459	73,560	-	-
Accrued liabilities	1,152,729	249,872	1,402,601	1,563,743	-
Due to primary government (Note 15)	-	-	-	-	12,750,000
Unearned revenue (Notes 1, 15)	954,904	41,942	996,846	22,947	-
Amounts held for others	9,649	-	9,649	1,654	-
Deposits payable	12,000	340,983	352,983	-	-
Noncurrent liabilities:					
Net pension liability (Notes 7, 8)	18,560,165	2,639,922	21,200,087	30,655,389	-
Due within one year (Note 6)	4,887,180	2,129,890	7,017,070	444,996	-
Due in more than one year (Note 6)	30,489,138	18,914,194	49,403,332	241,258	-
Total liabilities	57,029,362	24,803,413	81,832,775	33,197,804	12,770,737
DEFERRED INFLOWS OF RESOURCES					
Net difference between expected and actual experience (Notes 1, 7, 8)	998,795	139,433	1,138,228	978,349	-
Changes in proportion - teacher cost sharing plan (Notes 1, 8)	-	-	-	566,053	-
Property taxes (Note 11)	4,462,389	-	4,462,389	-	-
Total deferred inflows of resources	5,461,184	139,433	5,600,617	1,544,402	-
NET POSITION					
Net investment in capital assets	45,372,360	55,688,479	101,060,839	7,584,722	7,627,382
Restricted for:					
Programs	-	-	-	1,823	-
Donor purposes	41,469	-	41,469	5,611	-
Unrestricted	9,292,048	13,842,399	23,134,447	(23,346,105)	234,492
Total net position	\$ 54,705,877	\$ 69,530,878	\$ 124,236,755	\$ (15,753,949)	\$ 7,861,874

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

CITY OF STAUNTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 8,881,755	\$ 5,899,387	\$ 243,655	\$ -
Judicial administration	1,882,696	148,510	1,128,928	-
Public safety	11,718,559	433,289	1,049,035	323,041
Public works	7,688,195	-	4,152,025	1,889,764
Health and welfare	6,236,892	-	4,085,936	-
Education	12,895,304	-	90,400	-
Parks, recreation, and culture	3,488,880	395,378	221,717	2,550
Community development	2,243,574	28,844	255,951	-
Interest on long-term debt	1,111,334	-	-	-
Total governmental activities	56,147,189	6,905,408	11,227,647	2,215,355
Business-type activities:				
Water	3,425,966	4,146,683	3,462	111,650
Sewer	3,534,495	3,918,835	-	93,100
Storm Water	806,458	781,950	-	47,686
Environmental	2,456,118	2,510,471	6,242	-
Golf	152,966	103,868	-	-
Parking	460,136	431,015	-	-
Total business-type activities	10,836,139	11,892,822	9,704	252,436
Total primary government	\$ 66,983,328	\$ 18,798,230	\$ 11,237,351	\$ 2,467,791
Component Units:				
School Board	\$ 34,696,640	\$ 1,496,918	\$ 10,889,334	\$ 100,000
Economic Development Authority	1,007,273	31,000	768,864	-
Total component units	\$ 35,703,913	\$ 1,527,918	\$ 11,658,198	\$ 100,000

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

Net position - end of year

Net (Expenses) Revenues and Changes in Net Position			Component Units	
Primary Government			School Board	Economic Development Authority
Governmental Activities	Business-Type Activities	Total		
\$ (2,738,713)		\$ (2,738,713)		
(605,258)		(605,258)		
(9,913,194)		(9,913,194)		
(1,646,406)		(1,646,406)		
(2,150,956)		(2,150,956)		
(12,804,904)		(12,804,904)		
(2,869,235)		(2,869,235)		
(1,958,779)		(1,958,779)		
(1,111,334)		(1,111,334)		
(35,798,779)		(35,798,779)		
-	\$ 835,829	835,829		
-	477,440	477,440		
-	23,178	23,178		
-	60,595	60,595		
-	(49,098)	(49,098)		
-	(29,121)	(29,121)		
-	1,318,823	1,318,823		
(35,798,779)	1,318,823	(34,479,956)		
			\$ (22,210,388)	\$ -
			-	(207,409)
			(22,210,388)	(207,409)
24,281,660	-	24,281,660	-	-
4,039,658	-	4,039,658	-	-
4,032,180	-	4,032,180	-	-
2,111,282	-	2,111,282	-	-
1,144,504	-	1,144,504	-	-
1,319,656	-	1,319,656	-	-
1,026,652	-	1,026,652	-	-
133,649	36,455	170,104	4,477	-
		-		
2,862,470	-	2,862,470	9,973,823	-
57,572	-	57,572	-	-
-	-	-	12,221,800	-
(1,041,073)	1,041,073	-	-	-
39,968,210	1,077,528	41,045,738	22,200,100	-
4,169,431	2,396,351	6,565,782	(10,288)	(207,409)
50,536,446	67,134,527	117,670,973	(15,743,661)	8,069,283
\$ 54,705,877	\$ 69,530,878	\$ 124,236,755	\$ (15,753,949)	\$ 7,861,874

CITY OF STAUNTON, VIRGINIA

EXHIBIT 3

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2017**

	General	Capital Projects Fund Capital Improvements	Nonmajor Governmental	Total Governmental
Assets				
Cash and cash equivalents	\$ 10,159,905	\$ 6,900,851	\$ 3,538,847	\$ 20,599,603
Investments	4,198,722	-	-	4,198,722
Receivables (net of allowances for uncollectibles):				
Taxes	5,115,455	-	-	5,115,455
Accounts	647,073	-	20,159	667,232
Interest	12,032	-	-	12,032
Due from other governments	6,498,903	749,825	298,137	7,546,865
Due from other funds	379,634	-	-	379,634
Prepaid items	95,464	-	49,571	145,035
Restricted assets:				
Cash and cash equivalents	12,000	-	-	12,000
Total assets	\$ 27,119,188	\$ 7,650,676	\$ 3,906,714	\$ 38,676,578
Liabilities				
Accounts payable	\$ 821,445	\$ 56,718	\$ 7,604	\$ 885,767
Retainage payable	-	71,101	-	71,101
Accrued liabilities	607,603	-	24,518	632,121
Due to other funds	-	-	274,763	274,763
Unearned revenue	954,904	-	-	954,904
Amounts held for others	9,649	-	-	9,649
Deposits payable	12,000	-	-	12,000
Total liabilities	2,405,601	127,819	306,885	2,840,305
Deferred Inflows of Resources				
Unavailable revenue	10,926,077	947,525	-	11,873,602
Fund Balances				
Nonspendable	475,098	-	49,571	524,669
Restricted	25,401	-	16,068	41,469
Committed	8,137,500	-	-	8,137,500
Assigned	2,516,915	6,575,332	3,534,190	12,626,437
Unassigned	2,632,596	-	-	2,632,596
Total fund balances	13,787,510	6,575,332	3,599,829	23,962,671
Total liabilities, deferred inflows of resources and fund balances	\$ 27,119,188	\$ 7,650,676	\$ 3,906,714	\$ 38,676,578

CITY OF STAUNTON, VIRGINIA

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

Total Fund Balances - Governmental Funds		\$ 23,962,671
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	\$ 126,808,827	
Less: accumulated depreciation	<u>(68,724,641)</u>	
		58,084,186
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)	\$ 92,181	
Deferred amount on refunding (to be amortized as interest expense)	<u>333,904</u>	
		426,085
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.		
		3,946,382
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	12,032	
Miscellaneous reimbursement	18,564	
Jail buy out	4,879,322	
Real estate taxes	<u>2,484,628</u>	
		20,161,213
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2017 employer contributions	\$ 1,738,094	
Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments	1,235,313	
Deferred inflows of resources for the net difference between expected and actual experience	(998,795)	
Net pension liability	<u>(18,560,165)</u>	
		(16,585,553)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	\$ (23,172,412)	
Literary fund loans	(10,000,000)	
Accrued interest payable	(541,052)	
Claims payable	(84,771)	
Compensated absences	<u>(1,490,872)</u>	
		(35,289,107)
Total Net Position - Governmental Activities		<u>\$ 54,705,877</u>

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2017**

	General	Capital Projects	Nonmajor Governmental	Total Governmental
Revenues				
General property taxes	\$ 24,368,117	\$ -	\$ -	\$ 24,368,117
Other local taxes	13,673,932	-	-	13,673,932
Permits, privilege fees, and regulatory licenses	204,627	-	-	204,627
Fines and forfeitures	94,155	-	-	94,155
Revenues from use of money and property	162,996	1,030	59	164,085
Charges for services	1,713,396	-	240,683	1,954,079
Miscellaneous	119,913	-	74,754	194,667
Recovered costs	2,094,311	936,222	-	3,030,533
Intergovernmental:				
Federal	1,235,540	23,690	277,125	1,536,355
Commonwealth	11,483,933	799,763	957,062	13,240,758
City of Staunton School Board	-	-	300,000	300,000
Total revenues	<u>55,150,920</u>	<u>1,760,705</u>	<u>1,849,683</u>	<u>58,761,308</u>
Expenditures				
Current:				
General government administration	5,316,221	7,703	-	5,323,924
Judicial administration	1,887,175	-	-	1,887,175
Public safety	10,585,412	6,000	1,248,914	11,840,326
Public works	6,343,283	202,490	-	6,545,773
Health and welfare	6,217,517	-	-	6,217,517
Education	12,529,800	41,048	-	12,570,848
Parks, recreation, and cultural	3,378,570	7,875	-	3,386,445
Community development	1,506,894	197,451	250,000	1,954,345
Capital projects	-	1,798,102	-	1,798,102
Debt service:				
Principal retirement	-	-	2,827,195	2,827,195
Interest and fiscal charges	-	-	1,117,284	1,117,284
Total expenditures	<u>47,764,872</u>	<u>2,260,669</u>	<u>5,443,393</u>	<u>55,468,934</u>
Excess (deficiency) of revenues over expenditures	<u>7,386,048</u>	<u>(499,964)</u>	<u>(3,593,710)</u>	<u>3,292,374</u>
Other financing sources (uses)				
Transfers in	-	1,641,050	4,850,500	6,491,550
Transfers out	<u>(5,910,550)</u>	<u>(1,650,000)</u>	<u>-</u>	<u>(7,560,550)</u>
Total other financing sources (uses)	<u>(5,910,550)</u>	<u>(8,950)</u>	<u>4,850,500</u>	<u>(1,069,000)</u>
Net change in fund balance	1,475,498	(508,914)	1,256,790	2,223,374
Fund balance - beginning of year	12,312,012	7,084,246	2,343,039	21,739,297
Fund balance - end of year	<u>\$ 13,787,510</u>	<u>\$ 6,575,332</u>	<u>\$ 3,599,829</u>	<u>\$ 23,962,671</u>

CITY OF STAUNTON, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2017

Net changes in fund balances - Governmental Funds		\$	2,223,374	
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	\$	(3,076,502)	
	Capital expenditures		2,602,824	
	Contributed Capital		<u>261,539</u>	(212,139)
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.				
				(65,620)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
	Property taxes	\$	(86,457)	
	Interest		8,742	
	Other operating revenues		<u>8,134</u>	(69,581)
Payments on loans receivable are revenues in the governmental funds, but decrease long term assets in the statement of position				
	Jail buy in		(553,081)	
	Staunton Crossing		<u>(1,250,000)</u>	(1,803,081)
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			2,827,195
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.				
				50,123
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.				
	Employer pension contributions		1,980,734	
	Pension expense		<u>(1,675,900)</u>	304,834
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	\$	(25,222)	
	Amortization of bond discount and deferred amount		<u>(44,172)</u>	(69,394)
The net income of internal service funds is reported within governmental activities on the statement of activities.				
				<u>983,720</u>
Change in net position - Governmental Activities		\$	<u>4,169,431</u>	

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2017

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
Assets							
Current assets:							
Cash and cash equivalents	\$ 1,695,571	\$ 1,026,746	\$ 1,518,746	\$ 41,096	\$ 1,017,962	\$ 5,300,121	\$ 4,367,431
Investments	3,292,784	2,435,661	-	1,591,906	-	7,320,351	-
Receivable:							
Accounts (net of allowance for uncollectibles)	693,861	702,894	111,760	418,393	30,954	1,957,862	26,341
Interest	8,386	6,340	-	1,189	-	15,915	-
Inventory	-	-	-	-	-	-	186,508
Prepaid items	-	-	-	2,853	-	2,853	12,165
Restricted assets:							
Cash and cash equivalents	204,078	-	132,250	2,251,281	4,655	2,592,264	-
Due from other governments	-	212,072	-	-	-	212,072	-
Total current assets	5,894,680	4,383,713	1,762,756	4,306,718	1,053,571	17,401,438	4,592,445
Noncurrent assets:							
Restricted assets:			-				
Due from other governments	-	2,338,714	-	-	-	2,338,714	-
Capital assets:							
Nondepreciable	326,258	176,892	271,075	600,469	1,101,210	2,475,904	-
Depreciable, net	21,261,075	34,646,826	8,933,072	2,997,136	4,058,098	71,896,207	60,666
Total capital assets, net	21,587,333	34,823,718	9,204,147	3,597,605	5,159,308	74,372,111	60,666
Total noncurrent assets	21,587,333	37,162,432	9,204,147	3,597,605	5,159,308	76,710,825	60,666
Total assets	27,482,013	41,546,145	10,966,903	7,904,323	6,212,879	94,112,263	4,653,111
Deferred outflows of resources							
Pension contributions subsequent to measurement date	134,888	11,686	9,111	87,881	7,329	250,895	-
Net difference between expected and actual experience	-	-	-	2,825	-	2,825	-
Net difference between projected and actual investment earnings on pension plan investments	95,869	8,306	6,476	66,022	5,209	181,882	-
Deferred charge on refunding	30,730	-	-	-	-	30,730	-
Total deferred outflows of resources	261,487	19,992	15,587	156,728	12,538	466,332	-
Liabilities							
Current liabilities:							
Accounts payable	100,704	180,987	4,412	190,957	7,091	484,151	6,729
Claims payable	-	-	-	-	-	-	700,000
Retainage payable	2,459	-	-	-	-	2,459	-
Accrued liabilities	113,448	91,707	2,526	26,764	15,427	249,872	-
Unearned revenue	34,309	-	-	-	7,633	41,942	-
Deposits payable	204,078	-	132,250	-	4,655	340,983	-
Due to other funds	-	-	-	92,809	12,062	104,871	-
Debt, current	656,235	1,076,571	-	-	232,379	1,965,185	-
Landfill closure/postclosure	-	-	-	40,258	-	40,258	-
Compensated absences	64,384	792	3,034	56,237	-	124,447	-
Total current liabilities	1,175,617	1,350,057	142,222	407,025	279,247	3,354,168	706,729
Noncurrent liabilities:							
Net pension liability	1,440,396	124,792	97,295	899,180	78,259	2,639,922	-
Debt	5,379,017	10,785,267	-	-	540,047	16,704,331	-
Landfill closure/postclosure	-	-	-	2,113,711	-	2,113,711	-
Compensated absences	59,649	-	7,852	28,651	-	96,152	-
Total noncurrent liabilities	6,879,062	10,910,059	105,147	3,041,542	618,306	21,554,116	-
Total liabilities	8,054,679	12,260,116	247,369	3,448,567	897,553	24,908,284	706,729
Deferred Inflows of Resources							
Net difference between expected and actual experience	77,513	6,716	5,236	45,757	4,211	139,433	-
Total deferred inflows of resources	77,513	6,716	5,236	45,757	4,211	139,433	-
Net Position							
Net investment in capital assets	15,542,107	22,961,138	9,200,747	3,597,605	4,386,882	55,688,479	60,666
Unrestricted	4,069,201	6,338,167	1,529,138	969,122	936,771	13,842,399	3,885,716
Total net position	\$ 19,611,308	\$ 29,299,305	\$ 10,729,885	\$ 4,566,727	\$ 5,323,653	\$ 69,530,878	\$ 3,946,382

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
OPERATING REVENUES							
Parking fines	\$ -	\$ -	\$ -	\$ -	\$ 54,606	\$ 54,606	\$ -
Charges for services	4,067,875	3,881,606	781,950	2,505,349	475,864	11,712,644	8,287,284
Rental of property	48,018	-	-	696	3,800	52,514	-
Operating grants	3,462	-	-	6,242	-	9,704	-
Miscellaneous	4,003	19,931	-	472	613	25,019	-
Total operating revenues	4,123,358	3,901,537	781,950	2,512,759	534,883	11,854,487	8,287,284
OPERATING EXPENSES							
Personal services	836,665	459,648	88,117	1,077,519	202,254	2,664,203	-
Claims paid	-	-	-	-	-	-	5,644,018
Rental of property	4,291	1,850	-	-	6,300	12,441	4,338
Administrative fees	-	-	-	-	-	-	324,330
Stop loss fees	-	-	-	-	-	-	682,659
Repairs and maintenance	272,772	64,659	-	33,755	1,219	372,405	-
Contractual services	179,524	1,298,356	28,851	449,549	58,450	2,014,730	17,706
Materials and supplies	237,522	55,990	3,567	117,738	7,731	422,548	28,052
Depreciation	945,983	1,176,833	458,140	365,836	172,587	3,119,379	3,398
Utilities	167,808	9,392	-	2,207	31,225	210,632	599,521
Other expenses	538,147	181,479	227,783	324,019	94,819	1,366,247	-
Landfill closure/post-closure	-	-	-	85,495	-	85,495	-
Total operating expenses	3,182,712	3,248,207	806,458	2,456,118	574,585	10,268,080	7,304,022
Operating income (loss)	940,646	653,330	(24,508)	56,641	(39,702)	1,586,407	983,262
NONOPERATING REVENUES (EXPENSES)							
Interest income	12,161	9,558	217	14,495	24	36,455	458
Interest and fiscal charges	(243,254)	(357,425)	-	-	(38,517)	(639,196)	-
Gain on disposal of assets	26,787	17,298	-	3,954	-	48,039	-
Debt service recovery	-	71,137	-	-	-	71,137	-
Total nonoperating revenues (expenses)	(204,306)	(259,432)	217	18,449	(38,493)	(483,565)	458
Income (loss) before transfers and capital contributions	736,340	393,898	(24,291)	75,090	(78,195)	1,102,842	983,720
Capital Contributed-Developer	111,650	93,100	47,686	-	-	252,436	-
Capital Contributed from fund activities							
Stormwater	185,478	243,511	-	-	-	428,989	-
Transfer to Water fund	-	-	(185,478)	-	-	(185,478)	-
Transfer to Sewer fund	-	-	(243,511)	-	-	(243,511)	-
Transfer to Governmental activites	-	-	(27,927)	-	-	(27,927)	-
Transfers in	-	-	-	-	1,069,000	1,069,000	-
Change in net position	1,033,468	730,509	(433,521)	75,090	990,805	2,396,351	983,720
Total net position - beginning of year	18,577,840	28,568,796	11,163,406	4,491,637	4,332,848	67,134,527	2,962,662
Total net position - end of year	\$ 19,611,308	\$ 29,299,305	\$ 10,729,885	\$ 4,566,727	\$ 5,323,653	\$ 69,530,878	\$ 3,946,382

