CITY OF STAUNTON, VIRGINIA

Comprehensive Annual Financial Report

Fiscal year July 1, 2015 – June 30, 2016

Photo by William Faught

BIRTHPLACE OF THE COUNCIL-MANAGER FORM OF GOVERNMENT - 1908

CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

Prepared By:
Department of Finance

Jeanne R. Colvin
Chief Financial Officer

Cynthia B. Snead, CPA
Assistant Director of Finance

CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2016

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INTRODUCTORY SECTION

CITY OF STAUNTON, VIRGINIA

COUNCIL, OFFICIALS, AND SCHOOL BOARD

COUNCIL

Carolyn W. Dull, Mayor

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

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	Joel Grogan

City of Staunton, Virginia

Organization Chart

- **CITIZENS OF STAUNTON**
  - **GENERAL ASSEMBLY**
    - Circuit Court
    - Electoral Board & Registrar-*Amanda H. Dimeo*
    - Magistrate
    - Board of Zoning Appeals
    - General District Court
    - Juvenile/Domestic Relations Court
  - **CONSTITUTIONAL OFFICERS**
    - City Treasurer — *Richard R. Johnson*
    - Clerk of Circuit Court — *Thomas E. Roberts*
    - Commissioner of Revenue — *Margaret A. Ragon*
    - Commonwealth Attorney — *Raymond C. Robertson*
    - Sheriff — *Alexander L. Caldwell, Jr.*
  - **CITY COUNCIL**
    - City Manager — *Stephen F. Owen*
      - Finance* — *Jeanne R. Colvin*
      - Police — *James E. Williams*
      - Fire — *R. Scott Garber*
      - Human Resources* — *Jonathan G. Venn*
      - Public Works — *Thomas C. Sliwoski*
      - Engineering — *James D. Davis*
      - Economic Development — *William L. Vaughn*
      - Assessor — *Charles E. Haney*
      - Communications — *Ruth E. Jones*
      - Deputy City Manager — *Steven L. Rosenberg*
        - Parks & Recreation — *Christopher J. Tuttle*
        - Planning & Inspection — *Sharon E. Angle*
        - Tourism — *Sheryl S. Wagner*
        - Information Technology — *Kurt S. Plowman*
        - Library — *Ruth S. Arnold*
        - Blue Ridge Court Services — *David T. Pastors*
        - Office on Youth — *Virginia A. Newman*
        - Social Services — *Anita K. Harris*
    - City Attorney — *Douglas L. Guynn*
    - Clerk of Council /Paralegal — *Linda L. Little*
  - **SCHOOL BOARD**
    - Clerk of the Board — *Brenda Lovekamp*
    - Superintendent — *Dr. Linda G. Reviea*
      - Finance* — *Jeanne R. Colvin*
      - Human Resources* — *Jonathan G. Venn*
      - Instruction — *Dorothy B. Walk*
      - Student Services — *Dr. Jelisa Wolfe*
      - Operations — *Earl J. McCray, Jr.*
      - Technology — *Thomas E. Lundquist*
      - School Assessment — *Stephanie E. Haskins*
      - Robert E. Lee High School
      - Shelburne Middle School
      - Bessie Weller Elementary School
      - McSwain Elementary School
      - A.R. Ware Elementary School
      - Dixon Education Center

*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, 2015

Executive Director/CEO

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

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

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

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

November 29, 2016

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, 2016. This report has been prepared by the City's Finance Department. The report provides full disclosure of all financial information necessary to enable the reader to gain an understanding of the government's financial activities.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants, has issued an unmodified opinion for the City of Staunton for fiscal year ending June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

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

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

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

LOCAL ECONOMY

The City's overall financial health is determined by several economic factors based on retail sales volume, consumer based taxes, new residential 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 2016 total taxable real estate assessed values increased 0.68%. Other local consumer based tax revenue sources increased slightly from 2015. General increase in economic activity resulted in increases in meals, lodging and consumer sales taxes. The local unemployment rate for June 2016 was 3.9%, which is well below the national average of 5.1% and slightly below the statewide average of 4.0%. The City relies on its diverse property tax base consisting of manufacturing facilities, distribution centers, a fairly stable retail base, a large government workforce within the area, and a successful tourism market for the economic stability of the City.

LONG-TERM FINANCIAL PLANNING

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 14% 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 $7,295,960. These funds can be used only for major catastrophic events that would affect the public safety or major infrastructure of the City, or imposition of mandates by Federal and State governments. The City also adopted a policy to establish and maintain a contingency reserve in the amount of $250,000, reported as unassigned fund balance in the general fund, to provide for unexpected declines in budgeted revenues or unanticipated emergency expenditures. Council's goal is to establish the safety net reserve at 15% by FY 2017.

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

MAJOR INITIATIVES

FY2016 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 2016 budget, $104.7 million, an increase of 2.2% or $ 2.26 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 5.6% over the previous year. Property tax revenues were projected to increase by $.8 million, or 3.8%, and other local tax revenues were projected to increase 4.0% over the previous year's budget. The general fund budget increased its transfer to the education fund by 2.3%.