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	Internal Service
OPERATING ACTIVITIES							
Cash received from customers and users	\$ 4,020,746	\$ 3,884,386	\$ 849,381	\$ 2,485,040	\$ 513,489	\$ 11,753,042	\$ 8,269,026
Cash paid to suppliers	(1,365,460)	(1,574,822)	(264,004)	(921,321)	(195,503)	(4,321,110)	(627,610)
Cash paid to employees	(938,370)	(491,184)	(91,965)	(1,101,102)	(203,015)	(2,825,636)	-
Claims paid	-	-	-	-	-	-	(5,900,751)
Administrative and stop loss fees	-	-	-	-	-	-	(1,008,480)
Operating grants received	3,462	-	-	6,242	-	9,704	-
Net cash provided by operating activities	1,720,378	1,818,380	493,412	468,859	114,971	4,616,000	732,185
NONCAPITAL FINANCING ACTIVITIES							
Transfers to/from other funds	-	-	-	-	1,069,000	1,069,000	-
Interfund borrowing	-	-	-	(51,172)	(10,136)	(61,308)	-
Net cash provided by (used in) noncapital financing activities	-	-	-	(51,172)	1,058,864	1,007,692	-
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(423,975)	(647,164)	(626,756)	(359,414)	(41,000)	(2,098,309)	-
Principal paid on long-term debt	(578,463)	(1,035,098)	-	-	(224,112)	(1,837,673)	-
Interest paid on long-term debt	(286,904)	(304,614)	-	-	(39,993)	(631,511)	-
Proceeds from sale of capital assets	26,787	17,298	-	3,954	-	48,039	-
Collection of loans receivable	-	206,256	-	-	-	206,256	-
Proceeds from debt issuance	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	(1,262,555)	(1,763,322)	(626,756)	(355,460)	(305,105)	(4,313,198)	-
INVESTING ACTIVITIES							
Transfer (to) from investment account	(500,000)	-	-	-	-	(500,000)	-
Interest received	229	152	217	7,521	24	8,143	458
Net cash provided by (used in) investing activities	(499,771)	152	217	7,521	24	(491,857)	458
Net increase (decrease) in cash and cash equivalents	(41,948)	55,210	(133,127)	69,748	868,754	818,637	732,643
CASH AND CASH EQUIVALENTS							
Beginning of year	1,941,597	971,536	1,784,123	2,222,629	153,863	7,073,748	3,634,789
End of year	\$ 1,899,649	\$ 1,026,746	\$ 1,650,996	\$ 2,292,377	\$ 1,022,617	\$ 7,892,385	\$ 4,367,432
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	\$ 1,695,571	\$ 1,026,746	\$ 1,518,746	\$ 41,096	\$ 1,017,962	\$ 5,300,121	\$ 4,367,431
Restricted cash and cash equivalents	204,078	-	132,250	2,251,281	4,655	2,592,264	-
Total	\$ 1,899,649	\$ 1,026,746	\$ 1,650,996	\$ 2,292,377	\$ 1,022,617	\$ 7,892,385	\$ 4,367,431

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, 2016

	Business-Type Activities – Enterprise Funds						Governmental
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	Activities – Internal Service
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 940,646	\$ 653,330	\$ (24,508)	\$ 56,641	\$ (39,702)	\$ 1,586,407	\$ 983,262
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	945,983	1,176,833	458,140	365,837	172,587	3,119,380	3,398
Pension expense net of employer contributions	(127,607)	(31,974)	(6,256)	(32,221)	(1,966)	(200,024)	-
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(131,582)	(17,151)	2,681	(21,477)	(19,227)	(186,756)	25,009
(Increase) decrease in prepaid items	-	-	-	(2,853)	-	(2,853)	1,581
Decrease in inventory	-	-	-	-	-	-	20,681
Increase (decrease) in accounts payable	34,604	36,904	(3,803)	49,057	4,241	121,003	(1,746)
Increase (decrease) in accrued liabilities	12,214	711	422	5,392	1,205	19,944	(300,000)
Increase (decrease) in unearned revenue	34,309	-	-	-	(1,864)	32,445	-
Increase (decrease) in deposits payable	(1,877)	-	64,750	-	(303)	62,570	-
Increase (decrease) in compensated absences	13,688	(273)	1,986	3,246	-	18,647	-
Increase in landfill closure/postclosure liabilities	-	-	-	45,237	-	45,237	-
Net cash provided by operating activities	<u>\$ 1,720,378</u>	<u>\$ 1,818,380</u>	<u>\$ 493,412</u>	<u>\$ 468,859</u>	<u>\$ 114,971</u>	<u>\$ 4,616,000</u>	<u>\$ 732,185</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets from developers	\$ 111,650	\$ 93,100	\$ 47,686	\$ -	\$ -	\$ 252,436	\$ -
Contributions of capital assets from other funds	185,478	243,511	-	-	-	428,989	-
Capital assets purchased on account	38,245	742	3,400	-	-	42,387	-
Total noncash activities	<u>\$ 335,373</u>	<u>\$ 337,353</u>	<u>\$ 51,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 723,812</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, 2017

	OPEB Trust Fund
	<u> </u>
ASSETS	
Assets held in trust, at fair value	
Investment in pooled funds	<u>\$ 2,026,568</u>
Total assets	<u> 2,026,568</u>
 NET POSITION	
Held in trust for other post-employment benefits	<u> 2,026,568</u>
Total net position	<u><u>\$ 2,026,568</u></u>

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2017

	OPEB Trust Fund
	<hr/>
ADDITIONS	
Contributions:	
Employer	\$ 1,558,000
Investment income (loss)	
Net increase in fair value of investments	191,505
Investment expenses	<u>(2,202)</u>
Net increase in fair value of investments	<u>189,303</u>
Total additions	<u>1,747,303</u>
DEDUCTIONS	
Benefit payments	<u>1,189,000</u>
Total deductions	<u>1,189,000</u>
Change in net position	558,303
Total Net Position Held in Trust for Other Post-employment Benefits - beginning of year	<u>1,468,265</u>
Total Net Position Held in Trust for Other Post-employment Benefits - end of year	<u><u>\$ 2,026,568</u></u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

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, 2017

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 \$1,478,880 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, 2017

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, 2017

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, 2017

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)	\$ 570,884
General Fund (other local taxes)	3,368
Water Fund (charges for services)	40,773
Sewer Fund (charges for services)	60,568
Stormwater Fund (charges for services)	20,403
Parking Fund (charges for services)	2,770
Environmental Fund (charges for services)	30,139
	<hr/>
	\$ 728,905

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

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.

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

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

Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of assets constructed. During FY 2017, the enterprise funds incurred interest costs of \$644,322 of which \$5,126 was capitalized.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

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 five items that qualify for reporting in this category. The first is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt. The second consists of contributions subsequent to the measurement date for pensions; this amount will be applied to the net pension liability in the next fiscal year. The third item is the net difference between projected and actual earnings on pension plan investments. The fourth item results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow. The fifth item is the net difference between expected and actual experience in the pension plans. The last three items will be recognized in pension 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 four items that qualify for reporting in this category. The first item occurs only under the modified accrual basis of accounting; this item, *unavailable revenue*, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is unearned revenue, which results from collection in the current fiscal year of property taxes levied to fund future years. The third item is the net difference between expected and actual experience in the pension plans. The fourth item results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow. The last two items will be recognized in pension 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, 2017

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 and developer contributed amounts which apply to subsequent periods.

In the School Board component unit, unearned revenue consists of grant revenues and 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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances

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

Net Position

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

The golf fund had negative net position totaling \$157,091 at June 30, 2017 as a result of costs exceeding fees charged and recognition of the net pension liability. The portion of the deficit related to costs exceeding fees charged is expected to be recovered by an increase in fees.

The component unit school board had a negative net position totaling \$15,753,949 at June 30, 2017 as a result of recognizing the net pension liability. This deficit is not expected to be recovered in the near term.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balance Policies

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

Nonspendable Fund Balance: includes amounts that cannot be spent because they are either not in spendable form such as inventories, property acquired for resale, prepaid amounts, or amounts that are legally or contractually required to 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, 2017

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, 2017 for the general fund is \$8,137,500. 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, 2017

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, 2017

Note 2. Deposits and Investments (Continued)

Investment policy (Continued)

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

Investment Type	Fair Value	S & P Credit Rating
<u>Primary Government</u>		
Money Market Funds	\$ 985,645	Not Rated
Federal Agency Bonds and Notes	9,109,989	AA+
Corporate Bonds/Notes	1,423,439	AA- to AA+
Local Government Investment Pool (LGIP)	<u>1,032,569</u>	AAAm
Total primary government	<u>12,551,642</u>	
<u>Component Unit School Board</u>		
Local Government Investment Pool (LGIP)	<u>577,788</u>	AAAm
Total Component Unit School Board	<u>577,788</u>	
Grand total	<u>\$ 13,129,430</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.

Issuer	Percent of Total Portfolio
First American Government Obligations Fund	7.51%
Federal Farm Credit Bank	7.74%
Federal Home Loan Bank	26.85%
Federal Home Loan Mortgage Corp	28.02%
Federal National Mortgage Association	6.77%

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

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	\$ 985,645	N/A
Federal Agency Notes and Bonds	9,109,989	1.02
Corporate Bonds/Notes	1,423,439	1.07
Local Government Investment Pool (LGIP)	1,610,357	N/A
	<u>\$ 13,129,430</u>	

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

	Primary Government	Component Units	
		School Board	EDA
Deposits and investments:			
Cash on hand	\$ 11,977	\$ -	\$ -
Deposits	31,826,873	3,508,370	18,509
Investments	12,551,642	577,788	-
	<u>\$ 44,390,492</u>	<u>\$ 4,086,158</u>	<u>\$ 18,509</u>
Statement of net position:			
Cash and cash equivalents	\$ 30,267,155	\$ 4,086,158	\$ 18,509
Investments	11,519,073	-	-
Restricted-cash and cash equivalents	2,604,264	-	-
	<u>\$ 44,390,492</u>	<u>\$ 4,086,158</u>	<u>\$ 18,509</u>

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, 2017:

	Level 1
Debt securities	
U.S. Agency securities	\$ 9,109,989
Corporate bonds	1,423,439
	<u>\$ 10,533,428</u>

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

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	\$ 2,667,543	\$ -	\$ 2,093,883
Virginia revolving loans	-	2,550,786	-
Regional jail buy-in	4,879,322	-	-
	<u>\$ 7,546,865</u>	<u>\$ 2,550,786</u>	<u>\$ 2,093,883</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	\$ 212,072	\$ 65,322
Amount receivable within 2 to 5 years	839,922	200,300
Amount receivable beyond 5 years	1,498,792	165,542
	<u>\$ 2,550,786</u>	<u>\$ 431,164</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 is \$21,543,588. The purchase price was determined pursuant to an arm's length negotiation and calculated based in part upon the original replacement cost of the jail and an assumed usage of 250 beds by the buyers.

The City's share of the purchase price was \$31.17% or \$6,715,136. The purchase price is to be paid 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	\$ 565,083	\$ 105,881
Amount receivable within 2 to 5 years	2,385,645	298,212
Amount receivable beyond 5 years	1,928,594	84,300
	<u>\$ 4,879,322</u>	<u>\$ 488,393</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 4. Interfund Transfers and Obligations

Primary Government:

	Transfers Out	Transfers In		
	Capital Projects Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Total
Capital Projects	\$ -	\$ 750,000	\$ 900,000	\$ 1,650,000
General Fund	1,641,050	4,100,500	169,000	5,910,550
Total	<u>\$ 1,641,050</u>	<u>\$ 4,850,500</u>	<u>\$ 1,069,000</u>	<u>\$ 7,560,550</u>

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

The Stormwater fund recorded a transfer to Governmental activities in the amount of \$27,927 for assets paid for by that fund. The transfer in is not recorded in the general fund statement of revenues, expenditures and changes in fund balance, but is included as a reconciling item and is shown as part of the transfer total in the government-wide statement of governmental activities.

The Stormwater fund recorded transfers out of \$185,478 and \$243,511 to the water and sewer funds, respectively, for utility lines replaced as part of a storm water project. The transfers are recorded as contributed capital in the water and sewer funds.

Component Unit School Board:

	Transfers Out	Transfers In	
		Education Fund	Nonmajor Governmental Funds
Education fund	\$ -	\$ 1,098,833	\$ 1,098,833
Nonmajor governmental funds	92,393	-	92,393
Total	<u>\$ 92,393</u>	<u>\$ 1,098,833</u>	<u>\$ 1,191,226</u>

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

Interfund Advances:

The General Fund has receivables in the amount of \$274,763 from the State and Federal Grants Fund, \$92,809 from the Environmental Fund, and \$12,062 from the Golf Fund for advances to cover cash deficits. These advances are expected to be collected in the subsequent year.

In the School Board Component Unit, the Education Fund has a receivable in the amount of \$729,246 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, 2017

Note 5. Capital Assets

Primary Government:

Capital asset activity for the primary government is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets, not depreciated:				
Land (including easements)	\$ 4,737,487	\$ -	\$ -	\$ 4,737,487
Construction in progress	1,067,732	1,507,208	914,162	1,660,778
Total capital assets, not depreciated	5,805,219	1,507,208	914,162	6,398,265
Capital assets, depreciated:				
Buildings	13,048,200	103,066	-	13,151,266
Improvements	3,138,092	643,079	-	3,781,171
School assets*	28,585,080	-	-	28,585,080
Equipment	15,144,029	1,239,683	736,118	15,647,594
Infrastructure	59,188,119	285,489	-	59,473,608
Total capital assets, depreciated	119,103,520	2,271,317	736,118	120,638,719
Less accumulated depreciation for:				
Buildings	6,131,393	297,120	-	6,428,513
Improvements	2,132,538	91,161	-	2,223,699
School assets*	9,123,441	624,456	-	9,747,897
Equipment	10,823,512	860,725	670,498	11,013,739
Infrastructure	38,271,846	1,206,438	-	39,478,284
Total accumulated depreciation	66,482,730	3,079,900	670,498	68,892,132
Total capital assets, depreciated, net	52,620,790	(808,583)	65,620	51,746,587
Total capital assets, net, governmental activities	\$ 58,426,009	\$ 698,625	\$ 979,782	\$ 58,144,852

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Business-type activities:				
Capital assets, not depreciated:				
Land (including easements)	\$ 1,997,183	\$ 17,680	\$ -	\$ 2,014,863
Construction in progress	898,751	327,476	765,186	461,041
Total capital assets, not depreciated	2,895,934	345,156	765,186	2,475,904
Capital assets, depreciated:				
Landfill	3,476,207	10,906	23,810	3,463,303
Buildings	42,382,054	-	-	42,382,054
Improvements	3,303,394	101,898	-	3,405,292
Equipment	12,413,472	887,539	370,632	12,930,379
Utility lines	60,015,698	1,574,391	-	61,590,089
Total capital assets, depreciated	121,590,825	2,574,734	394,442	123,771,117
Less accumulated depreciation				
Landfill	1,949,484	116,160	23,810	2,041,834
Buildings	12,834,838	947,152	-	13,781,990
Improvements	1,439,514	71,370	-	1,510,884
Equipment	8,209,709	515,970	370,632	8,355,047
Utility lines	24,716,428	1,468,727	-	26,185,155
Total accumulated depreciation	49,149,973	3,119,379	394,442	51,874,910
Total capital assets, depreciated, net	72,440,852	(544,645)	-	71,896,207
Total capital assets, net, business-type activities	\$ 75,336,786	\$ (199,489)	\$ 765,186	\$ 74,372,111

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 5. Capital Assets (Continued)

Component Unit – School Board

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

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Component Unit – School Board:				
Capital assets, not depreciated:				
Land	\$ 236,000	\$ -	\$ -	\$ 236,000
Construction in progress	88,556	-	88,556	-
Total capital assets, not depreciated	<u>324,556</u>	<u>-</u>	<u>88,556</u>	<u>236,000</u>
Buildings	39,991,501	346,260	-	40,337,761
Improvements	744,579	-	-	744,579
School assets allocated to the City*	(28,585,080)	-	-	(28,585,080)
Equipment	6,859,794	122,976	29,816	6,952,954
Total capital assets, depreciated	<u>19,010,794</u>	<u>469,236</u>	<u>29,816</u>	<u>19,450,214</u>
Less accumulated depreciation				
Buildings	15,113,544	903,813	-	16,017,357
Improvements	405,222	23,256	-	428,478
School assets allocated to the City*	(9,123,441)	(624,456)	-	(9,747,897)
Equipment	5,107,574	325,796	29,816	5,403,554
Total accumulated depreciation	<u>11,502,899</u>	<u>628,409</u>	<u>29,816</u>	<u>12,101,492</u>
Total capital assets, depreciated, net	<u>7,507,895</u>	<u>(159,173)</u>	<u>-</u>	<u>7,348,722</u>
Total capital assets, net	<u>\$ 7,832,451</u>	<u>\$ (159,173)</u>	<u>\$ 88,556</u>	<u>\$ 7,584,722</u>