Economic Development

Staunton Crossing Development Park

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

In 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 mixture of two hotels, several restaurants, a grocery center, and a fuel and convenience store center. 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.

Green Hills Industrial Park

The City continues to market high tech business enterprises to locate in the Green Hills Industrial Park. As a result of economic development efforts in FY2016, the City accomplished the location of a new facility and the expansion of an existing business.

Fed Ex Ground located to Staunton and completed construction in July, 2016 of a new 200,000 square foot distribution facility in the Green Hills Industrial Park. The new facility is part of a nationwide network expansion to boost daily package volume capacity and further enhance the speed and service of the FedEx Ground network. Additional jobs and property investment will add to the City's economic base.

Graphic Packaging International, LLC, acquired an existing business located in the Green Hills Industrial Park, and is currently in the construction phase of a $20 million expansion to their facility to include investment in property and machinery and equipment which will add to the City's tax base.

Frontier Center

The City finalized agreements in March, 2016 with Staunton Frontier, LLC to develop 10.3 acres at Frontier Center near the intersection of Interstates 81 and 64 for the first phase of the development. Construction will begin 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.

Capital Improvements

City Council updated and adopted its five year capital improvement plan during fiscal year 2016. The Capital Improvement Plan adopted by City Council equals $225 million with $95 million dedicated for school projects, $63 million for infrastructure projects in the proprietary funds, and $67 million for general fund projects. Total general fund projects approved and funded for fiscal year 2016 included $3.2 million for street improvement projects, fire truck replacement, space needs study for a new public safety building, jail reserve, education projects, recreation projects, technology infrastructure, and Staunton Crossing Development Park.

AWARDS AND ACKNOWLEDGEMENTS

Economic Development

National Recognition- Staunton continues to be recognized nationally in publications such as *USA Today and Travel+Leisure, Country Living and Cosmopolitan* magazines. In 2016, *USA Today* named Staunton as one of the 'Best Main Streets in the USA'. Also in 2016, *Travel+Leisure* named Staunton as 'one of America's favorite towns', *Country Living* named Staunton as 'one of the 30 small towns you should visit this summer', *Travelsquire.com* named Staunton as 'one of the top 28 hot destinations for 2016' and *Tasting Table* named Staunton as one of '9 of the best small towns for food in the US'. In 2015, *The CutureTrip.com* named Staunton on the list of '10 most beautiful towns in Virginia!' and *OnlyinYourState.com* named Staunton one of the '15 best places to live in Virginia and why'.

Parks and Recreation

The Department of Parks and Recreation received two awards from the Virginia Recreation and Park Society for the Lake Tams environmental sustainability renovation project and a new special event award for Irish Road Bowling celebrating a 300 year old Irish tradition.

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 fourteenth consecutive year the City has achieved this award recognizing municipalities with active tree care and replacement programs.

Human Resources

The Human Resources department received a Risk Management and Excellence Award from the Virginia Municipal League for the effective and efficient management of the City's workers compensation program.

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. Staunton citizens benefit from the accreditation process because the Police Department's policies and procedures are designed for accountability and operations under a set of nationally accepted standards designed to provide professional law enforcement services.

The Staunton Fire and Rescue Department received several awards from the Governor's Fire Services Award Program for Virginia Firefighter of the Year, Outstanding Fire Department Response, and the Award for Excellence in Virginia Fire Service Training. The Governor's Fire Service Awards were established in 2002 as a formal recognition of excellence in Virginia's Fire Services. The department also received the national Grinnell Mutual Reinsurance Life Safety Achievement Award for actively promoting fire prevention in the pursuit for saving lives.

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 2015. 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

BROWN EDWARDS
certified public accountants

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, 2016, 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 57%, 42%, and 21%, respectively, of the assets, net position, and revenues of the Environmental Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Augusta Regional Landfill, is based on the report of the other auditors.

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

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Auditor's Responsibility (Continued)

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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.

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2016

FINANCIAL SECTION

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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, 2016. 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 $50.5 million at June 30, 2016. Net position of the City's business-type activities was $67.1 million.

- Total revenues of governmental activities exceeded total expenses by $10.8 million.

- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were $64.7 million for FY 2016. Revenues of the City's business-type activities were $11.6 million.

- Expenses were $53.6 million for governmental activities and expenses for the business-type activities were $10.7 million for FY 2016.

- The City's total general obligation bond and loans payable at June 30, 2016 was $56.5 million, a net decrease of $4.6 million from FY 2015 due to normal scheduled debt reduction.