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 5. Capital Assets (Continued)

Component Unit – EDA

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

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Component Unit – EDA:				
Capital assets, not depreciated:				
Land	\$ 799,748	\$ -	\$ 5,802	\$ 793,946
Total capital assets, not depreciated	799,748	-	5,802	793,946
Capital assets, depreciated:				
Buildings	8,305,640	-	-	8,305,640
Equipment	2,002,896	-	12,065	1,990,831
Total capital assets, depreciated	10,308,536	-	12,065	10,296,471
Less accumulated depreciation				
Buildings	1,839,372	164,746	-	2,004,118
Equipment	1,399,771	65,681	6,535	1,458,917
Total accumulated depreciation	3,239,143	230,427	6,535	3,463,035
Total capital assets, depreciated, net	7,069,393	(230,427)	5,530	6,833,436
Total capital assets, net	\$ 7,869,141	\$ (230,427)	\$ 11,332	\$ 7,627,382

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 5. Capital Assets (Continued)

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

Governmental activities:

General government administration	\$ 167,898
Judicial administration	22,762
Public safety	383,519
Public works	1,573,688
Health and welfare	18,457
Education	624,456
Parks, recreation, and culture	278,871
Community development	<u>6,851</u>
Total depreciation expense – governmental	<u><u>\$ 3,076,502</u></u>

Business-type activities:

Water	\$ 945,983
Sewer	1,176,833
Storm water	458,140
Environmental	365,836
Golf	32,138
Parking	<u>140,449</u>
Total depreciation expense – business-type	<u><u>\$ 3,119,379</u></u>

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

Instruction	\$ 460,531
Administration, attendance and health	802
Pupil transportation	114,386
School food service	14,965
Operation and maintenance	<u>37,725</u>
Total depreciation expense – School Board	<u><u>\$ 628,409</u></u>

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

Community Development	<u><u>\$ 230,427</u></u>
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City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 6. Long-Term Liabilities

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

Primary Government:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
General obligation debt:					
General obligation					
bonds	\$ 25,049,607	\$ -	\$ 1,877,195	\$ 23,172,412	\$ 1,927,922
Literary fund loans	10,950,000	-	950,000	10,000,000	950,000
	35,999,607	-	2,827,195	33,172,412	2,877,922
Less unamortized discount	(101,737)	-	(9,556)	(92,181)	(9,202)
Total general obligation debt	35,897,870	-	2,817,639	33,080,231	2,868,720
Other liabilities:					
Compensated absences	1,543,682	958,957	998,825	1,503,814	1,053,135
Claims payable	1,065,083	5,380,675	5,653,485	792,273	707,502
Total other liabilities	2,608,765	6,339,632	6,652,310	2,296,087	2,018,460
Total governmental activities long-term liabilities	<u>\$ 38,506,635</u>	<u>\$ 6,339,632</u>	<u>\$ 9,469,949</u>	<u>\$ 35,376,318</u>	<u>\$ 4,887,180</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, 2017

Note 6. Long-Term Liabilities (Continued)

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loans	\$ 18,996,027	\$ -	\$ 1,613,561	\$ 17,382,466	\$ 1,672,107
General obligation bonds	1,001,650	-	224,112	777,538	232,893
	19,997,677	-	1,837,673	18,160,004	1,905,000
Plus unamortized premium	602,948	-	64,620	538,328	64,620
Less unamortized discount	(33,761)	-	(4,945)	(28,816)	(4,435)
 Total bonds and loans payable	 20,566,864	 -	 1,897,348	 18,669,516	 1,965,185
Other liabilities:					
Landfill closure/postclosure liability	2,108,732	85,495	40,258	2,153,969	40,258
Compensated absences	201,952	147,902	129,255	220,599	124,447
 Total other liabilities	 2,310,684	 233,397	 169,513	 2,374,568	 164,705
 Total business-type activities long-term liabilities	 \$ 22,877,548	 \$ 233,397	 \$ 2,066,861	 \$ 21,044,084	 \$ 2,129,890

Component Unit – School Board

Other liabilities:					
Compensated absences	\$ 368,293	\$ 573,594	\$ 255,633	\$ 686,254	\$ 444,996
Total Component Unit School Board long-term liabilities	\$ 368,293	\$ 573,594	\$ 255,633	\$ 686,254	\$ 444,996

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

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	\$ 2,299,122	\$ -
2007 GO Refunding & CIP Bonds (Refunding Hotel GO bonds and golf course improvements)	3.50-4.25%	01/2007	02/2034	10,600,000	8,500,000	455,000
1997A School Construction Bonds (Shelburne Middle School)	4.35-5.225%	11/1997	01/2017	2,000,000	100,000	-
1997B School Construction Bonds (Shelburne Middle School)	4.35-5.225%	11/1997	01/2017	4,211,116	247,290	-
1998 Parking Garage Bonds (New Street Parking Garage)	4.20%	12/1998	06/2019	3,000,000	-	322,548
2012 GO Bonds (Staunton Crossing)	2.21%	10/2012	10/2027	10,000,000	8,180,000	-
2013 GO Bonds (Staunton Crossing)	2.58%	01/2013	01/2028	5,000,000	3,846,000	-
					<u>\$ 23,172,412</u>	<u>\$ 777,548</u>
<u>Literary Fund Loans :</u>						
2002 Bessie Weller Elem renovations	4.00%	02/2002	03/2022	4,000,000	\$ 1,000,000	\$ -
2008 McSwain Elem renovations	3.00%	08/2008	08/2028	7,500,000	4,500,000	-
2008 Ware Elem renovations	3.00%	08/2008	08/2028	7,500,000	4,500,000	-
					<u>\$ 10,000,000</u>	<u>\$ -</u>
<u>Virginia Revolving Loan Funds:</u>						
Middle River Wastewater Phase II improvements	3.50%	09/1999	03/2021	6,411,399	-	1,689,313
Middle River Wastewater Phase IIIA improvements	3.00%	01/2008	03/2030	9,309,033	-	6,726,876
Middle River Wastewater Phase IIIB improvements	3.00%	09/2008	03/2030	2,066,747	-	1,495,382
2009A Refunding Bonds-Water Treatment Plant	1.125%-5.125%	06/2009	10/2021	4,150,000	-	1,730,000
2010A VRA Water and Sewer CIP projects	2.78%-5.2%	06/2010	10/2030	7,080,000	-	5,550,000
New Hope Road Industrial Park Sewer Lines	3.85%	03/2002	09/2021	629,734	-	190,895
					<u>\$ -</u>	<u>\$ 17,382,466</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 6. Long-Term liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Governmental Activities				
Year Ending	General Obligation Bonds		Literary Fund Loans	
June 30,	Principal	Interest	Principal	Interest
2018	\$ 1,927,922	\$ 713,819	\$ 950,000	\$ 310,000
2019	1,627,366	658,164	950,000	279,500
2020	1,674,399	610,107	950,000	249,000
2021	1,722,743	561,516	950,000	218,500
2022	1,772,407	511,444	950,000	188,000
2023-2027	9,002,575	1,755,612	3,750,000	562,500
2028-2032	4,120,000	675,384	1,500,000	67,500
2033-2037	1,325,000	85,001	-	-
	<u>\$ 23,172,412</u>	<u>\$ 5,571,047</u>	<u>\$ 10,000,000</u>	<u>\$ 1,875,000</u>
Business-Type Activities				
Year Ending	General Obligation Bonds		Virginia Revolving Loan	
June 30,	Principal	Interest	Principal	Interest
2018	\$ 232,893	\$ 30,412	\$ 1,672,107	\$ 602,017
2019	129,655	20,401	1,736,531	537,057
2020	20,000	17,206	1,806,866	470,409
2021	20,000	16,406	1,868,133	403,158
2022	25,000	15,606	966,815	350,015
2023-2027	125,000	62,719	5,215,434	1,255,068
2028-2032	155,000	34,839	4,116,580	307,720
2033-2037	70,000	4,463	-	-
	<u>\$ 777,548</u>	<u>\$ 202,052</u>	<u>\$ 17,382,466</u>	<u>\$ 3,925,444</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. 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. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan 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, and they were vested as of January 1, 2013.
- **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. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
 - **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, 2017

Note 7. 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, 2017

Note 7. 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. 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. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **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, 2017

Note 7. 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** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **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, 2017

Note 7. 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, 2017

Note 7. 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, 2017

Note 7. 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.
 - The cost for purchasing refunded service is the higher or 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

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

	<u>City</u>
Inactive members or their beneficiaries currently receiving benefits	<u>270</u>
Inactive members:	
Vested inactive members	42
Non-vested inactive members	54
Inactive members active elsewhere in VRS	<u>102</u>
Total inactive members	198
Active members	<u>270</u>
Total covered employees	<u><u>738</u></u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

	School Non- Professional*
Inactive members or their beneficiaries currently receiving benefits	47
Inactive members:	
Vested inactive members	5
Non-vested inactive members	23
Inactive members active elsewhere in VRS	14
Total inactive members	42
Active members	47
Total covered employees	136

*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. Prior to July 1, 2012, all of the 5.00% member contribution was assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. Effective July 1, 2012, the City and School Board provided a 5.7% salary increase to cover this increase in cost to the employee.

The political subdivision's and school division's contractually required contribution rate for the year ended June 30, 2017 was 17.94% 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 \$1,980,734 and \$2,363,714 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions to the pension plan from the school division were \$87,226 and \$119,455 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. 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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.50%
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 - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table and decrease in male rates of disability; Non 10 largest only: adjustment to rates of service retirement for females, decrease in rates of female disability and increase in rates of withdrawal.

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:

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

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

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

Discount Rate

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. 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, 2015	\$ 73,634,335	\$ 54,075,028	\$ 19,559,307
Changes for the year:			
Service cost	1,428,109	-	1,428,109
Interest	5,029,018	-	5,029,018
Differences between expected and actual experience	(946,229)	-	(946,229)
Contributions – employer	-	2,349,913	(2,349,913)
Contributions – employee	-	655,097	(655,097)
Net investment income	-	947,931	(947,931)
Benefit payments, including refunds of employee contributions	(3,582,452)	(3,582,452)	-
Administrative expenses	-	(33,522)	33,522
Other changes	-	(399)	399
Net changes	1,928,446	336,568	1,591,878
Balances at June 30, 2016	\$ 75,562,781	\$ 54,411,596	\$ 21,151,185
Add Net Pension Liability from Landfill			48,902
Total Net Pension Liability at June 30, 2016			\$ 21,200,087

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. 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, 2015	\$ 4,292,261	\$ 3,887,072	\$ 405,189
Changes for the year:			
Service cost	101,428	-	101,428
Interest	289,147	-	289,147
Differences between expected and actual experience	33,649	-	33,649
Contributions – employer	-	115,259	(115,259)
Contributions – employee	-	49,030	(49,030)
Net investment income	-	63,623	(63,623)
Benefit payments, including refunds of employee contributions	(324,922)	(324,922)	-
Administrative expenses	-	(2,465)	2,465
Other changes	-	(28)	28
Net changes	99,302	(99,503)	198,805
Balances at June 30, 2016	\$ 4,391,563	\$ 3,787,569	\$ 603,994

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	\$ 30,346,108	\$ 21,151,185	\$ 13,469,907
School nonprofessional employees net pension liability	\$ 1,027,114	\$ 603,994	\$ 241,813

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$1,462,434. At June 30, 2017, 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	\$	\$
City	-	1,138,228
Landfill*	2,825	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments		
City	1,407,764	-
Landfill*	9,431	-
Employer contributions subsequent to the measurement date		
City	1,980,734	-
Landfill*	8,255	-
Total	<u>\$ 3,409,009</u>	<u>\$ 1,138,228</u>

*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, 2017, the school division recognized pension expense of \$62,202 for nonprofessional employees. At June 30, 2017, 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	\$ 21,186	\$ 4,777
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	98,267	-
Employer contributions subsequent to the measurement date	87,226	-
Total	<u>\$ 206,679</u>	<u>\$ 4,777</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

The \$1,980,734 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, 2018. 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
2018	\$ (609,663)
2019	(392,638)
2020	708,654
2021	563,183
2022	-
Thereafter	-

The \$87,226 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (excludes Genesis):

Year Ending June 30,	Increase (Reduction) to Pension Expense
2018	\$ 6,946
2019	7,984
2020	59,180
2021	40,563
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan-City

At June 30, 2017, approximately \$220,853 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Payables to the Pension Plan-School Division

At June 30, 2017, approximately \$6,898 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

Note 8. 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 7.

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. Prior to July 1, 2012, all of the 5.00% member contribution was been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. Effective July 1, 2012, the City and School Board provided a 5.7% salary increase to cover this increase in cost to the employee.

Each school division’s contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$ 2,427,393 and \$2,293,663 for the years ended June 30, 2017 and June 30, 2016, respectively.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 8. 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, 2017, the school division reported a liability of \$30,051,395 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .22048% as compared .21775% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,430,527. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 973,572
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,716,746	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	347,218	566,053
Employer contributions subsequent to the measurement date	2,427,393	-
	<hr/>	<hr/>
Total	\$ 4,491,357	\$ 1,539,625
	<hr/>	<hr/>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 8. 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 \$2,427,393 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, 2018. 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
2018	\$ (354,999)
2019	(354,999)
2020	711,943
2021	559,245
2021	(36,851)
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, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

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, 2017

Note 8. 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	\$ 42,839,140	\$ 30,051,395	\$ 19,518,137

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2017, approximately \$79,918 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

Note 9. 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, 2017

Note 9. 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 following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class (Strategy)	Allocation- Portfolio I	Allocation- Portfolio II
Total Equity	59 %	32 %
Total Fixed Income	21 %	58 %
Total Real Assets	10 %	5 %
Diversified Hedge Funds	10 %	5 %
Total	100 %	100 %

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 9. 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, 2017, the annual money-weighted rate of return on investments, net of investment expense, was +13.04 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	48
Active members	<u>274</u>
Total covered employees	<u><u>322</u></u>

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	9
Active members	<u>409</u>
Total covered employees	<u><u>448</u></u>

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, 2017

Note 9. Other Post-Employment Benefits (Continued)

Funding Policy-City

The contribution requirements of the City healthcare plan members and City are established and may be amended by the City Council. During fiscal year 2017, the City paid an average of 84% for the various types of health insurance coverage. The retiree is required to pay the remaining amount.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2017, the City contributed \$716,000 to the City's healthcare plan for health insurance and contributed \$199,000 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 2017. It is the City's intent to fully fund the ARC each year.

Funding Policy-School Board

The contribution requirements of the School Board healthcare plan members and School Board are established and may be amended by the School Board. During fiscal year 2017, the School Board paid approximately 71% of the existing rate for subscriber only coverage and the retiree paid the remaining 29% plus any additional premium for spouse or dependent coverage.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the School Board's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2017, the School Board contributed \$473,000 to the School Board's healthcare plan for health insurance and contributed \$170,000 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.

Annual OPEB Cost

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

The City and School Board's annual OPEB cost, amounts contributed to the plan, and changes in the net OPEB Obligation for fiscal year 2017 is as follows:

	Primary Government	Component Unit – School Board
Annual Required Contribution (ARC)	\$ 716,000	\$ 473,000
Interest on Net OPEB Obligation	-	(1,000)
Net OPEB Obligation Adjustment	-	1,000
Annual OPEB Cost	716,000	473,000
Actual Contribution	(716,000)	(473,000)
Increase (decrease) in net OPEB Obligation	-	-
Net OPEB Asset July 1, 2016	-	(14,000)
Net OPEB Asset, June 30, 2017	\$ -	\$ (14,000)

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 9. Other Post-Employment Benefits (Continued)

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
Primary Government			
June 30, 2015	\$ 648,000	100%	\$ -
June 30, 2016	648,000	100%	-
June 30, 2017	716,000	100%	-
Component Unit –School Board			
June 30, 2015	\$ 339,000	100%	\$ (14,000)
June 30, 2016	339,000	100%	(14,000)
June 30, 2017	473,000	100%	(14,000)

Net OPEB Liability

The components of the net OPEB liability at June 30, 2017, were as follows:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Total OPEB Liability	\$ 7,420,000	\$ 4,119,000
Plan fiduciary net position	(1,072,735)	3,165,167
Net OPEB liability	<u>\$ 6,347,265</u>	<u>\$ 953,833</u>
Plan fiduciary net position as a percentage of the total OPEB liability	57%	23%

Funded Status and Funding Progress

As of July 1, 2015, the actuarial valuation date applicable to FY17, the City's OPEB plan was 8.5% funded. The actuarial accrued liability for benefits was \$7,420,000 and the actuarial value of assets was \$631,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,789,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$13,046,000, and the ratio of the UAAL to the covered payroll was 52.04%.

As of July 1, 2015, the actuarial valuation date applicable to FY17, the School Board's OPEB plan was 15.5% funded. The actuarial accrued liability for benefits was \$4,119,000 and the actuarial value of assets was \$640,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,479,000. The covered payroll (annual payroll of active employees covered by the School Board plan) was \$16,645,000, and the ratio of the UAAL to the covered payroll was 20.9%.

Actuarial Methods and Assumptions

For both the City and the School Board, the ARC for fiscal year 2017 was determined as part of the July 1, 2015 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions used in the valuation include:

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 9. Other Post-Employment Benefits (Continued)

- a. rate of return on the investment of present and future assets of 7.5% per year with an inflation rate of 2.5%. An annual healthcare cost trend rate of 7% initially, which decreases at a rate of .5% per year until an ultimate rate of 5% is reached.
- b. The UAAL for the City is being amortized as a level percentage of payroll on an open basis over 20 years. The remaining amortization period at June 30, 2015 is 20 years.
- c. The UAAL for the School Board is being amortized as a level percentage of payroll on an open basis over 15 years. The remaining amortization period at June 30, 2015 is 15 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2020.