- At June 30, 2016, the total fund balance for all governmental funds was $21.7 million with the General Fund comprising $12.3 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, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Assets:						
Current and other assets	$ 55,301,314	$ 49,463,569	$ 18,243,671	$ 19,207,827	$ 73,544,985	$ 68,671,396
Capital assets	58,426,009	57,502,160	75,336,786	75,728,978	133,762,795	133,231,138
Total assets	113,727,323	106,965,729	93,580,457	94,936,805	207,307,780	201,902,534
Total deferred outflows of resources	2,425,982	2,380,575	363,922	366,143	2,789,904	2,746,718
Liabilities:						
Long-term liabilities	50,695,270	53,728,592	23,357,433	25,332,218	74,052,703	79,060,810
Other liabilities	8,767,436	8,515,727	3,156,341	3,488,198	11,923,777	12,003,925
Total liabilities	59,462,706	62,244,319	26,513,774	28,820,416	85,976,480	91,064,735
Total deferred inflows of resources	6,154,153	7,410,332	296,078	437,701	6,450,231	7,848,033
Net Position:						
Invested in capital assets	35,503,141	32,734,112	54,769,922	53,499,079	90,273,063	86,233,191
Restricted	27,466	117,646	-	-	27,466	117,646
Unrestricted	15,005,839	6,839,895	12,364,605	12,545,752	27,370,444	19,385,647
Total net position	$ 50,536,446	$ 39,691,653	$ 67,134,527	$ 66,044,831	$ 117,670,973	$ 105,736,484

The City's total net position of $117.7 million increased by 11.3%, or $11.9 million, from FY 2015. The majority of this change is due to the recognition of the net amount due from other governments for the regional jail buy in of $5.4 million and a net decrease in long term liabilities of $4.6 million due mainly to scheduled debt reduction.

The largest component of the City's net position ($90.3 million or 76.7%) 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 $4.0 million is mainly due to reductions in long term liabilities. 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 ($27.4 million or 23.3%) is used to finance day-to-day operations.

As of June 30, 2016, 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, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues:						
Program Revenues						
Charges for services	$ 6,716,972	$ 4,817,273	$ 11,375,702	$ 11,116,737	$ 18,092,674	$ 15,934,010
Operating grants and contributions	16,839,852	11,676,827	14,389	65,031	16,854,241	11,741,858
Capital grants and contributions	1,105,977	546,586	139,445	686,595	1,245,422	1,233,181
General revenues						
Property taxes	23,798,051	22,339,862	-	-	23,798,051	22,339,862
Other taxes	13,324,942	13,203,022	-	-	13,324,942	13,203,022
Unrestricted intergovernmental	2,805,667	2,805,165	-	-	2,805,667	2,805,165
Interest and investment earnings	68,532	11,241	50,658	29,192	119,190	40,433
Other	29,086	25,089	-	-	29,086	25,089
Total revenues	64,689,079	55,425,065	11,580,194	11,897,555	76,269,273	67,322,620
Expenses:						
General government	9,063,531	6,639,656	-	-	9,063,531	6,639,656
Judicial administration	1,774,669	1,753,470	-	-	1,774,669	1,753,470
Public safety	10,622,194	10,864,551	-	-	10,622,194	10,864,551
Public works	7,195,893	6,975,749	-	-	7,195,893	6,975,749
Health and welfare	5,975,631	6,438,253	-	-	5,975,631	6,438,253
Parks, recreation and culture	3,354,852	3,368,301	-	-	3,354,852	3,368,301
Education (includes payment to Schools)	12,792,065	12,245,921	-	-	12,792,065	12,245,921
Community Development	1,621,715	1,682,092	-	-	1,621,715	1,682,092
Interest on long-term debt	1,207,248	1,290,984	-	-	1,207,248	1,290,984
Water	-	-	3,611,452	3,421,897	3,611,452	3,421,897
Sewer	-	-	3,556,814	3,629,070	3,556,814	3,629,070
Storm Water	-	-	785,238	724,382	785,238	724,382
Environmental	-	-	2,207,342	2,210,477	2,207,342	2,210,477
Golf	-	-	151,865	155,309	151,865	155,309
Parking	-	-	414,275	430,555	414,275	430,555
Total expenses	53,607,798	51,258,977	10,726,986	10,571,690	64,334,784	61,830,667
Increase (decrease) in net position before transfers	11,081,281	4,166,088	853,208	1,325,865	11,934,489	5,491,953
Transfers	(236,488)	12,752	236,488	(12,752)	-	-
Increase (decrease) in net position	10,844,793	4,178,840	1,089,696	1,313,113	11,934,489	5,491,953
Net position - beginning of year	39,691,653	35,512,813	66,044,831	64,731,718	105,736,484	100,244,531
Net position - end of year	$ 50,536,446	$ 39,691,653	$ 67,134,527	$ 66,044,831	$ 117,670,973	$ 105,736,484

Governmental Activities - Revenues

- The City's total revenues from governmental activities were $64.7 million for the fiscal year ended June 30, 2016, an increase of $9.3 million over the previous year.

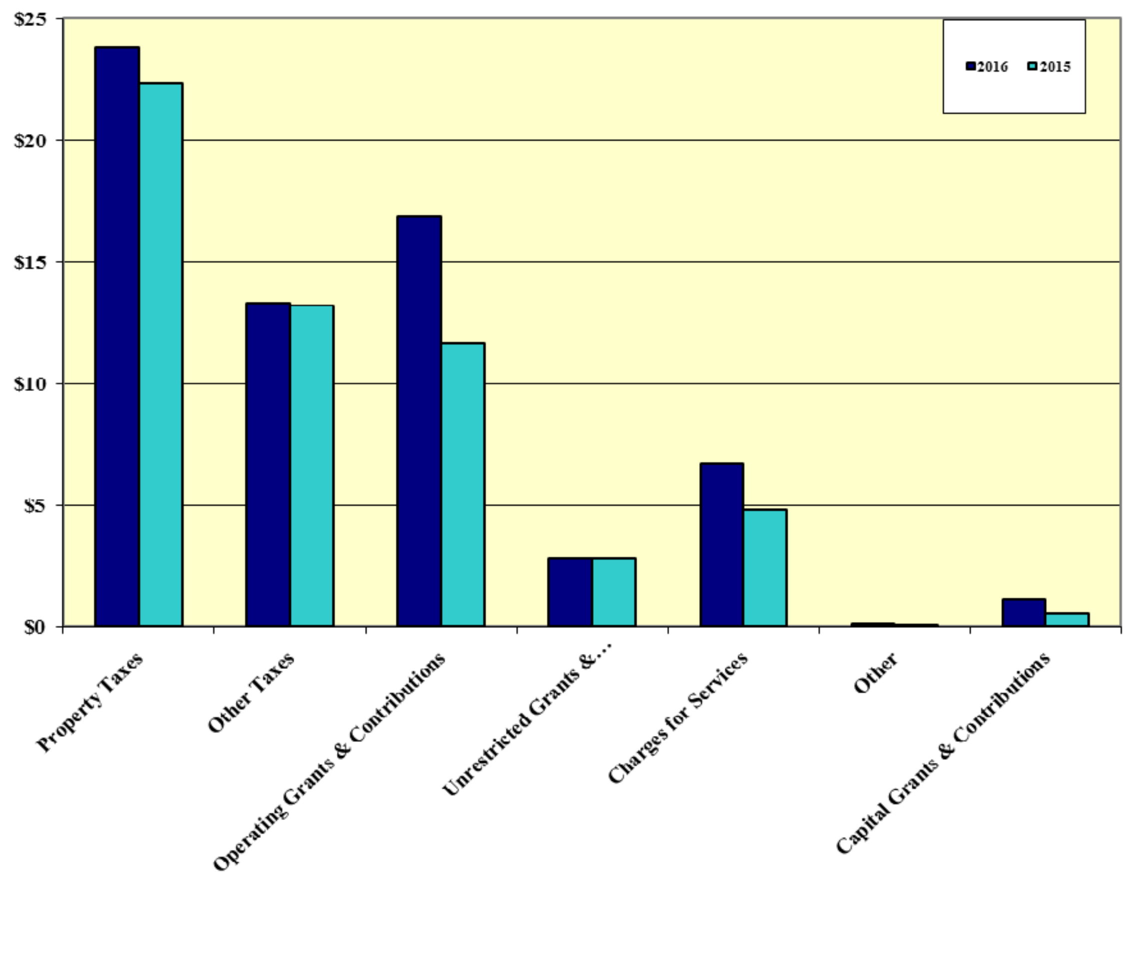
- Property taxes, the largest source of general revenue, accounted for $23.8 million or 36.8% of revenue in 2016. Property tax revenues increased $1.5 million over 2015 due to an increase in assessed values. Real estate rates were $.95 per $100 of assessed value. Personal property taxes were $2.75 per $100 of assessed value.

- Operating grants and contributions increased $5.2 million over FY 2015 due to the regional jail buy in.

- Charges for services increased $1.9 million over FY 2015 due mainly to the inclusion a full year of health insurance fund operations in governmental activities.

Governmental Activities - Revenues by Source

Fiscal Years Ended June 30, 2016 and 2015
($ In Millions)