Discount Rate

For both the City and the School Board, the discount rate used was 7.5%

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	\$ 8,099,000	\$ 7,420,000	\$ 6,821,000
School Board net OPEB liability	\$ 4,486,000	\$ 4,119,000	\$ 3,789,000

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	\$ 6,737,000	\$ 7,420,000	\$ 8,216,000
School Board net OPEB liability	\$ 3,721,000	\$ 4,119,000	\$ 4,581,000

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 10. Commitments and Contingencies

State and Federal Programs:

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

Legal Matters:

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

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 \$1,978,186 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	\$ 455,645	\$ -
Sewer fund	44,305	-
Stormwater fund	6,800	-
General fund	-	1,023,693
Capital Improvements Fund	1,471,436	76,992
Nonmajor funds	-	481
	<u>\$ 1,978,186</u>	<u>\$ 1,101,166</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 11. General Property Taxes

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

Real estate taxes are billed in semiannual installments, 75% due June 20 and 25% due December 5. For the current fiscal year the real estate taxes budgeted for and reported as revenue in the fund financial statements include those assessed as of January 1, 2016 and due December 5, 2016 as well as the portion of the January 1, 2017 assessment due June 20, 2017, less an allowance for uncollectibles and less taxes not collected within 45 days of year end plus collections of previously delinquent taxes. The tax rate for the January 1, 2016 levy was \$.95 per \$100 of assessed value. The tax rate for the January 1, 2017 levy was \$.97 per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2017 and due December 5, 2017, are reflected in the accompanying financial statements as a receivable and are offset by deferred inflows of resources, in the amount of \$2,148,321, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2017 are also included in deferred inflows of resources, in the amount of \$2,314,068 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 2017, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2016 assessment due December 5, 2016, 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 \$2.75 per \$100 of assessed value.

Note 12. 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	\$ 12,000	\$ 340,983
Receivable for share of debt	-	2,550,786
Landfill sinking fund	-	2,251,281
Total	<u>\$ 12,000</u>	<u>\$ 5,143,050</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 13. Risk Management

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

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

As of June 1, 2003, the City discontinued its self-insured worker's compensation arrangement and began insurance coverage with the Virginia Municipal League. As of June 30, 2017, 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 \$7,502 and is reported in the General Fund. The long term liability is estimated to be \$84,771.

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 2015, 2016 and 2017 were as follows:

<u>Year Ended June 30,</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2015	\$ 56,523	\$ 3,193,391	\$ 2,640,589	\$ 609,325
2016	\$ 609,325	\$ 6,974,969	\$ 6,519,212	\$ 1,065,083
2017	\$ 1,065,083	\$ 5,380,675	\$ 5,653,485	\$ 792,273

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 14. Landfill Closure and Post-closure Care Costs

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

State and federal laws and regulations require the Augusta Regional Landfill to place a final cover or cap on a landfill cell when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Under the cost sharing agreement, the City will bear 39.67% of such costs for Permit 21 and 26.04% of such costs for Permit 585. The cost sharing percentage of Permit 585 is adjusted each year based on usage by each locality. The remainder of the Permit 585 costs will be borne by the County and the City of Waynesboro. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year ending date.

The \$1,206,574 reported as landfill closure liability at June 30, 2017 represents the cumulative amount reported to date based on the use of 95% of the estimated capacity of the Permit #585 (Phases 1-3) landfill and the stockpile financial assurance liability. The \$947,395 reported as post-closure monitoring liability at June 30, 2017, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 95% of the estimated capacity of the Permit #585 (Phases 1-3) landfill. Total closure and post-closure care costs and post-closure monitoring costs accrued at June 30, 2017 for both joint ventures are \$2,153,969.

The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of \$79,523 for Permit #585 (phases 1-3) landfill as the remaining estimated capacity is filled over the next 18 to 24 months and \$791,571 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 2016.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 15. 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. \$191,586 was added to that balance during FY 2016 to account for costs associated with demolishing a building on the property to ready it for sale. During fiscal year 2017, the EDA sold approximately 25 acres of the property at a sales price of \$1,250,000. The cost basis of the land sold was \$1,221,533. As a result of the sale, the adjusted inventory value is reported at \$12,970,053 as of June 30, 2017.

The EDA transferred back to the City the sales price of \$1,250,000, and the amount due back to the City is reported at \$12,750,000. In fiscal year 2017, the City's management concluded that no material decline in the property's value had occurred.

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

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 is \$2,883,747. The City has received notice of award of \$1,000,000 revenue sharing grant for road improvements. The developer contributed the remaining amount of \$1,883,747. The project was approximately 49.7% completed, therefore, \$947,525 is reported as unearned revenue in the financial statements.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 16. Operating Lease

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

Year Ending June 30,	
2018	\$ 42,558
2019	43,409
2020	44,277
2021	45,163
2022	46,066
2023-2027	244,525
Total	<u>\$ 465,998</u>

Note 17. Fund Balance

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2017:

	General	Capital Improvements Fund	Nonmajor governmental	School Board Component Unit
Nonspendable				
Prepays	\$ 95,464	\$ -	\$ 49,571	\$ 19,156
Interfund advances	379,634	-	-	-
Total Nonspendable	<u>\$ 475,098</u>	<u>\$ -</u>	<u>\$ 49,571</u>	<u>\$ 19,156</u>
Restricted:				
Donor purposes	\$ 25,401	\$ -	\$ 16,068	\$ 5,611
Programs	-	-	-	1,823
Total restricted	<u>\$ 25,401</u>	<u>\$ -</u>	<u>\$ 16,068</u>	<u>\$ 7,434</u>
Committed:				
Stabilization arrangement	<u>\$ 8,137,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned:				
Accrued leave	\$ 1,490,872	\$ -	\$ -	\$ -
Capital projects	-	5,026,904	-	1,538,242
Debt service	-	-	2,981,579	-
General government administration	297,887	-	-	-
Judicial administration	29,444	-	-	-
Public safety	114,233	48,634	291,422	-
Public works	341,250	1,471,436	-	-
Parks and recreation	224,526	3,029	-	-
Community development	18,703	25,329	261,189	-
Education	-	-	-	1,851,799
Textbooks	-	-	-	526,287
Food service	-	-	-	458,364
Total assigned	<u>\$ 2,516,915</u>	<u>\$ 6,575,332</u>	<u>\$ 3,534,190</u>	<u>\$ 4,374,692</u>
Unassigned	<u>\$ 2,632,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 18. Tax Abatements

The City provides tax exemptions through the Rehabilitated Real Estate Tax Exemption program.

Rehabilitated Real Estate Tax Exemption Program – Provides real estate tax exemptions for substantially rehabilitated real estate, under City Code Section 3.20.020, which is authorized under Virginia Code Section 58.1-3220 – 21. Exemptions are obtained through application by the property owner and are good for a period of 7 years starting January 1st of the year following the completion of the rehabilitation. The City Assessor must verify that the rehabilitation on the application has been completed. The tax exemption is an amount equal to the increase in assessed value resulting from the rehabilitation. The exemption is deducted from the assessed value on the recipient's tax bill.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated</u>
Rehabilitated Real Estate Exemption Program	\$ <u>164,897</u>

Note 19. Subsequent Events

During fiscal year 2018, the City plans to advance refund its Series 2010A Public Improvement Debt. The anticipated cost savings is approximately \$457,000.

Note 20. New Accounting Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 20. New Accounting Standards (Continued)

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2017

Note 20. New Accounting Standards (Continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STAUNTON, VIRGINIA
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 23,111,000	\$ 23,111,000	\$ 24,368,117	\$ 1,257,117
Other local taxes	13,271,000	13,271,000	13,673,932	402,932
Permits, privilege fees, and regulatory licenses	330,750	330,750	204,627	(126,123)
Fines and forfeitures	95,000	95,000	94,155	(845)
Revenue from use of money and property	55,000	55,000	162,996	107,996
Charges for services	1,449,617	1,455,367	1,713,396	258,029
Miscellaneous	27,950	46,131	119,913	73,782
Recovered costs	975,964	2,265,476	2,094,311	(171,165)
Intergovernmental:				
Federal	1,022,746	1,065,598	1,235,540	169,942
Commonwealth	11,774,973	11,917,517	11,483,933	(433,584)
Total revenues	52,114,000	53,612,839	55,150,920	1,538,081
EXPENDITURES				
Current:				
General government administration	5,707,954	5,787,715	5,316,221	471,494
Judicial administration	1,925,877	2,001,736	1,887,175	114,561
Public safety	10,488,061	11,013,381	10,585,412	427,969
Public works	5,984,191	6,823,472	6,343,283	480,189
Health and welfare	6,763,442	6,615,631	6,217,517	398,114
Education	12,529,800	12,529,800	12,529,800	-
Parks, recreation, and cultural	3,420,130	3,671,365	3,378,570	292,795
Community development	1,683,995	1,695,709	1,506,894	188,815
Total expenditures	48,503,450	50,138,809	47,764,872	2,373,937
Excess of revenues over expenditures	3,610,550	3,474,030	7,386,048	3,912,018
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year reserves/encumbrances	-	2,436,520	-	(2,436,520)
Transfers out	(3,610,550)	(5,910,550)	(5,910,550)	-
Total other financing sources (uses)	(3,610,550)	(3,474,030)	(5,910,550)	(2,436,520)
Net change in fund balance	\$ -	\$ -	\$ 1,475,498	\$ 1,475,498

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT
Year Ended June 30, 2017

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

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. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. 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, 2017

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

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. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. 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, 2017

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					
2017	\$ 1,980,734	\$ 1,980,734	\$ -	\$ 13,297,065	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					
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. Since 2015 was the first year for this presentation, only three years of data is available. Additional years will be included as they become 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, 2017

Plan Year Ended	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
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, 2017

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
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, 2017

	2016
Total OPEB Liability	
Service cost	\$ 1,631,000
Benefit payments, including refunds of employee contributions	(517,000)
Net change in total pension liability	1,114,000
Total OPEB liability - beginning	6,306,000
Total OPEB liability - ending	7,420,000
Plan Fiduciary Net Position	
Contributions - employer	716,000
Net investment income	100,946
Benefit payments, including refunds of employee contributions	(517,000)
Administrative expenses	(1,161)
Net change in plan fiduciary net position	298,785
Plan fiduciary net position - beginning	773,950
Plan fiduciary net position - ending	1,072,735
Total Net OPEB liability - ending	\$ 6,347,265
Plan fiduciary net position as a percentage of total OPEB liability	14%
Covered employee payroll	\$ 11,179,000
Net OPEB liability as a percentage of covered employee payroll	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, 2017

	<u>2016</u>
Total OPEB Liability	
Service cost	\$ 1,412,000
Interest on total OPEB liability	1,000
Changes in assumptions/adjustments	(1,000)
Benefit payments, including refunds of employee contributions	<u>(303,000)</u>
Net change in total pension liability	1,109,000
Total OPEB liability - beginning	<u>3,010,000</u>
Total OPEB liability - ending	<u>4,119,000</u>
Plan Fiduciary Net Position	
Contributions - employer	473,000
Net investment income	90,559
Benefit payments, including refunds of employee contributions	(303,000)
Administrative expenses	<u>(1,041)</u>
Net change in plan fiduciary net position	259,518
Plan fiduciary net position - beginning	<u>694,315</u>
Plan fiduciary net position - ending	<u>953,833</u>
Total Net OPEB liability - ending	<u><u>\$ 3,165,167</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	<u><u>23%</u></u>
Covered employee payroll	<u><u>\$ 12,820,000</u></u>
Net OPEB liability as a percentage of covered employee payroll	<u><u>25%</u></u>

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, 2017

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2017	\$ 716,000	\$ 716,000	\$ -	\$ 13,046,000	5.49%
2016	648,000	648,000	-	11,179,000	5.80%
2015	648,000	648,000	-	11,179,000	5.80%
2014	495,000	495,000	-	11,548,000	4.29%
2013	495,000	495,000	-	11,548,000	4.29%
2012	490,000	490,000	-	11,887,000	4.12%
2011	490,000	490,000	-	11,887,000	4.12%
2010	515,000	515,000	-	11,437,000	4.50%
2009	515,000	515,000	-	11,437,000	4.50%
School Board Component Unit					
2017	\$ 473,000	\$ 473,000	\$ -	\$ 16,645,000	2.84%
2016	339,000	339,000	-	12,820,000	2.64%
2015	339,000	339,000	-	12,820,000	2.64%
2014	297,000	297,000	-	13,317,000	2.23%
2013	297,000	297,000	-	13,317,000	2.23%
2012	596,000	596,000	-	18,113,000	3.29%
2011	596,000	596,000	-	18,113,000	3.29%
2010	568,000	568,000	-	15,582,000	3.65%
2009	562,000	562,000	-	15,582,000	3.61%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.
Contributions and covered payroll data is obtained from biennial actuarial valuations.

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS-OPEB TRUST FUND
Year Ended June 30, 2017

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	13.04%

CITY OF STAUNTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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, 2017

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

Changes of Benefit Terms

There have been no actuarially material changes to the 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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

CITY OF STAUNTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

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.

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.

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

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

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

CITY OF STAUNTON, VIRGINIA
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental
	Blue Ridge Court Services	State and Federal Grants	Community Development	Debt Service	
Assets					
Cash and cash equivalents	\$ 296,079	\$ -	\$ 261,189	\$ 2,981,579	\$ 3,538,847
Receivables, net	20,159	-	-	-	20,159
Due from other governmental units	23,374	274,763	-	-	298,137
Prepaid items	-	-	-	49,571	49,571
Total assets	\$ 339,612	\$ 274,763	\$ 261,189	\$ 3,031,150	\$ 3,906,714
Liabilities					
Liabilities:					
Accounts payable	\$ 7,604	\$ -	\$ -	\$ -	\$ 7,604
Accrued liabilities	24,518	-	-	-	24,518
Due to other funds	-	274,763	-	-	274,763
Total liabilities	32,122	274,763	-	-	306,885
Fund balances					
Nonspendable	-	-	-	49,571	49,571
Restricted	16,068	-	-	-	16,068
Assigned	291,422	-	261,189	2,981,579	3,534,190
Total fund balances	307,490	-	261,189	3,031,150	3,599,829
Total liabilities and fund balances	\$ 339,612	\$ 274,763	\$ 261,189	\$ 3,031,150	\$ 3,906,714

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental
	Blue Ridge Court Services	State and Federal Grants	Community Development	Debt Service	
REVENUES					
Revenues from use of money and property	\$ 25	\$ -	\$ 34	\$ -	\$ 59
Charges for services	240,683	-	-	-	240,683
Miscellaneous	74,754	-	-	-	74,754
Intergovernmental:					
Federal	-	277,125	-	-	277,125
Commonwealth	701,383	5,679	250,000	-	957,062
City of Staunton School Board	-	-	-	300,000	300,000
Total revenues	1,016,845	282,804	250,034	300,000	1,849,683
EXPENDITURES					
Current:					
Public safety	965,630	283,284	-	-	1,248,914
Community development	-	-	250,000	-	250,000
Debt service:					
Principal retirement	-	-	-	2,827,195	2,827,195
Interest and fiscal charges	-	-	-	1,117,284	1,117,284
Total expenditures	965,630	283,284	250,000	3,944,479	5,443,393
Excess (deficiency) of revenues over expenditures:	51,215	(480)	34	(3,644,479)	(3,593,710)
OTHER FINANCING SOURCES					
Transfers in	-	-	-	4,850,500	4,850,500
Total other financing sources	-	-	-	4,850,500	4,850,500
Net change in fund balance	51,215	(480)	34	1,206,021	1,256,790
Fund balances - beginning of year	256,275	480	261,155	1,825,129	2,343,039
Fund balances - ending of year	\$ 307,490	\$ -	\$ 261,189	\$ 3,031,150	\$ 3,599,829

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, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	\$ -	\$ 25	\$ 25
Charges for services	207,488	240,683	33,195
Miscellaneous	47,965	74,754	26,789
Intergovernmental:			
Commonwealth	678,883	701,383	22,500
Total revenues	<u>934,336</u>	<u>1,016,845</u>	<u>82,509</u>
EXPENDITURES			
Current:			
Public safety	934,439	965,630	(31,191)
Total expenditures	<u>934,439</u>	<u>965,630</u>	<u>(31,191)</u>
Excess (deficiency) of revenues over expenditures	<u>(103)</u>	<u>51,215</u>	<u>51,318</u>
Net change in fund balance	<u>\$ (103)</u>	<u>\$ 51,215</u>	<u>\$ 51,318</u>

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
STATE AND FEDERAL GRANTS FUND
Year Ended June 30, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
Federal	\$ 275,077	\$ 277,125	\$ 2,048
Commonwealth	5,679	5,679	-
Total revenues	<u>280,756</u>	<u>282,804</u>	<u>2,048</u>
EXPENDITURES			
Current:			
Public safety	<u>283,118</u>	<u>283,284</u>	<u>(166)</u>
Total expenditures	<u>283,118</u>	<u>283,284</u>	<u>(166)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,362)</u>	<u>(480)</u>	<u>1,882</u>
Net change in fund balance	<u><u>\$ (2,362)</u></u>	<u><u>\$ (480)</u></u>	<u><u>\$ 1,882</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, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	\$ -	\$ 34	\$ 34
Intergovernmental:			
Commonwealth	250,000	250,000	-
Total revenues	250,000	250,034	34
EXPENDITURES			
Current:			
Community Development	250,000	250,000	-
Total expenditures	250,000	250,000	-
Excess of revenues over expenditures	-	34	34
Net change in fund balance	\$ -	\$ 34	\$ 34

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
City of Staunton School Board	\$ 350,000	\$ 300,000	\$ (50,000)
Total revenues	<u>350,000</u>	<u>300,000</u>	<u>(50,000)</u>
EXPENDITURES			
Current:			
Debt Service			
Principal	4,904,894	2,827,195	2,077,699
Interest and fiscal charges	<u>1,395,606</u>	<u>1,117,284</u>	<u>278,322</u>
Total expenditures	<u>6,300,500</u>	<u>3,944,479</u>	<u>2,356,021</u>
Deficiency of revenues over expenditures:	<u>(5,950,500)</u>	<u>(3,644,479)</u>	<u>2,306,021</u>
OTHER FINANCING SOURCES			
Transfers in:			
Transfer from General fund	4,100,500	4,100,500	-
Transfer from Capital Improvements fund	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Total other financing sources	<u>4,850,500</u>	<u>4,850,500</u>	<u>-</u>
Net change in fund balance	<u><u>\$ (1,100,000)</u></u>	<u><u>\$ 1,206,021</u></u>	<u><u>\$ 2,306,021</u></u>

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
From Inception of Project through June 30, 2017

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
REVENUES				
Revenue from use of money and property	\$ 259,521	\$ 1,030	\$ 260,551	\$ 5,314
Recovered costs	545,384	936,222	1,481,606	2,471,983
Miscellaneous	24,450	-	24,450	450
Intergovernmental:				
Federal	538,323	23,690	562,013	1,906,671
Commonwealth of Virginia	2,316,605	799,763	3,116,368	3,793,117
Total revenues	<u>3,684,283</u>	<u>1,760,705</u>	<u>5,444,988</u>	<u>8,177,535</u>
EXPENDITURES				
Capital outlay:				
General government administration	2,593,422	7,703	2,601,125	2,716,210
Public safety	6,383,206	134,372	6,517,578	7,357,942
Public works	6,453,385	1,797,275	8,250,660	14,466,290
Education	620,496	41,048	661,544	1,961,548
Parks, recreation, and culture	1,965,012	82,820	2,047,832	2,238,587
Community development	2,703,448	197,451	2,900,899	3,312,219
Debt service:				
Interest and fiscal charges	<u>165,000</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Total expenditures	<u>20,883,969</u>	<u>2,260,669</u>	<u>23,144,638</u>	<u>32,217,796</u>
Deficiency of revenues over expenditures	<u>(17,199,686)</u>	<u>(499,964)</u>	<u>(17,699,650)</u>	<u>(24,040,261)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	23,206,629	1,641,050	24,847,679	31,697,204
Transfers out	<u>(6,006,943)</u>	<u>(1,650,000)</u>	<u>(7,656,943)</u>	<u>(7,656,943)</u>
Total other financing sources (uses)	<u>17,199,686</u>	<u>(8,950)</u>	<u>17,190,736</u>	<u>24,040,261</u>
Net change in fund balance		<u>\$ (508,914)</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, 2017

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,189	\$ 1,014,773	\$ 1,017,962
Receivables, net	-	30,954	30,954
Restricted assets:			
Cash and cash equivalents	-	4,655	4,655
Total current assets	3,189	1,050,382	1,053,571
Capital assets:			
Nondepreciable	24,694	1,076,516	1,101,210
Depreciable, net	366,264	3,691,834	4,058,098
Total capital assets, net	390,958	4,768,350	5,159,308
Total noncurrent assets	390,958	4,768,350	5,159,308
Total assets	394,147	5,818,732	6,212,879
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	7,329	-	7,329
Net difference between projected and actual investment earnings on pension plan investments	5,209	-	5,209
Total deferred outflows of resources	12,538	-	12,538
LIABILITIES			
Current liabilities:			
Accounts payable	954	6,137	7,091
Accrued liabilities	10,769	4,658	15,427
Unearned revenue	7,633	-	7,633
Deposits payable	-	4,655	4,655
Due to other funds	12,062	-	12,062
General obligation bonds	19,486	212,893	232,379
Total current liabilities	50,904	228,343	279,247
Noncurrent liabilities:			
Net pension liability	78,259	-	78,259
General obligation bonds	430,402	109,645	540,047
Total noncurrent liabilities	508,661	109,645	618,306
Total liabilities	559,565	337,988	897,553
DEFERRED INFLOWS OF RESOURCES			
Net difference between expected and actual experience	4,211	-	4,211
Total deferred inflows of resources	4,211	-	4,211
NET POSITION			
Net investment in capital assets	(58,930)	4,445,812	4,386,882
Unrestricted	(98,161)	1,034,932	936,771
Total net position	\$ (157,091)	\$ 5,480,744	\$ 5,323,653

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
OPERATING REVENUES			
Parking fines	\$ -	\$ 54,606	\$ 54,606
Charges for services	103,844	372,020	475,864
Rental of property	-	3,800	3,800
Miscellaneous	24	589	613
Total operating revenues	103,868	431,015	534,883
OPERATING EXPENSES			
Personal services	90,127	112,127	202,254
Rental of property	900	5,400	6,300
Repairs and maintenance	-	1,219	1,219
Contractual services	1,321	57,129	58,450
Materials and supplies	4,891	2,840	7,731
Depreciation	32,138	140,449	172,587
Utilities	2,281	28,944	31,225
Other expenses	1,450	93,369	94,819
Total operating expenses	133,108	441,477	574,585
Operating (loss)	(29,240)	(10,462)	(39,702)
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	24	24
Interest and fiscal charges	(19,858)	(18,659)	(38,517)
Total nonoperating revenues (expenses)	(19,858)	(18,635)	(38,493)
Loss before transfers	(49,098)	(29,097)	(78,195)
Transfers in	50,000	1,019,000	1,069,000
Change in net position	902	989,903	990,805
Total net position - beginning of year	(157,993)	4,490,841	4,332,848
Total net position - end of year	\$ (157,091)	\$ 5,480,744	\$ 5,323,653

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
OPERATING ACTIVITIES			
Cash received from customers	\$ 102,034	\$ 411,455	\$ 513,489
Cash paid to suppliers	(10,576)	(184,927)	(195,503)
Cash paid to employees for services	(91,192)	(111,823)	(203,015)
Net cash provided by operating activities	266	114,705	114,971
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	50,000	1,019,000	1,069,000
Interfund borrowing	(10,136)	-	(10,136)
Net cash provided by noncapital financing activities	39,864	1,019,000	1,058,864
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(41,000)	(41,000)
Principal paid on long-term debt	(20,000)	(204,112)	(224,112)
Interest paid on long-term debt	(19,706)	(20,287)	(39,993)
Net cash used by capital and related financing activities	(39,706)	(265,399)	(305,105)
INVESTING ACTIVITIES			
Interest received	-	24	24
Net cash provided by investing activities	-	24	24
Net increase in cash and cash equivalents	424	868,330	868,754
CASH AND CASH EQUIVALENTS			
Beginning of year	2,765	151,098	153,863
End of year	\$ 3,189	\$ 1,019,428	\$ 1,022,617
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	\$ 3,189	\$ 1,014,773	\$ 1,017,962
Restricted cash and cash equivalents	-	4,655	4,655
Total	\$ 3,189	\$ 1,019,428	\$ 1,022,617

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (29,240)	\$ (10,462)	\$ (39,702)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	32,138	140,449	172,587
Pension expense net of employer contributions	(1,966)	-	(1,966)
Change in assets and liabilities:			
Increase in accounts receivable	-	(19,227)	(19,227)
Increase in accounts payable	267	3,974	4,241
Increase in accrued liabilities	901	304	1,205
Decrease in unearned revenue	(1,834)	(30)	(1,864)
Decrease in deposits payable	-	(303)	(303)
Net cash provided by operating activities	<u>\$ 266</u>	<u>\$ 114,705</u>	<u>\$ 114,971</u>

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

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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, 2017

	Health Insurance	Inventory	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,905,961	\$ 461,470	\$ 4,367,431
Receivables, net	-	26,341	26,341
Inventory	-	186,508	186,508
Prepaid items	-	12,165	12,165
Total current assets	3,905,961	686,484	4,592,445
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	60,666	60,666
Total capital assets, net	-	60,666	60,666
Total noncurrent assets	-	60,666	60,666
Total assets	3,905,961	747,150	4,653,111
LIABILITIES			
Current liabilities:			
Accounts payable	5,789	940	6,729
Claims payable	700,000	-	700,000
Total current liabilities	705,789	940	706,729
Total liabilities	705,789	940	706,729
NET POSITION			
Net investment in capital assets	-	60,666	60,666
Unrestricted	3,200,172	685,544	3,885,716
Total net position	\$ 3,200,172	\$ 746,210	\$ 3,946,382

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
INTERNAL SERVICE FUNDS
Year Ended June 30, 2017**

	<u>Health Insurance</u>	<u>Inventory</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 7,620,396	\$ 666,888	\$ 8,287,284
Total operating revenues	<u>7,620,396</u>	<u>666,888</u>	<u>8,287,284</u>
OPERATING EXPENSES			
Claims paid	5,644,018	-	5,644,018
Rental of property	-	4,338	4,338
Administrative charges	324,330	-	324,330
Stop loss fees	682,659	-	682,659
Contractual services	-	17,706	17,706
Materials and supplies	-	28,052	28,052
Depreciation	-	3,398	3,398
Other expenses	-	599,521	599,521
Total operating expenses	<u>6,651,007</u>	<u>653,015</u>	<u>7,304,022</u>
Operating income	<u>969,389</u>	<u>13,873</u>	<u>983,262</u>
NONOPERATING REVENUES			
Interest income	<u>405</u>	<u>53</u>	<u>458</u>
Total nonoperating revenues	<u>405</u>	<u>53</u>	<u>458</u>
Income before transfers	<u>969,794</u>	<u>13,926</u>	<u>983,720</u>
Change in net position	<u>969,794</u>	<u>13,926</u>	<u>983,720</u>
Total net position - beginning of year	<u>2,230,378</u>	<u>732,284</u>	<u>2,962,662</u>
Total net position - end of year	<u>\$ 3,200,172</u>	<u>\$ 746,210</u>	<u>\$ 3,946,382</u>

CITY OF STAUNTON, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS –
INTERNAL SERVICE FUNDS
Year Ended June 30, 2017

	Health Insurance	Inventory	Total
OPERATING ACTIVITIES			
Cash received from internal services provided	\$ 7,620,396	\$ 648,630	\$ 8,269,026
Cash paid to suppliers	-	(627,610)	(627,610)
Claims paid	(5,900,751)	-	(5,900,751)
Administrative and stop loss fees	(1,008,480)	-	(1,008,480)
Net cash provided by operating activities	711,165	21,020	732,185
INVESTING ACTIVITIES			
Interest received	405	53	458
Net cash provided by investing activities	405	53	458
Net increase in cash and cash equivalents	711,570	21,073	732,643
CASH AND CASH EQUIVALENTS			
Beginning of year	3,194,391	440,398	3,634,789
End of year	<u>\$ 3,905,961</u>	<u>\$ 461,471</u>	<u>\$ 4,367,432</u>
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	<u>\$ 3,905,961</u>	<u>\$ 461,470</u>	<u>4,367,431</u>
Total	<u>\$ 3,905,961</u>	<u>\$ 461,470</u>	<u>\$ 4,367,431</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 969,389	\$ 13,873	\$ 983,262
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	43,267	(18,258)	25,009
Decrease in prepaid items	-	1,581	1,581
Decrease in inventory	-	20,681	20,681
Decrease in accounts payable	(1,491)	(255)	(1,746)
Decrease in accrued liabilities	(300,000)	-	(300,000)
Net cash provided by operating activities	<u>\$ 711,165</u>	<u>\$ 21,020</u>	<u>\$ 732,185</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, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,086,158
Accounts receivable	506,302
Due from other governmental units	2,093,883
Prepaid items	19,156
Capital assets:	
Land	236,000
Other capital assets, net of accumulated depreciation	7,348,722
Total assets	<u>14,290,221</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	2,514,619
Difference between expected and actual experience	21,186
Changes in proportion - teacher cost sharing plan	347,218
Net difference between projected and actual investment earnings on pension plan investments	<u>1,815,013</u>
	<u>4,698,036</u>
LIABILITIES	
Accounts payable	267,817
Accrued liabilities	1,563,743
Amounts held for others	1,654
Unearned revenue	22,947
Noncurrent liabilities:	
Net pension liability	30,655,389
Due within one year	444,996
Due in more than one year	241,258
Total liabilities	<u>33,197,804</u>
DEFERRED INFLOWS OF RESOURCES	
Net difference between expected and actual experience	978,349
Changes in proportion - teacher cost sharing plan	566,053
Total deferred inflows of resources	<u>1,544,402</u>
NET POSITION	
Net investment in capital assets	7,584,722
Restricted for:	
Programs	1,823
Donor purposes	5,611
Unrestricted	<u>(23,346,105)</u>
Total net position	<u><u>\$ (15,753,949)</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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	\$ 26,129,593	\$ 1,119,974	\$ 9,778,687	\$ -	\$ (15,230,932)
Administration, attendance, and health	2,119,301	-	-	-	(2,119,301)
Pupil transportation	1,127,371	-	-	-	(1,127,371)
Food service	1,437,513	376,944	1,110,647	-	50,078
Operations	2,502,490	-	-	100,000	(2,402,490)
Technology	1,380,372	-	-	-	(1,380,372)
Total School Board	<u>\$ 34,696,640</u>	<u>\$ 1,496,918</u>	<u>\$ 10,889,334</u>	<u>\$ 100,000</u>	(22,210,388)

General revenues:

Unrestricted investment earnings	4,477
Grants and contributions not restricted to specific programs	9,973,823
Net payment from City of Staunton	<u>12,221,800</u>
Total general revenues	<u>22,200,100</u>
Change in net position	(10,288)
Net position - beginning of year	<u>(15,743,661)</u>
Net position - end of year	<u>\$ (15,753,949)</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2017

	<u>Education</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Assets			
Cash and cash equivalents	\$ 1,520,473	\$ 2,565,685	\$ 4,086,158
Accounts receivable	378,499	127,803	506,302
Prepaid items	19,156	-	19,156
Due from other governmental units	1,288,990	804,693	2,093,683
Due from other funds	<u>729,246</u>	<u>-</u>	<u>729,246</u>
Total assets	<u><u>\$ 3,936,364</u></u>	<u><u>\$ 3,498,181</u></u>	<u><u>\$ 7,434,545</u></u>
Liabilities			
Accounts payable	\$ 250,732	\$ 17,085	\$ 267,817
Accrued liabilities	1,453,793	221,815	1,675,608
Due to other funds	-	729,246	729,246
Unearned revenue	16,050	6,897	22,947
Held for others	<u>1,654</u>	<u>-</u>	<u>1,654</u>
Total liabilities	<u>1,722,229</u>	<u>975,043</u>	<u>2,697,272</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>336,296</u>	<u>-</u>	<u>336,296</u>
Fund Balances			
Nonspendable	19,156	-	19,156
Restricted	6,989	445	7,434
Assigned	<u>1,851,694</u>	<u>2,522,893</u>	<u>4,374,587</u>
Total fund balances	<u>1,877,839</u>	<u>2,523,338</u>	<u>4,401,177</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 3,936,364</u></u>	<u><u>\$ 3,498,381</u></u>	<u><u>\$ 7,434,745</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total Fund Balances – Component Unit School Board		\$ 4,401,177
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	\$ 19,686,214	
Less: accumulated depreciation	<u>(12,101,492)</u>	7,584,722
Receivables that are not available to pay for current period expenditures are not reported in the funds.		336,296
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2017 employer contributions	\$ 2,514,619	
Deferred outflows of resources for the difference between expected and and actual experience	21,186	
Deferred outflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions teacher cost sharing pension plan	347,218	
Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments	1,815,013	
Deferred inflows of resources for the difference between expected and and actual experience	(978,349)	
Deferred inflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions teacher cost sharing pension plan	(566,053)	
Net pension liability	<u>(30,655,389)</u>	(27,501,755)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		<u>(574,389)</u>
Total Net Position – Component Unit School Board		<u><u>\$ (15,753,949)</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, 2017

	Education	Other Governmental	Total Governmental
REVENUES			
Revenues from use of money and property	\$ 23,600	\$ 4,444	\$ 28,044
Charges for services	1,100,407	376,944	1,477,351
Miscellaneous	140,137	47,512	187,649
Recovered costs	231,427	394,292	625,719
Intergovernmental:			
Federal	1,640,434	990,402	2,630,836
Commonwealth	14,573,889	2,845,259	17,419,148
City of Staunton	12,371,800	150,000	12,521,800
Total revenues	<u>30,081,694</u>	<u>4,808,853</u>	<u>34,890,547</u>
EXPENDITURES			
Current:			
Payment to City	129,718	300,000	429,718
Education	29,169,099	4,563,699	33,732,798
Capital projects	-	262,684	262,684
Total expenditures	<u>29,298,817</u>	<u>5,126,383</u>	<u>34,425,200</u>
Excess (deficiency) of revenues over expenditures	<u>782,877</u>	<u>(317,530)</u>	<u>465,347</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	92,393	1,098,833	1,191,226
Transfers out	(1,098,833)	(92,393)	(1,191,226)
Total other financing sources (uses)	<u>(1,006,440)</u>	<u>1,006,440</u>	<u>-</u>
Net change in fund balances	(223,563)	688,910	465,347
Fund balances - beginning of year	<u>2,101,402</u>	<u>1,834,428</u>	<u>3,935,830</u>
Fund balances - end of year	<u><u>\$ 1,877,839</u></u>	<u><u>\$ 2,523,338</u></u>	<u><u>\$ 4,401,177</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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		\$ 465,347
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	\$ (628,409)	
Capital expenses	<u>380,680</u>	(247,729)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		1,447
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	2,514,619	
Pension expense	<u>(2,519,781)</u>	(5,162)
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>(224,191)</u>
Change in net position of governmental activities		<u>\$ (10,288)</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental
	School Cafeteria	Textbook	State Operated Programs	School Construction	
Assets					
Cash and cash equivalents	\$ 501,156	\$ 526,287	\$ -	\$ 1,538,242	\$ 2,565,685
Accounts receivable	-	-	127,803	-	127,803
Due from other governmental units	26,077	-	778,616	-	804,693
Total assets	<u>\$ 527,233</u>	<u>\$ 526,287</u>	<u>\$ 906,419</u>	<u>\$ 1,538,242</u>	<u>\$ 3,498,181</u>
Liabilities					
Accounts payable	\$ 13,683	\$ -	\$ 3,402	\$ -	\$ 17,085
Accrued liabilities	47,844	-	173,971	-	221,815
Due to other funds	-	-	729,246	-	729,246
Unearned revenue	6,897	-	-	-	6,897
Total liabilities	<u>68,424</u>	<u>-</u>	<u>906,619</u>	<u>-</u>	<u>975,043</u>
Fund Balance					
Restricted	445	-	-	-	445
Assigned	458,364	526,287	-	1,538,242	2,522,893
Total fund balances	<u>458,809</u>	<u>526,287</u>	<u>-</u>	<u>1,538,242</u>	<u>2,523,338</u>
Total liabilities and fund balances	<u>\$ 527,233</u>	<u>\$ 526,287</u>	<u>\$ 906,619</u>	<u>\$ 1,538,242</u>	<u>\$ 3,498,381</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, 2017