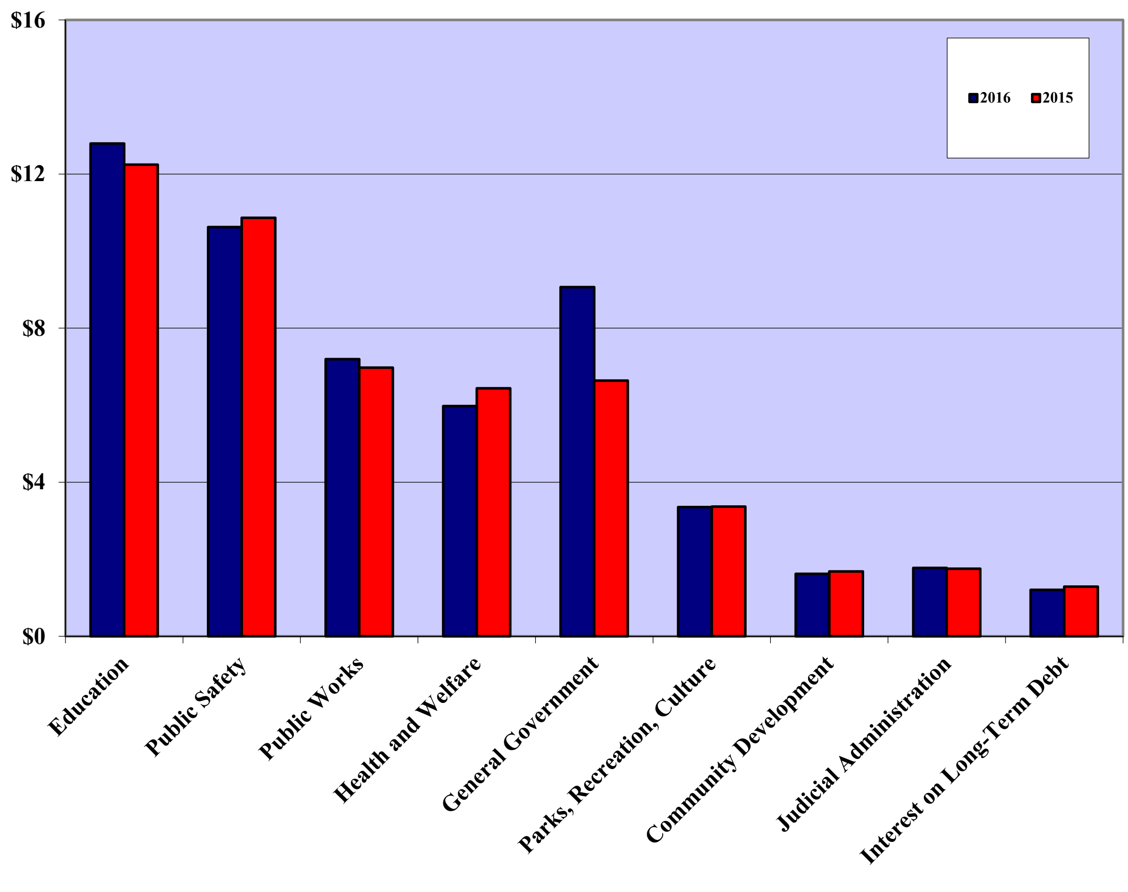
Governmental Activities - Expenses

- The total expenses from governmental activities were $53.6 million for the year, an increase of $2.3 million from FY 2015.
- Education is the largest expense for the City at $12.8 million or 23.9% of the total governmental activities. The net cost remained stable compared to FY 2015.
- General government increased $2.4 million over FY 2015 due mainly to the inclusion of a full year of health insurance fund expenses.

Governmental Activities - Expenses by Function

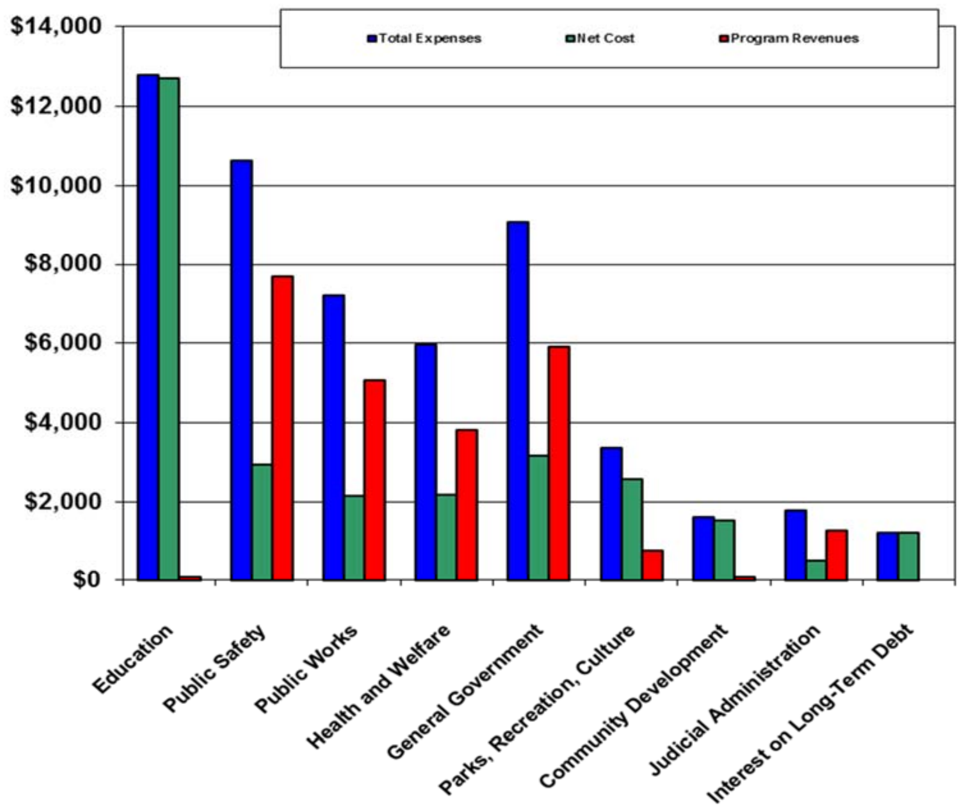
Fiscal Years Ended June 30, 2016 and 2015

($ 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 2016 totaled $24.7 million and general revenues totaled $40 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 43.9%, an increase of $.5 million from FY 2015. General government net cost of service increased $.5 million due in part to the decrease in net profit of the health insurance fund. Public safety function saw a decrease of $5.9 million mainly due to full recognition of the jail buy in.