	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	\$ 47	\$ 47	\$ -	\$ 4,350	\$ 4,444
Charges for services	376,944	-	-	-	376,944
Miscellaneous	12,195	-	35,317	-	47,512
Recovered costs	-	-	394,292	-	394,292
Intergovernmental:					
Federal	963,569	-	26,833	-	990,402
Commonwealth	40,525	171,696	2,533,038	100,000	2,845,259
City of Staunton	-	-	-	150,000	150,000
Total revenues	1,393,280	171,743	2,989,480	254,350	4,808,853
EXPENDITURES					
Current:					
Payment to the City	-	-	-	300,000	300,000
Education	1,332,427	101,203	2,897,087	232,982	4,563,699
Capital projects	-	-	-	262,684	262,684
Total expenditures	1,332,427	101,203	2,897,087	795,666	5,126,383
Excess (deficiency) of revenues over expenditures	60,853	70,540	92,393	(541,316)	(317,530)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	107,133	-	991,700	1,098,833
Transfers out	-	-	(92,393)	-	(92,393)
Total other financing sources (uses)	-	107,133	(92,393)	991,700	1,006,440
Net change in fund balances	60,853	177,673	-	450,384	688,910
Fund balances - beginning of year	397,956	348,614	-	1,087,858	1,834,428
Fund balances - end of year	\$ 458,809	\$ 526,287	\$ -	\$ 1,538,242	\$ 2,523,338

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE –
EDUCATION FUND
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and				
property	\$ 25,750	\$ 25,750	\$ 23,600	\$ (2,150)
Charges for services	751,496	875,701	1,100,407	224,706
Miscellaneous	151,510	121,733	140,137	18,404
Recovered costs	214,100	216,600	231,427	14,827
Intergovernmental:				
Federal	1,664,392	2,039,809	1,640,434	(399,375)
Commonwealth	14,805,952	14,564,353	14,573,889	9,536
City of Staunton	12,371,800	12,371,800	12,371,800	-
Total revenues	<u>29,985,000</u>	<u>30,215,746</u>	<u>30,081,694</u>	<u>(134,052)</u>
EXPENDITURES				
Current:				
Payment to City	-	129,718	129,718	-
Education	<u>29,912,867</u>	<u>30,405,070</u>	<u>29,169,099</u>	<u>1,235,971</u>
Total expenditures	<u>29,912,867</u>	<u>30,534,788</u>	<u>29,298,817</u>	<u>1,235,971</u>
Excess (deficiency) of revenues over expenditures	<u>72,133</u>	<u>(319,042)</u>	<u>782,877</u>	<u>1,101,919</u>
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year reserve/encumbrances	-	1,332,875	-	(1,332,875)
Transfers in:				
Transfer from State Operated				
Programs Fund	85,000	85,000	92,393	7,393
Transfers out:				
Transfer to School Construction Fund	(50,000)	(991,700)	(991,700)	-
Transfer to School Textbook Fund	<u>(107,133)</u>	<u>(107,133)</u>	<u>(107,133)</u>	<u>-</u>
Total other financing sources (uses)	<u>(72,133)</u>	<u>319,042</u>	<u>(1,006,440)</u>	<u>(1,325,482)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (223,563)</u>	<u>\$ (223,563)</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Agency Fund <u>Genesis</u>
ASSETS	
Cash and cash equivalents	\$ 485,010
Accounts receivable	<u>1,050</u>
Total assets	<u><u>\$ 486,060</u></u>
LIABILITIES	
Amounts held for Program	\$ 449,611
Accounts payable	4,644
Accrued liabilities	<u>31,805</u>
Total liabilities	<u><u>\$ 486,060</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUND
Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
GENESIS FUND				
ASSETS				
Cash and cash equivalents	\$ 480,776	\$ 869,041	\$ 864,807	\$ 485,010
Accounts receivable	-	366,625	365,575	1,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 480,776</u>	<u>\$ 1,235,666</u>	<u>\$ 1,230,382</u>	<u>\$ 486,060</u>
LIABILITIES				
Amounts held for Program	\$ 389,601	\$ 1,104,169	\$ 1,044,159	\$ 449,611
Accounts payable	31,267	99,692	126,315	4,644
Accrued liabilities	59,908	31,805	59,908	31,805
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 480,776</u>	<u>\$ 1,235,666</u>	<u>\$ 1,230,382</u>	<u>\$ 486,060</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, 2017

ASSETS

Cash and cash equivalents	\$ 18,509
Accounts receivable	16,667
Inventory	12,970,053
Capital assets:	
Nondepreciable assets	793,946
Depreciable assets, net	<u>6,833,436</u>
Total assets	<u>20,632,611</u>

LIABILITIES

Accounts payable	20,737
Due to primary government	<u>12,750,000</u>
Total liabilities	<u>12,770,737</u>

NET POSITION

Net investment in capital assets	7,627,382
Unrestricted	<u>234,492</u>
Total net position	<u>\$ 7,861,874</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2017

OPERATING REVENUES

Rental of property	\$ 31,000
Operating grants-City	768,864
Loss on sale of inventory asset	<u>(475,465)</u>
Total operating revenues	<u>324,399</u>

OPERATING EXPENSES

Professional fees	3,140
Stonewall Jackson rental payment	25,000
Commonwealth Opportunity grant	250,000
Villages	11,054
Staunton Crossing	6,657
Depreciation	<u>230,427</u>
Total operating expenses	<u>526,278</u>
Operating loss	<u>(201,879)</u>

NONOPERATING REVENUES (EXPENSES)

Loss on the disposal of assets	<u>(5,530)</u>
Total nonoperating revenues (expenses)	<u>(5,530)</u>
Change in net position	(207,409)
Net position - beginning of year	<u>8,069,283</u>
Net position - end of year	<u><u>\$ 7,861,874</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

OPERATING ACTIVITIES

Cash received from customers	\$ 31,000
Cash paid to suppliers/grantees	(312,753)
Other operating grants	270,734
Sale of inventory asset	1,244,198
Payment to City for sale of inventory asset	<u>(1,250,000)</u>
Net cash used by operating activities	<u>(16,821)</u>

**CAPITAL AND RELATED FINANCING
ACTIVITIES**

Sale of land	<u>5,802</u>
Net cash provided by capital and related financing activities	<u>5,802</u>
Net decrease in cash and cash equivalents	(11,019)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>29,528</u>
End of year	<u><u>\$ 18,509</u></u>

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

Operating loss	\$ (201,879)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	230,427
Change in assets and liabilities:	
Decrease in accounts payable	(16,902)
Decrease in inventory	1,221,533
Decrease in amounts payable to the City	<u>(1,250,000)</u>
Net cash used by operating activities	<u><u>\$ (16,821)</u></u>

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, 2017

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	\$ 17,175,000	\$ 17,921,125	\$ 746,125
Real and personal public service corporation property taxes	726,000	747,727	21,727
Personal property taxes	4,460,000	4,820,845	360,845
Machinery and tools taxes	400,000	427,570	27,570
Penalties and interest	350,000	450,850	100,850
Total General Property Taxes	23,111,000	24,368,117	1,257,117
Other local taxes:			
Local sales and use taxes	4,050,000	4,039,658	(10,342)
Consumers' utility taxes	1,125,000	1,144,504	19,504
Local communication tax	1,375,000	1,319,656	(55,344)
Business license taxes	2,050,000	2,111,282	61,282
Bank stock taxes	350,000	397,620	47,620
Taxes on recordation and wills	159,000	201,313	42,313
Lodging taxes	540,000	640,843	100,843
Restaurant food tax	3,200,000	3,391,337	191,337
Short term rental tax	22,000	26,035	4,035
Cigarette tax	400,000	401,684	1,684
Total Other Local Taxes	13,271,000	13,673,932	402,932
Permits, privilege fees, and regulatory licenses:			
Animal licenses	20,000	11,592	(8,408)
Permits and other licenses	310,750	193,035	(117,715)
Total Permits, Privilege Fees, and Regulatory Licenses	330,750	204,627	(126,123)
Fines and forfeitures	95,000	94,155	(845)
Revenue from use of money and property:			
Revenue from use of money	10,000	123,361	113,361
Revenue from use of property	45,000	39,635	(5,365)
Total Revenue from Use of Money and Property	55,000	162,996	107,996

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, 2017

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	\$ 7,500	\$ 17,681	\$ 10,181
Charges for Commonwealth's Attorney	3,000	4,067	1,067
Charges for Sheriff	2,617	2,617	-
Courtroom security fee	45,000	30,264	(14,736)
Jail admission fee	3,500	4,710	1,210
Charges for publications and maps	1,000	4,344	3,344
Charges for parks and recreation	304,000	365,567	61,567
Charges for library fines	25,000	24,330	(670)
Tourism advertising	2,750	2,750	-
Property clean up fees	3,000	1,856	(1,144)
Administrative fees	31,000	30,336	(664)
Payments in lieu of tax from Enterprise funds	1,022,000	1,220,130	198,130
Charges for tax-exempt organizations	5,000	4,744	(256)
Total Charges for Services	1,455,367	1,713,396	258,029
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	12,950	13,312	362
Sale of salvage and surplus	15,000	71,403	56,403
Donations	18,181	29,819	11,638
Miscellaneous	-	5,379	5,379
Total Miscellaneous Revenue	46,131	119,913	73,782
Recovered Costs	2,265,476	2,094,311	(171,165)
Total Revenue from Local Sources	40,629,724	42,431,447	1,801,723
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	150,000	115,110	(34,890)
Rolling stock taxes	10,000	13,891	3,891
Auto rental taxes	70,000	85,962	15,962
Law enforcement	914,083	886,252	(27,831)
Grantor's tax	37,000	49,815	12,815
Recordation tax	57,000	59,240	2,240
PPTRA reimbursement	1,652,200	1,652,200	-
Total Non-Categorical Aid	2,890,283	2,862,470	(27,813)

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, 2017

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	\$ 413,731	\$ 407,379	\$ (6,352)
Sheriff	247,250	273,936	26,686
Commissioner of the revenue	117,310	116,890	(420)
Treasurer	110,580	107,395	(3,185)
Registrar/Electoral Board	37,000	37,029	29
Circuit court clerk	261,090	256,084	(5,006)
Circuit court clerk-technology trust fund	22,250	24,561	2,311
Total Shared Expenses	1,209,211	1,223,274	14,063
Health and welfare	1,289,077	1,272,336	(16,741)
Other Categorical Aid:			
Street and highway maintenance	4,023,952	4,023,952	-
Site characterization grant	5,000	5,000	-
Library	147,129	147,129	-
E911 Wireless funds	60,000	72,814	12,814
Fire programs	75,000	77,059	2,059
Commission for the Arts	5,000	5,000	-
Comprehensive Services Act funds	2,119,127	1,694,617	(424,510)
Four-for-Life funds	20,000	22,214	2,214
Animal license plates	600	897	297
Victim/Witness funds	17,715	24,969	7,254
Forfeited assets	45,423	48,096	2,673
Jurors/Witness fees	10,000	4,106	(5,894)
Total Other Categorical Aid	6,528,946	6,125,853	(403,093)
Total Categorical Aid	9,027,234	8,621,463	(405,771)
Total Revenue from the Commonwealth	11,917,517	11,483,933	(433,584)
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	979,346	961,385	(17,961)
Comprehensive Services Act funds	-	157,597	157,597
Victim/Witness	82,756	74,906	(7,850)
FEMA Disaster payment	-	38,156	38,156
Federal Crime forfeited	3,496	3,496	-
Total Revenue from the Federal Government	1,065,598	1,235,540	169,942
Total General Fund	\$ 53,612,839	\$ 55,150,920	\$ 1,538,081

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, 2017

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	\$ -	\$ 25	\$ 25
Total Revenue from Use of Money and Property	-	25	25
Charges for services:			
Supervision fees	30,000	22,823	(7,177)
Drug screen fees	15,000	9,429	(5,571)
Home electronic monitoring fees	140,000	191,190	51,190
SA/AM/DV/Group therapy/Admin.	22,488	17,241	(5,247)
Total Charges for Services	207,488	240,683	33,195
Miscellaneous:			
CAPSAW	15,000	21,622	6,622
Augusa Health	-	16,750	16,750
VCSB-Therapeutic docket	32,965	36,382	3,417
Total Miscellaneous Revenue	47,965	74,754	26,789
Total Revenue from Local Sources	255,453	315,462	60,009
Revenue from the Commonwealth:			
Drug Court	67,500	90,000	22,500
Community Corrections and Pre-trial services funds	611,383	611,383	-
Total Revenue from the Commonwealth	678,883	701,383	22,500
Total Blue Ridge Court Services Fund	\$ 934,336	\$ 1,016,845	\$ 82,509
State and Federal Grants Fund:			
Revenue from the Commonwealth:			
OEMS grant	\$ 5,679	\$ 5,679	\$ -
Total Revenue from the Commonwealth	5,679	5,679	-
Revenue from the Federal Government:			
FEMA Fire equipment	272,728	272,447	(281)
JAG-Byrne Justice Assistance Grant	2,349	4,678	2,329
Total Revenue from the Federal Government	275,077	277,125	2,048
Total State and Federal Grants Fund	\$ 280,756	\$ 282,804	\$ 2,048

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, 2017

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds (Cont'd):			
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	\$ -	\$ 34	\$ 34
Total Revenue from Local Sources	-	34	34
Revenue from the Commonwealth:			
Commonwealth Opportunity Fund	250,000	250,000	-
Total Revenue from the Commonwealth	250,000	250,000	-
Total Community Development Fund	\$ 250,000	\$ 250,034	\$ 34
Total Special Revenue Funds	\$ 1,465,092	\$ 1,549,683	\$ 84,591
Grand Total Revenues - Primary Government			
General and special revenue funds	\$ 55,077,931	\$ 56,700,603	\$ 1,622,672
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	\$ 750	\$ 33	\$ (717)
Revenue from use of property	25,000	23,567	(1,433)
Total Revenue from Use of Money and Property	25,750	23,600	(2,150)
Charges for services:			
Charges for education	14,650	15,776	1,126
Tuition or other payments from another county or city	861,051	1,084,631	223,580
Total Charges for Services	875,701	1,100,407	224,706
Miscellaneous revenue:			
Donations	10,100	10,294	194
E-Rate reimbursement	37,440	56,252	18,812
Wellness program	15,000	14,193	(807)
Miscellaneous grants	59,193	57,371	(1,822)
Sale of salvage and surplus	-	2,027	2,027
Total Miscellaneous Revenue	121,733	140,137	18,404
Recovered Costs	216,600	231,427	14,827
Contribution from City of Staunton	12,371,800	12,371,800	-
Total Revenue from Local Sources	13,611,584	13,867,371	255,787

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, 2017

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	\$ 3,342,940	\$ 3,356,431	\$ 13,491
Basic school aid	6,612,099	6,611,915	(184)
Foster care	25,000	31,916	6,916
Gifted and talented-SOQ	76,596	76,636	40
Remedial Education-SOQ	362,660	362,849	189
ISAEF funds	16,772	16,835	63.0
Special education-SOQ	594,926	586,501	(8,425)
Special education-foster care	36,872	24,337	(12,535)
Homebound	5,301	5,146	(155)
Regional tuition programs	573,495	585,161	11,666
Primary Class size (K-3)	407,430	407,430	-
Vocational education-SOQ	134,849	132,940	(1,909)
Social security instructional	423,622	423,845	223
VRS retirement instructional	873,823	874,278	455
Lottery	82,161	82,204	43
Group Life Insurance instructional	28,137	28,152	15
At risk	319,161	309,377	(9,784)
VPSA Technology grants	180,000	180,000	-
At Risk - Four Year Olds (VPSI)	204,172	204,172	-
STEM recruitment	1,000	1,949	949
Remedial Summer School	60,926	57,214	(3,712)
English as a second language	29,132	24,352	(4,780)
Early Reading Intervention	44,343	44,343	-
Early Reading Specialist (ERSIP)	20,088	29,186	9,098
SOL-Algebra readiness	35,141	35,141	-
Vocational - Equipment	7,750	8,486	736
Project Graduation	8,500	9,821	1,321
Math and reading incentive	38,942	38,942	-
Mentor Teacher Program	6,015	5,265	(750)
National board certification	2,500	-	(2,500)
Va Middle School Teacher Corp.	10,000	10,000	-
Other state funds	-	4,115	4,115
Total Categorical Aid	14,564,353	14,573,889	4,586
Total Revenue from the Commonwealth	14,564,353	14,573,889	4,586