Net Cost of the City of Staunton's Governmental Activities

	2016		2015	
	Total Cost	**Net Cost**	**Total Cost**	**Net Cost**
Education	$ 12,792,065	$ 12,704,395	$ 12,245,921	$ 12,164,091
Public Safety	10,622,194	2,944,360	10,864,551	8,802,715
Public Works	7,195,893	2,137,604	6,975,749	2,325,480
Health and Welfare	5,975,631	2,167,016	6,438,253	2,172,717
General Government	9,063,531	3,151,564	6,639,656	2,597,038
Parks, Recreation, Culture	3,354,852	2,583,619	3,368,301	2,820,076
Community Development	1,621,715	1,537,270	1,682,092	1,521,109
Judicial Administration	1,774,669	511,921	1,753,470	524,081
Interest on Long-Term Debt	1,207,248	1,207,248	1,290,984	1,290,984
	$ 53,607,798	**$ 28,944,997**	**$ 51,258,977**	**$ 34,218,291**

Business-Type Activities

1. Total revenues of the City's business-type activities were $11.5 million for FY 2016. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at $11.4 million or 98.2% of total revenues for business-type activities.

2. Overall expenses of business-type activities remained relatively stable increasing $.1 million over FY 2015.

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 2016, the City's governmental funds reported combined ending fund balances of $21.7 million, a decrease of $.8 million over FY 2015. Of that amount $.1 million was nonspendable, $7.3 million was committed, $12.2 million was assigned, and $2.1 million was unassigned. The general fund's increase in fund balance was $.4 million. The capital project fund's decrease in fund balance was $1.1 million.

General Fund

The General Fund reported $12.3 million in fund balance at year end. Of the total General Fund balance, $2.1 million is unassigned, $7.3 million is committed for specific purposes, and $2.8 million is assigned.

In total, FY 2016 revenues increased $.4 million over FY 2015. Property tax revenues increased $.2 million, other local taxes increased $.1 million and recovered costs increased $.1 million over FY 2015.

General Fund actual expenditures were $46 million versus the revised budget totaling $47.2 million. The contribution to the Component Unit School Board was the largest expense at $12.1 million. Expenditure savings of $2.8 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 equipment and maintenance savings; $.5 million in public works due to public works equipment and maintenance expenditure savings; $.7 million in health and welfare due to CSA and social services expenditures being less than anticipated; $.2 million in parks and recreation from maintenance and capital expenditure savings, and the balance of $.5 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 $1.9 million in FY 2016 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, 2016:

PROJECT	REVISED BUDGET - PROJECT TO DATE	FY2016 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	1,332,482	-	1,229,729	102,753
COMPUTER NETWORK EQUIPMENT	195,137	79,965	175,102	20,035
E911 CALL HANDLING EQUIPMENT	102,273	-	-	102,273
E911 RECORDING EQUIPMENT	150,000	-	-	150,000
FIRE TRUCK RESERVE	904,383	-	886,973	17,410
RADIO NARROWBAND	550,000	4,340	438,947	111,053
REGIONAL JAIL RESERVE	5,376,286	-	5,057,286	319,000
REGIONAL ANIMAL SHELTER	125,000	-	-	125,000
STREET IMPROVEMENT PROJECTS	905,250	152,314	838,784	66,466
URBAN STREET CONSTRUCTION 2% MATCH	786,478	-	465,395	321,083
MONTGOMERY AVENUE ROAD EXTENSION PROJECT	840,135	-	813,729	26,406
MCSWAIN SAFE ROUTE TO SCHOOL	409,505	225,783	353,440	56,065
STATLER/RICHMOND RD PROJ	50,000	-	-	50,000
RICHMOND RD/GREENVILLE AVE	35,000	-	-	35,000
CENTRAL AVE STREETSCAPE	1,608,349	26,947	82,467	1,525,882
STATE ROUTE 1426	2,110,000	1,492,416	1,773,993	336,007
NEW SIDEWALKS	300,000	-	-	300,000
BESSIE WELLER SAFE ROUTE TO SCHOOL	176,192	-	1,192	175,000
RICHMOND RD/COCHRAN PARKWAY	2,300,000	-	-	2,300,000
BRICK SIDEWALK PROJECTS	200,000		85,162	114,838
VDOT PRIMARY EXT PAVING	420,778	50,757	400,606	20,172
MLK MEMORIAL SIGN	41,450	40,724	40,724	726
PUBLIC WORKS EQUIPMENT RESERVE	100,000	-	-	100,000
FIRE STATION ROOF	845,000	-	104,730	740,270
PUBLIC SAFETY BUILDING	40,000	24,339	24,339	15,661
COCHRAN JUDICIAL CENTER	300,000	256,682	256,682	43,318
PUBLIC WORKS BUILDING MAINTENANCE RESERVE	100,000	-	-	100,000
BLUE RIDGE COMMUNITY COLLEGE	345,498	41,048	345,496	2
LEE HIGH SCHOOL PROJECT	1,300,000	-	-	1,300,000
BOOKER T BUILDING	266,818	-	262,603	4,215
GHP BANDSTAND PROJECT	30,000	1,750	26,971	3,029
MONTGOMERY HALL SOCCER FIELDS	166,272	-	165,878	394
GHP POOL RENOVATIONS	500,000	-	492,565	7,435
LAKE TAMS PROJECT	650,000	506,736	593,615	56,385
GHP DUCK POND PROJECT	105,945	17,500	76,106	29,839
MHP BATHROOM/WATER PARK	275,000	191,497	191,497	83,503
MOXIE STADIUM LIGHTING	52,055	52,055	52,055	-
GYPSY HILL PARK FENCE	72,000	71,115	71,115	885
BETSY BELL PICNIC SHELTER	75,000	-	-	75,000
CORRIDOR OVERLAY INCENTIVES	25,000	-	-	25,000
COUNTY COURTS PROJECT	127,453	51,607	99,060	28,393
ECONOMIC DEVELOPMENT RESERVE	1,243,811	3,141	1,216,743	27,068
ENTERPRISE ZONE PROGRAM	360,521	125,118	262,834	97,687
STAUNTON CROSSING DEVELOPMENT	1,025,000	391,232	606,326	418,674
FRONTIER CULTURE PROJECT	100,000	-	88,051	11,949
COMPLETED PROJECTS	3,303,396	-	3,303,774	(378)
TOTALS	$ 30,327,467	$ 3,807,066	$ 20,883,969	$ 9,443,498

General Fund Budgetary Highlights

City Council revised the total FY 2016 City Budget two times during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - $262,451. This amendment appropriated $160,473 from prior year funds for the balance of grant programs and mandated state program carry-over funds for programs not completed at the end of FY 2015. This amendment also included additional appropriations of $101,978 for additional grants funds.

- Budget Amendment Number 2 - $1,687,074. This amendment appropriated $1,282,342 from the prior year unassigned fund balance to be transferred to the Capital Improvements Fund for projects approved in the CIP plan. Also from prior year fund balance, a transfer of $150,000 to the debt service fund for additional debt service costs and $125,764 to the health insurance fund as a reserve for future health costs. The amendment also included additional appropriations of $128,968 made up of $127,135 in additional state grant funds and $1,833 for insurance recoveries for damaged property.

CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2016 amounts to $133.8 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 $58.4 million for the governmental activities, and $75.3 million for the business-type activities.

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

- $1.5 million for vehicles and equipment and $2 million in new roads and sidewalks.

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

- $3.2 million of construction in progress, 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

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$ 4,737,487	$ 1,997,183	$ 6,734,670	$ 4,730,337	$ 1,997,184	$ 6,727,521
Landfill	-	1,526,723	1,526,723	-	1,531,460	1,531,460
Buildings	26,184,110	29,547,216	55,731,326	27,062,463	30,494,368	57,556,831
Improvements	1,184,212	1,863,880	3,048,092	978,325	821,719	1,800,044
Equipment	4,336,195	4,203,763	8,539,958	4,148,084	3,264,229	7,412,313
Infrastructure	20,916,273	35,299,270	56,215,543	19,943,435	36,048,649	55,992,084
Construction in Progress	1,067,732	898,751	1,966,483	639,516	1,571,369	2,210,885
Total	$ 58,426,009	$ 75,336,786	$ 133,762,795	$ 57,502,160	$ 75,728,978	$ 133,231,138

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 $180.6 million for the City. The City currently has bonds payable of $56 million. The current legal margin for creating additional debt for the City of Staunton is $124.6 million.

- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

City of Staunton Outstanding Debt

	2016			2015		
	Governmental Activities	**Business-Type Activities**	**Total**	**Governmental Activities**	**Business-Type Activities**	**Total**
General Obligation Bonds	$ 24,947,870	$ 996,003	$ 25,943,873	$ 26,534,048	$ 1,211,072	$ 27,745,120
Virginia Revolving Loan	-	19,570,861	19,570,861	-	21,433,518	21,433,518
Literary Loans	10,950,000	-	10,950,000	11,900,000	-	11,900,000
Total	**$ 35,897,870**	**$ 20,566,864**	**$ 56,464,734**	**$ 38,434,048**	**$ 22,644,590**	**$ 61,078,638**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The FY 2017 general fund budget was adopted at $52.1 million, an increase of $1.3 million over the $50.8 million budget for FY 2016.

- No property tax rate increases were proposed for FY 2017. The January 1, 2016 taxable real estate reassessment reflected an increase of .68%, a gain of $12,142,267 in market value for the City's taxable real estate base. Personal property taxes have a budgeted increase of 2.9% expected for 2017.

- There was a 1.7% increase budgeted for lodging tax to fund tourism marketing expenses. The rate will increase from 5% to 6.7%.

- Funding from the Commonwealth constitutes 22.6% of the total budget and will increase $142,073 over FY 2016, from $11,632,900 to $11,774,973. Most of the net increase is for street and highway maintenance.