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, 2017

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	\$ 986,661	\$ 717,130	\$ (269,531)
Title VI - B - Special Education	849,465	701,371	(148,094)
Preschool grants	42,210	20,635	(21,575)
Title II A-Training and Recruiting	99,650	134,079	34,429
Title III ESEA - Limited English proficient	5,106	6,851	1,745
Tech Prep Education (Carl Perkins)	55,767	59,418	3,651
Other federal funds	950	950	-
Total Categorical Aid	2,039,809	1,640,434	(399,375)
Total Revenue from the Federal Government	2,039,809	1,640,434	(399,375)
Total Education Fund	\$ 30,215,746	\$ 30,081,694	\$ (139,002)
School Cafeteria Fund:			
Revenue from Local Sources:			
Revenue from the use of money and property:			
Revenue from use of money	\$ 100	\$ 47	\$ (53)
Charges for services:			
Charges for food service	350,724	376,944	26,220
Miscellaneous Revenue:			
Donations	-	432	432
School Food Support grant	1,371	1,371	-
Share our Strength grant	4,500	4,500	-
Other	2,700	5,892	3,192
Total Miscellaneous revenue	8,571	12,195	3,624
Total Revenue from Local Sources	359,395	389,186	29,791
Revenue from the Commonwealth:			
Meal reimbursement	15,200	14,081	(1,119)
State Breakfast Incentive	-	20,890	20,890
Breakfast after the Bell	-	5,554	5,554
Total revenue from the Commonwealth	15,200	40,525	25,325
Revenue from the Federal Government:			
Child care food program	-	3,286	3,286
National school lunch and breakfast program	887,400	960,283	72,883
Total Revenue from the Federal Government	887,400	963,569	76,169
Total School Cafeteria Fund	\$ 1,261,995	\$ 1,393,280	\$ 131,285

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, 2017

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:	\$ -	\$ 47	\$ 47
Total Revenue from Local Sources	-	47	47
Revenue from the Commonwealth:			
Textbook payment (including lottery fund)	174,162	171,696	(2,466)
Total Textbook Fund	\$ 174,162	\$ 171,743	\$ (2,419)
State Operated Programs Fund:			
Revenue from Local Sources:			
E-rate reimbursement	\$ 39,000	\$ 35,317	\$ (3,683)
Recovered costs	379,864	394,292	14,428
Total Revenue from local sources	418,864	429,609	10,745
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,621,636	2,533,038	(88,598)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	10,000	9,173	(827)
Title VI-B	10,000	17,660	7,660
Total Revenue from Federal Government	20,000	26,833	6,833
Total State Operated Programs Fund	\$ 3,060,500	\$ 2,989,480	\$ (71,020)
Total Special Revenue Funds	\$ 4,496,657	\$ 4,554,503	\$ 57,846
Grand Total Revenues - Component Unit			
School Board	\$ 34,712,403	\$ 34,636,197	\$ (81,156)

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, 2017

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
General Government Administration:			
Legislative:			
City Council	\$ 146,432	\$ 129,466	\$ 16,966
Total Legislative	146,432	129,466	16,966
General and Financial Administration:			
City Manager	562,693	531,484	31,209
City Attorney	393,985	316,237	77,748
City Memberships	27,606	27,605	1
Professional Consultants	67,925	61,200	6,725
Commissioner of the Revenue	312,711	312,698	13
Assessor and Equalization Board	288,685	259,942	28,743
Treasurer	393,850	393,316	534
Finance	1,255,096	1,112,655	142,441
Information Technology	1,219,971	1,076,943	143,028
Risk Management	532,169	526,784	5,385
Human Resources	305,135	305,034	101
Communications Manager	91,265	88,260	3,005
Total General and Financial Administration	5,451,091	5,012,158	438,933
Board of Elections:			
Electoral Board and Registrar	190,192	174,597	15,595
Total Board of Elections	190,192	174,597	15,595
Total General Government Administration	5,787,715	5,316,221	471,494
Judicial Administration:			
Courts:			
Circuit court	147,086	129,922	17,164
General District Court	10,849	4,662	6,187
Juvenile and Domestic Relations Court	72,542	70,905	1,637
Clerk of the Circuit Court	469,172	462,635	6,537
Sheriff	575,753	524,637	51,116
Victim/Witness	118,933	114,011	4,922
Magistrates	2,000	1,900	100
Total Courts	1,396,335	1,308,672	87,663
Commonwealth Attorney	605,401	578,503	26,898
Total Judicial Administration	2,001,736	1,887,175	114,561

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, 2017

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	\$ 5,278,466	\$ 5,002,455	\$ 276,011
E-911 Communications	803,091	727,947	75,144
Total Law Enforcement and Traffic Control	6,081,557	5,730,402	351,155
Fire and Rescue Services:			
Fire Department	2,541,929	2,539,252	2,677
EMS Council/Four for Life	47,933	25,738	22,195
State Fire Programs	100,663	66,224	34,439
Total Fire and Rescue Services	2,690,525	2,631,214	59,311
Correction and Detention:			
Juvenile Detention Home - Contribution	142,668	142,668	-
Jail Facility	1,478,881	1,478,880	1
Youth Commission	133,901	133,362	539
Total Correction and Detention	1,755,450	1,754,910	540
Inspections:			
Building Inspection	420,569	398,995	21,574
Other Protection:			
Animal control - Animal Care	65,000	69,611	(4,611)
Medical Examiner	280	280	-
Total Other Protection	65,280	69,891	(4,611)
Total Public Safety	11,013,381	10,585,412	427,969
Public Works:			
Administration	285,189	274,008	11,181
Traffic Engineering (signs)	206,946	201,450	5,496
Highways, Streets, and Sidewalks	3,734,448	3,534,739	199,709
City Engineering	369,944	339,217	30,727
Traffic Signals	430,108	289,234	140,874
Total	5,026,635	4,638,648	387,987
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,348,944	1,269,248	79,696
Equipment Maintenance	447,893	435,387	12,506
Total Maintenance of General Buildings, Grounds, Equipment	1,796,837	1,704,635	92,202
Total Public Works	6,823,472	6,343,283	480,189

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, 2017

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	\$ 264,987	\$ 264,987	\$ -
Mental Health and Mental Retardation:			
Chapter X Board	151,952	151,952	-
Total Health	416,939	416,939	-
Welfare:			
DSS-public assistance	3,039,000	2,938,899	100,101
Children Services Act	2,880,000	2,585,847	294,153
Tax Relief - Elderly and Disabled	120,000	107,698	12,302
Tax Relief - Veterans	65,000	73,442	(8,442)
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	6,198,692	5,800,578	398,114
Total Health and Welfare	6,615,631	6,217,517	398,114
Education:			
Contribution to Community College	8,000	8,000	-
Contribution to Component Unit - School Board	12,521,800	12,521,800	-
Total Education	12,529,800	12,529,800	-
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	1,035,536	989,532	46,004
Park Maintenance	1,278,363	1,085,801	192,562
Horticulture	176,639	130,098	46,541
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	2,510,538	2,225,431	285,107
Cultural Enrichment:			
Contributions to Community Organizations	15,000	15,000	-
Total Cultural Enrichment	15,000	15,000	-
Library:			
Library Administration and Operations	1,145,827	1,138,139	7,688
Total Library	1,145,827	1,138,139	7,688
Total Parks, Recreation, and Cultural	3,671,365	3,378,570	292,795

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, 2017

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	\$ 477,242	\$ 339,197	\$ 138,045
Planning and Development	351,963	307,770	44,193
Tourism Development	440,452	435,478	4,974
VRT-Trolley Operation	63,000	63,000	-
Staunton Welcome Center	52,528	50,927	1,601
Special Service District	161,125	161,015	110
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	33,740	33,848	(108)
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	1,695,709	1,506,894	188,815
Total Community Development	1,695,709	1,506,894	188,815
Total General Fund	\$ 50,138,809	\$ 47,764,872	\$ 2,373,937
Special Revenue Funds:			
Blue Ridge Court Services Fund:			
Public Safety:			
Correction and Detention:			
Community Corrections	\$ 749,490	\$ 801,288	\$ (51,798)
Therapeutic Docket	85,167	36,382	48,785
Augusta Health Grant	-	12,323	(12,323)
Drug Court	99,782	115,637	(15,855)
Total Correction and Detention	934,439	965,630	(31,191)
Total Public Safety	934,439	965,630	(31,191)
Total Blue Ridge Court Services Fund	\$ 934,439	\$ 965,630	\$ (31,191)
State and Federal Grants Fund:			
Public Safety:			
Police Department Grants	\$ 4,711	5,159	\$ (448)
Fire Department Grants	278,407	278,125	282
Total Public Safety	283,118	283,284	(166)
Total State and Federal Grants Fund	\$ 283,118	\$ 283,284	\$ (166)
Community Development Fund			
Community Development:			
Commonwealth Opportunity	\$ 250,000	\$ 250,000	\$ -
Total Community Development Fund	\$ 250,000	\$ 250,000	\$ -
Total Special Revenue Funds	\$ 1,467,557	\$ 1,498,914	\$ (31,357)
Grand Total - Expenditures -Primary Government- General and special revenue	\$ 51,606,366	\$ 49,263,786	\$ 2,342,580

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, 2017

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Education:			
Instructional Costs	\$ 22,998,420	\$ 22,275,585	\$ 722,835
Administration, Attendance & Health	2,204,688	2,068,529	136,159
Pupil Transportation	1,104,727	1,034,813	69,914
Operations and Maintenance	2,659,749	2,409,800	249,949
Technology	1,437,486	1,380,372	57,114
Total Education	<u>30,405,070</u>	<u>29,169,099</u>	<u>1,235,971</u>
Payment to City	<u>129,718</u>	<u>129,718</u>	<u>-</u>
Total Education Fund	<u>\$ 30,534,788</u>	<u>\$ 29,298,817</u>	<u>\$ 1,235,971</u>
School Cafeteria Fund:			
Food Service	<u>\$ 1,402,060</u>	<u>\$ 1,332,427</u>	<u>\$ 69,633</u>
Total School Cafeteria Fund	<u>\$ 1,402,060</u>	<u>\$ 1,332,427</u>	<u>\$ 69,633</u>
Textbook Fund			
Education:			
Instructional costs	<u>\$ 300,000</u>	<u>\$ 101,203</u>	<u>\$ 198,797</u>
Total Textbook Fund	<u>\$ 300,000</u>	<u>\$ 101,203</u>	<u>\$ 198,797</u>
State Operated Programs Fund			
Education:			
Instructional costs	<u>\$ 2,990,303</u>	<u>\$ 2,897,087</u>	<u>\$ 93,216</u>
Total State Operated Programs Fund	<u>\$ 2,990,303</u>	<u>\$ 2,897,087</u>	<u>\$ 93,216</u>
Total Special Revenue Funds	<u>\$ 4,692,363</u>	<u>\$ 4,330,717</u>	<u>\$ 361,646</u>
Grand Total - Expenditures - Component Unit - School Board	<u>\$ 35,227,151</u>	<u>\$ 33,629,534</u>	<u>\$ 1,597,617</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.

TABLE 1

CITY OF STAUNTON, VIRGINIA

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

	<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>	<u>2008</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 29,705,089
Restricted	41,469	27,466	117,646	122,452	120,217	184,868	103,639	27,485	32,366	64,201
Unrestricted	<u>9,292,048</u>	<u>6,545,657</u>	<u>6,839,895</u>	<u>21,671,005</u>	<u>20,530,870</u>	<u>17,813,098</u>	<u>18,269,177</u>	<u>16,550,240</u>	<u>15,199,232</u>	<u>13,215,652</u>
Total governmental activities net position	<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>	<u>\$ 42,984,942</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 41,803,122
Unrestricted	<u>13,842,399</u>	<u>12,535,217</u>	<u>12,545,752</u>	<u>15,594,582</u>	<u>15,253,532</u>	<u>16,101,004</u>	<u>17,720,858</u>	<u>15,786,830</u>	<u>16,283,224</u>	<u>15,716,827</u>
Total business-type activities net position	<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>	<u>\$ 57,519,949</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 68,651,900
Restricted	41,469	27,466	117,646	120,217	120,217	103,639	27,485	32,366	64,201	91,704
Unrestricted	<u>23,134,447</u>	<u>19,080,874</u>	<u>19,385,647</u>	<u>35,784,402</u>	<u>35,784,402</u>	<u>35,990,035</u>	<u>32,337,070</u>	<u>31,482,456</u>	<u>28,932,479</u>	<u>25,483,616</u>
Total primary net position	<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>	<u>\$ 94,227,220</u>

TABLE 2

CITY OF STAUNTON, VIRGINIA

Financial Trends Information

Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)

UNAUDITED

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
General government	\$ 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	\$ 4,017,705
Judicial administration	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	1,804,919
Public safety	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	9,569,727
Public works	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	6,575,411
Health and welfare	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	5,071,337
Education	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	12,611,719
Parks, recreation and culture	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	3,207,051
Community development	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	1,932,955
Interest on long-term debt	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	1,524,050
Total governmental activities expenses	56,147,189	53,607,798	51,258,977	48,589,367	47,324,353	45,466,031	43,617,315	45,436,992	45,215,586	46,314,874
Business-Type Activities:										
Golf	3,425,966	3,611,452	3,421,897	3,610,302	167,950	191,022	179,702	158,480	162,124	180,980
Water	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	3,530,891
Sewer	806,458	785,238	724,382	749,025	3,908,777	3,984,420	3,358,564	2,688,221	2,913,749	2,955,223
Stormwater	2,456,118	2,207,342	2,210,477	2,362,161	781,975	710,250	742,232	564,181	486,581	-
Environmental	152,966	151,865	155,309	158,691	2,431,257	2,594,453	1,777,831	2,773,641	2,615,547	3,055,363
Parking	460,136	414,275	430,555	411,135	421,934	468,930	423,434	455,855	466,889	490,053
Total business-type activities expenses	10,836,139	10,726,986	10,571,690	10,824,168	11,307,418	11,506,568	9,928,320	9,780,263	10,037,545	10,212,510
Total primary government expenses	\$ 66,983,328	\$ 64,334,784	\$ 61,830,667	\$ 59,413,535	\$ 58,631,771	\$ 56,972,599	\$ 53,545,635	\$ 55,217,255	\$ 55,253,131	\$ 56,527,384
Program Revenues										
Governmental activities:										
Charges for services:										
Governmental-PILOT from enterprise funds	\$ 1,220,130	\$ 1,034,202	\$ 980,711	\$ 1,035,568	\$ 1,083,122	\$ 1,056,120	\$ 1,127,162	\$ 817,375	\$ 909,072	\$ 845,932
Public safety	433,289	558,495	391,728	317,028	291,172	309,363	226,605	294,628	312,814	380,489
Parks and recreation	395,378	371,053	329,414	315,569	336,266	354,003	314,065	330,649	352,207	360,488
Other activities	4,856,611	4,753,222	3,115,420	562,709	480,508	512,293	445,442	318,251	394,589	418,345
Operating grants and contributions	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	9,212,019
Capital grants and contributions	2,215,355	1,105,977	546,586	683,527	471,852	274,810	4,684,814	217,303	379,550	2,109,697
Total governmental activities program revenues	20,348,410	24,662,801	17,040,686	13,609,351	12,422,777	12,510,578	16,816,932	11,357,233	11,820,843	13,326,970

(Continued)

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program Revenues: (cont'd)										
Business-type activities:										
Charges for services:										
Golf	\$ 103,868	\$ 118,900	\$ 120,931	\$ 137,413	\$ 147,255	\$ 147,371	\$ 147,200	\$ 174,954	\$ 176,720	\$ -
Water	4,146,683	3,744,712	3,590,380	3,598,658	3,610,812	4,036,110	3,235,783	3,305,946	3,552,940	3,063,851
Sewer	3,918,835	3,946,570	3,908,059	3,908,330	3,544,433	3,423,605	3,239,743	3,274,390	2,910,547	3,019,742
Stormwater	781,950	760,611	788,237	715,878	689,179	709,206	464,462	325,967	-	-
Environmental	2,510,471	2,397,526	2,312,748	1,953,912	2,064,570	1,740,587	1,705,239	1,722,333	2,198,807	2,265,741
Parking	431,015	407,383	396,382	302,234	315,158	241,846	240,989	260,062	264,351	285,581
Operating grants and contributions	9,704	14,389	65,031	13,374	5,044	13,341	2,876	3,947	10,950	20,832
Capital grants and contributions	252,436	139,445	686,595	-	65,871	925,347	1,269,948	3,815,810	4,347,999	5,291,714
Total business-type activities program revenues	12,154,962	11,529,536	11,868,363	10,629,799	10,442,322	11,237,413	10,306,240	12,883,409	13,462,314	13,947,461
Total primary government program revenues	\$ 32,503,372	\$ 36,192,337	\$ 28,909,049	\$ 24,239,150	\$ 22,865,099	\$ 23,747,991	\$ 27,123,172	\$ 24,240,642	\$ 25,283,157	\$ 27,274,431
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (32,987,904)
Business-type activities	1,318,823	802,550	1,296,673	(194,369)	(865,096)	(269,155)	377,920	3,103,146	3,424,769	3,734,951
Total primary government net expense	\$ (34,479,956)	\$ (28,142,447)	\$ (32,921,618)	\$ (35,174,385)	\$ (35,766,672)	\$ (33,224,608)	\$ (26,422,463)	\$ (30,976,613)	\$ (29,969,974)	\$ (29,252,953)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 17,897,041
Sales tax	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	3,975,959
Hotel and meals tax	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	2,352,954
Business license	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	1,956,690
Utility tax	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	1,494,381
Local communication tax	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	688,019
Other taxes	1,026,652	1,023,050	1,000,048	728,998	763,722	741,910	1,110,569	1,244,487	1,302,851	1,772,047
Unrestricted investment earnings	133,649	68,532	11,241	11,370	18,196	26,298	32,403	115,142	343,008	490,959
Grants and contributions not restricted to a specific program	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	3,181,920
Miscellaneous	57,572	29,086	25,089	8,783	27,765	52,673	19,380	31,975	11,153	103,195
Gain (loss) on sale of assets	-	-	-	-	-	-	-	25,105	-	-
Transfers	(1,041,073)	(236,488)	12,752	(224,400)	(641,360)	(224,400)	(224,400)	(4,454,401)	229,502	(179,440)
Total governmental activities	39,968,210	39,789,790	38,397,131	37,307,638	33,992,156	34,098,748	34,597,292	30,876,525	35,603,245	33,733,725

(Continued)

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities:										
Unrestricted investment earnings	\$ 36,455	\$ 50,658	\$ 29,192	\$ 39,790	\$ 57,073	\$ 80,782	\$ 102,258	\$ 392,495	\$ 668,398	\$ 869,700
Grants and contributions not restricted to a specific program	-	-	-	-	-	-	-	-	-	58,458
Transfers	1,041,073	236,488	(12,752)	224,400	641,360	224,400	224,400	4,454,401	(229,502)	179,440
Total business-type activities	1,077,528	287,146	16,440	264,190	698,433	305,182	326,658	4,846,896	438,896	1,107,598
Total primary government	\$ 41,045,738	\$ 40,076,936	\$ 38,413,571	\$ 37,571,828	\$ 34,690,589	\$ 34,403,930	\$ 34,923,950	\$ 35,723,421	\$ 36,042,141	\$ 34,841,323
Change in Net Position										
Governmental activities	\$ 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	\$ 745,821
Business-type activities	2,396,351	1,089,696	1,313,113	69,821	(166,663)	36,027	704,578	7,950,042	3,863,665	4,842,549
Total primary government	\$ 6,565,782	\$ 11,934,489	\$ 5,491,953	\$ 2,397,443	\$ (1,076,083)	\$ 1,179,322	\$ 8,501,487	\$ 4,746,808	\$ 6,072,167	\$ 5,588,370

Table 3

CITY OF STAUNTON, VIRGINIA

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

	<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>	<u>2008</u>
General Fund										
Nonspendable	\$ 475,098	\$ 103,252	\$ 78,126	\$ 95,561	\$ 58,666	\$ 61,789	\$ 125,118	\$ 59,636	\$ 35,742	\$ 15,912
Restricted	25,401	15,825	117,646	122,452	120,217	149,868	88,639	13,985	18,866	20,701
Committed	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	3,809,695
Assigned	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	1,797,721
Unassigned	<u>2,632,596</u>	<u>2,106,836</u>	<u>2,364,510</u>	<u>3,386,768</u>	<u>3,472,715</u>	<u>2,647,250</u>	<u>2,496,844</u>	<u>3,309,359</u>	<u>2,752,859</u>	<u>3,415,203</u>
Total General Fund	<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>	<u>\$ 9,059,232</u>
All Other Governmental Funds										
Nonspendable	\$ 49,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	16,068	11,641	3,490	-	-	35,000	15,000	13,500	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	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	4,467,568
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,509)</u>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 4,467,568</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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES										
General property taxes	\$ 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	\$ 19,424,220
Sales and use tax	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	3,862,575
Hotel and meals tax	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	2,456,629
Utility taxes	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	1,116,030
Business license tax	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	1,921,537
Local communication tax	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	1,604,473
Other local taxes	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	1,715,090
Permits, privilege fees, and regulatory licenses	204,627	340,019	194,875	157,536	192,509	211,744	176,104	240,985	257,003	323,715
Fines and forfeitures	94,155	97,667	96,231	102,876	61,682	71,616	59,336	70,171	74,901	82,382
Charges for services	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	1,372,756
Intergovernmental	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	12,219,397
Investment earnings	124,450	74,703	11,826	9,238	14,607	28,659	510,633	34,041	121,033	331,766
Other revenues	3,264,835	1,191,662	1,189,448	693,820	665,595	681,836	61,329	580,000	637,355	606,933
Total revenues	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	47,037,503
EXPENDITURES										
General government administration	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	3,703,154
Judicial administration	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	1,775,132
Public safety	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	9,721,162
Public works	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	5,097,539
Health and welfare	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	5,068,954
Education	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	11,898,943
Parks, recreation and cultural	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	3,041,516
Community development	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	2,031,826
Capital outlay	1,798,102	2,969,485	339,235	1,868,965	533,126	2,900,387	625,192	219,482	-	72,913
Debt service:										
Principal retirement	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	1,617,766
Interest and fiscal charges	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	1,467,350
Bond issue costs	-	-	-	-	96,553	-	-	106,621	9,675	-
Total expenditures	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	45,496,255
Excess (deficiency) of revenues over (under) expenditures	3,292,374	(540,441)	1,795,753	387,993	2,344,375	(151,388)	1,719,281	2,609,179	(13,258,507)	1,541,248

(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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
OTHER FINANCING SOURCES (USES)										
Bonds issued	-	-	-	15,000,000	-	-	-	15,000,000	-	10,600,000
Discount on general obligation bonds	-	-	-	-	-	-	-	-	-	(206,895)
Sale of building and equipment	-	-	-	-	-	17,848	20,159	25,105	-	-
Payment to refunding bond escrow agent*	-	-	-	(15,000,000)	-	-	-	-	-	(9,655,097)
Transfers in	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	4,010,450
Transfers out	(7,560,550)	(5,606,911)	(6,281,540)	(9,157,504)	(9,471,443)	(6,170,384)	(4,301,758)	(3,296,682)	(1,677,993)	(4,189,890)
Total other financing sources (uses)	(1,069,000)	(215,292)	(289,528)	(224,400)	(175,000)	(206,552)	(204,241)	14,845,665	(259,080)	558,568
Net change in fund balance	\$ 2,223,374	\$ (755,733)	\$ 1,506,225	\$ 163,593	\$ 2,169,375	\$ (357,940)	\$ 1,515,040	\$ 17,454,844	\$ (13,517,587)	\$ 2,099,816
Debt service as a percentage of noncapital expenditures	7.46%	7.40%	7.57%	7.92%	6.47%	6.71%	7.73%	8.57%	6.65%	5.29%

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 15.

TABLE 5

CITY OF STAUNTON, VIRGINIA

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

<u>Calendar Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Taxable and Actual Assessed Value</u>	<u>Total Direct Tax Rate</u>
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
2008	1,476,305,352	295,926,079	51,382,419	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	2017			2008		
	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%	\$ 14,567,540	1	0.80%
Wal-Mart Real Estate Business	11,638,200	2	0.62%	11,483,560	2	0.63%
Gypsy Hill Place LLC	11,629,500	3	0.62%			
ETCL Staunton LLC	10,996,050	4	0.59%			
Big Sky LLC	9,628,200	5	0.52%	10,789,640	3	0.59%
Staunton Station LLC	9,595,880	6	0.51%			
Statler Station LLC	9,524,400	7	0.51%			
LSK Properties LLC	9,002,810	8	0.48%			
BH Brightview Baldwin Park LLC	8,977,130	9	0.48%			
Big Sky II LLC	7,122,870	10	0.38%			
Staunton Plaza LLC	-		-	10,290,930	4	0.56%
Baldwin Park LLC	-		-	9,140,210	5	0.50%
Staunton Hotel LLC	-		-	8,645,430	6	0.47%
FAP Properties	-		-	8,425,900	7	0.46%
Health Care REIT	-		-	8,288,160	8	0.45%
Morris Mill Road Plant LLC	-		-	8,126,340	9	0.45%
Fore Frontier Ridge Apartments	-		-	8,016,670	10	0.44%
Totals	<u>\$ 102,129,040</u>		<u>5.46%</u>	<u>\$ 97,774,380</u>		<u>5.35%</u>

Source: City Assessor

Notes:

Real Estate Only

TABLE 7

CITY OF STAUNTON, VIRGINIA

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

Calendar Year	Taxes Levied for the Calendar Year		Collected within the		Collections in Subsequent Calendar Years	Total Collections		
			Calendar Year of the Levy			To Date		
			Amount	Percentage of Levy		Amount	Percentage of Levy	
2017	(1) \$	18,025,255	(2) \$	-	0.00%	\$	-	0.00%
2016		17,097,175		16,281,518	95.23%		16,281,518	95.23%
2015		16,968,376		16,082,688	94.78%	318,189	16,400,877	96.66%
2014		16,887,817		15,988,802	94.68%	416,684	16,405,486	97.14%
2013		16,782,813		15,819,093	94.26%	560,339	16,379,432	97.60%
2012		16,261,738		15,280,479	93.97%	643,907	15,924,386	97.93%
2011		16,140,585		15,094,471	93.52%	738,783	15,833,254	98.10%
2010		17,426,047		16,310,945	93.60%	852,159	17,163,104	98.49%
2009		17,310,637		16,259,263	93.93%	819,975	17,079,238	98.66%
2008		16,247,090		15,434,142	95.00%	610,041	16,044,183	98.75%

Sources: City of Staunton Assessor and Finance Department

Includes real estate and downtown service district taxes

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

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

TABLE 8

CITY OF STAUNTON, VIRGINIA

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

Fiscal Year	Governmental Activities				Business - type Activities		Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Contractual Obligations	Literary Loans	Capital Leases	General Obligation Bonds	VRA Loans			
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
2008	20,092,803	-	17,875,400	79,206	7,774,547	10,571,738	56,393,694	6.92%	2,379

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		
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
2008	27,867,350	17,875,400	10,571,738	56,314,488	3.09%	2,376

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt Limit	\$ 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	\$ 182,361,385
Total net debt applicable to limit	51,749,747	55,997,284	61,078,638	66,117,173	71,041,616	60,204,012	64,296,770	67,500,096	60,692,160	56,314,488
Legal debt margin	<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>	<u>\$ 126,046,897</u>
Legal debt margin as a percentage of the debt limit	72.23%	68.99%	65.95%	63.02%	60.14%	67.11%	64.68%	65.57%	68.79%	69.12%

TABLE 11**CITY OF STAUNTON, VIRGINIA**

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median age (1)</u>	<u>School enrollment (3)</u>	<u>Unemployment rate (4)</u>
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%
2008	23,726	3,903,337	33,161	40.6	2,601	4.6%

Sources:

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

TABLE 12

CITY OF STAUNTON, VIRGINIA

Demographic and Economic Information
Principal Employers
Current Year
UNAUDITED

Employer	2017			2008		
	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	500-999	2	6.31%	500-999	2	4.68%
Mary Baldwin University	250-499	3	3.16%	250-499	3	3.19%
City of Staunton	250-499	4	3.16%	250-499	6	3.19%
WalMart	250-499	5	3.16%	250-499	5	3.19%
Federated Auto Parts	250-499	6	3.16%			
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%
Best Buy Company				100-249	7	0.64%
Commonwealth Center for Children				100-249	9	0.64%
Ruxton Health of Staunton				100-249	10	0.64%
Total	2400-4990		31.15%	2400-4990		24.68%

Source: Virginia Employment Commission (VEC)

Notes:

Percentage of Total City employment (2015) is based on the midpoints in the ranges given.

TABLE 13

CITY OF STAUNTON, VIRGINIA

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

Function/Program	Full Time Equivalent Employees as of June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government	33	35	35	32	33	31	31	30	33	33
Judicial	22	22	21	21	21	21	21	23	23	22
Public Safety	103	103	99	99	99	99	98	101	107	106
Public Works	40	40	40	38	38	38	38	39	40	42
Parks, Recreation, and Culture	24	24	24	24	23	23	22	26	26	26
Community Development	8	7	7	7	7	7	7	8	8	7
Blue Ridge Courts	9	9	9	8	8	8	8	8	8	na
Golf	1	1	1	1	1	1	1	1	1	1
Water	26	26	25	25	25	25	25	24	25	25
Sewer	5	5	5	5	5	5	5	6	6	6
Environmental	18	18	18	18	18	18	20	22	24	24
Stormwater	1	1	1	1	1	1	1	1	2	na
Total	290	291	285	279	279	277	289	289	292	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.

TABLE 14

CITY OF STAUNTON, VIRGINIA

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety:										
Police:										
Arrests	2,560	2,542	2,363	2,438	2,429	2,415	2,402	2,378	2,517	2,835
Parking tickets	4,618	4,855	4,813	4,931	5,036	5,548	5,117	3,639	5,428	6,846
Traffic summons	2,541	3,143	3,066	4,263	2,982	3,809	4,693	4,093	4,525	4,723
Fire:										
Incident responses	2,693	3,200	3,176	3,087	3,450	2,640	3,372	3,000	2,812	2,695
Fires extinguished	65	50	78	50	55	56	65	45	80	79
Inspections	1,611	1,311	1,250	1,193	918	424	417	407	348	286
Inspections:										
Building permits issued	588	960	907	957	881	1,010	1,036	896	1,024	1,219
Building inspections conducted	2,615	3,054	2,352	2,353	2,772	2,592	2,753	2,538	3,587	4,631
Public Works:										
Refuse:										
Recycling collected (tons per day)	2.26	2.28	2.73	2.27	2.16	2.12	1.72	1.58	1.65	na
Refuse collected (tons per day)	59.58	60.95	57.4	59.6	61.8	63.7	62.6	69.9	67.6	79.5
Other public works:										
Lane miles paved	10.5	12	13.7	11.1	10.2	12.3	10.08	9.78	5.25	7.43
Parks and Recreation:										
Rounds of golf	6,871	7,796	8,555	9,040	9,698	9,731	9,863	8,939	10,283	10,345
Library:										
Volumes in collection	na	163,930	172,836	174,577	177,957	177,037	175,505	171,652	172,345	174,390
Total volumes borrowed	na	388,795	379,306	393,416	389,551	397,243	418,107	432,276	450,949	447,047
Utility:										
New connections-water	13	4	8	8	8	9	16	11	13	122
Active customers-water	9,520	9,454	9,401	9,351	9,347	9,358	9,335	9,727	9,296	9,271

Sources: Various city departments; regional landfill

na- data not available

TABLE 15

CITY OF STAUNTON, VIRGINIA

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Units-marked	21	18	18	19	19	19	20	20	20	20
Units-unmarked	26	20	20	18	18	18	16	16	16	16
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse										
Collection trucks	7	7	8	8	10	8	7	7	7	7
Recycling trucks	3	3	3	3	3	4	3	3	3	3
Other Public Works										
Lane miles of streets	300.52	300.19	300.28	299.72	298.7	298.7	298.55	298.55	298.55	297.38
Traffic Signals-signals and flashers	65	65	65	65	65	65	63	64	64	64
Parks and Recreation										
Acreage	482	482	482	482	482	482	482	482	477	477
Number of Parks	9	9	9	9	9	9	9	9	7	7
Baseball/softball fields	8	8	8	8	8	8	8	8	7	7
# of baseball/softball games played	1,580	1,670	1,798	1,619	1,614	1,585	1,560	1,522	1,590	1,503
Soccer/football fields	4	4	4	4	4	4	4	4	4	3
# of soccer/football games played	195	385	196	211	220	212	195	214	217	183
Water										
Miles of water mains	181.97	181.41	181.27	181.11	181.4	179.41	175.37	175.35	175.15	174.9
Fire Hydrants	1065	1062	964	957	919	912	912	897	887	866
Storage capacity (thousands of gal)	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Sewer										
Miles of sanitary sewers	133.85	133.41	133.39	132.8	132.84	132.84	132.79	132.42	132.35	131.82

Sources: Various City departments

na - data not available.

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2017.

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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 29, 2017

**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, 2017. 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, 2017.

Report on Internal Control over Compliance

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

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

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

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 29, 2017

CITY OF STAUNTON, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

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, 2017

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:

Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
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, 2017**

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	\$ 94,358
<u>Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	201616N10994;201717N10994	266,247
National School Lunch Program	10.555	201616N10994;201717N10994	694,036
Child and Adult Care Food Program	10.558	na	3,286
<u>Department of Social Services:</u>			
Food Stamp Cluster:			
State Administrative Matching Grants for the Food Stamp Program:			
Cost Allocations - Food Stamps	10.561	84322	6,308
<u>CENTERS FOR DISEASE CONTROL</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Health:</u>			
Dental Health Program	93.758	MOU702AH732630	3,462
<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	S010A150046; S010A160046	717,130
Title I, Part D - Neglected & Delinquent Children	84.013	S013A140046; S013A150046	9,173
Special Education Cluster			
Title VIB - Special Education	84.027	H027A140107; H027A150107	719,031
Special Education - Pre-School Grants	84.173	H173A150112; H173A160112	20,635
Vocational Education - Basic Grants to States	84.048	V048A150046; V048A160046	59,418
Title II, Part A - Training & Recruiting Grant	84.367	S367A160044	134,079
Title III ESEA - Limited English Proficient	84.365	na	6,851
Advanced Placement Incentive Program	84.330	S330B160033	950

Continued

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

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		
TANF-Manual checks		80801	\$ (23)
VIEW-JOBS Purchased Services		87201	1,980
VIEW-Supportive Services		87202	3,780
VIEW- Transitional Transportation		87204	2,730
VIEW-Transportation		87207	19,218
VIEW-Transitional Support		87211	327
Adjustment			(7,507)
Child Care and Development Fund:-Mandatory and Matching Funds	93.596		
VIEW - Working Child Care		87101	(465)
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	188,057
Licensed Child Placing Agency-Basic Maintenance		81108	56,999
Local Agency Foster Home-Basic Maintenance		81110	44,231
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision		81112	92,989
Central Service Cost Allocation - IV-E serv		84319	2,159
Fostering Futures LCP		81401	4,191
Adjustment			(7,111)
Adoption Assistance:	93.659		
Subsidized Adoption Assistance-Basic Maintenance		81201	273,728
Nonrecurring Adoption Assistance		81202	6,742
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision		81203	208,782
Cost Allocation		84324	213
Social Services Block Grant:	93.667		
State Adoption Assistance		81701	34,784
Home Based Companion (State Supplement)		83304	22,894
Prevention Services		83306	34
Adult Protective Services		89501	1,049
Medical Assistance Program (Title XIX)	93.778		
Central Service Cost Allocation-Medicaid		84323	5,296
<u>Comprehensive Services for At Risk Youth and Families</u>			
Social Services Block Grant:	93.667	na	157,597

Continued

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

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CITY OF STAUNTON, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

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.