- A 3% cost of living adjustment for all full-time and part-time employees will be effective December 1, 2016. The General Fund increase for wages and benefits for FY 2017 is $112,513. The City added one new position in the FY 2017 General Fund budget for tourism. Two positions were moved to contracted services as the Human Resources department entered into a shared services agreement with Staunton City Schools for human resources. The total FTE count for the City is 290 full-time employees, a net decrease of 1 position.

- The General Fund budgeted transfer to the City and School Capital Improvement Funds remained the same for FY 2017. The operating budget transfers $.7 million from operating revenues

- The General Fund transfer to the Debt Service Fund decreased slightly from 2016 to $2,850,500. The City will reduce its total outstanding debt by $4 million in 2017.

- The General Fund transfer to the Education Fund increased 3.2%, or $382,700, to help fund an average 3% pay increase for school employees.

- There is a budgeted increase of 20.7% in the City's water rate and a budgeted increase of 10% in the City's refuse rate for FY 2017.

- As of September 2016, the unemployment rate for the City of Staunton is 4.1%. Staunton's rate is slightly higher than the state's average unemployment rate of 4.0% and below the national average of 4.8%.

All these factors were considered in preparing the FY 2017 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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EXHIBIT 1

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	$ 26,914,310	$ 4,638,651	$ 31,552,961	$ 5,286,804	$ 29,528
Investments (Note 2)	1,194,541	6,792,055	7,986,596	-	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 11)	4,722,857	-	4,722,857	-	-
Accounts	666,369	1,771,106	2,437,475	291,989	16,667
Interest	3,290	15,899	19,189	-	-
Internal balances (Note 4)	166,179	(166,179)	-	-	-
Due from other governments (Note 3)	7,302,581	-	7,302,581	2,082,142	-
Due from component unit (Note 15)	14,000,000	-	14,000,000	-	-
Inventory (Note 1, 16)	207,189	-	207,189	-	14,191,586
Prepaid items	116,998	-	116,998	1,708	-
Restricted assets: (Notes 2, 12)					
Cash and cash equivalents	7,000	2,435,097	2,442,097	-	-
Due from other governments (Note 3)	-	2,757,042	2,757,042	-	-
Capital assets: (Note 5)					
Nondepreciable	5,805,219	2,895,934	8,701,153	324,556	799,748
Depreciable, net	52,620,790	72,440,852	125,061,642	7,507,895	7,069,393
Total assets	113,727,323	93,580,457	207,307,780	15,495,094	22,106,922
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date (Notes 1, 7, 8)	2,057,462	316,447	2,373,909	2,413,118	-
Changes in proportion - teacher cost sharing plan (Notes 1, 8)	-	-	-	70,006	-
Deferred charges on refunding	368,520	47,475	415,995	-	-
Total deferred outflows of resources	2,425,982	363,922	2,789,904	2,483,124	-
LIABILITIES					
Accounts payable	1,187,116	503,059	1,690,175	354,412	37,639
Retainage payable	24,403	35,788	60,191	-	-
Accrued liabilities	1,082,570	245,323	1,327,893	3,018,644	-
Due to primary government (Note 15)	-	-	-	-	14,000,000
Unearned revenue (Notes 1, 15)	1,573,858	9,497	1,583,355	-	-
Amounts held for others	56,703	-	56,703	813	-
Deposits payable	7,000	278,413	285,413	-	-
Noncurrent liabilities:					
Net pension liability (Notes 7, 8)	17,024,421	2,564,146	19,588,567	27,053,016	-
Due within one year (Note 6)	4,835,786	2,084,261	6,920,047	160,249	-
Due in more than one year (Note 6)	33,670,849	20,793,287	54,464,136	208,044	-
Total liabilities	59,462,706	26,513,774	85,976,480	30,795,178	14,037,639
DEFERRED INFLOWS OF RESOURCES					
Net difference between projected and actual investment earnings on pension plan investments (Notes 1, 7, 8)	1,212,803	190,268	1,403,071	1,737,763	-
Net difference between expected and actual experience	710,625	105,810	816,435	399,430	
Changes in proportion - teacher cost sharing plan (Notes 1, 8)	-	-	-	789,508	-
Property taxes (Note 11)	4,230,725	-	4,230,725	-	-
Total deferred inflows of resources	6,154,153	296,078	6,450,231	2,926,701	-
NET POSITION					
Net investment in capital assets	35,503,141	54,769,922	90,273,063	7,832,451	7,869,141
Restricted for:					
Programs	-	-	-	91,541	-
Donor purposes	27,466	-	27,466	18,665	-
Unrestricted	15,005,839	12,364,605	27,370,444	(23,686,318)	200,142
Total net position	$ 50,536,446	$ 67,134,527	$ 117,670,973	$ (15,743,661)	$ 8,069,283

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

CITY OF STAUNTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 9,063,531	$ 5,612,682	$ 299,285	$ -
Judicial administration	1,774,669	154,154	1,108,594	-
Public safety	10,622,194	558,495	7,116,477	2,862
Public works	7,195,893	-	3,955,174	1,103,115
Health and welfare	5,975,631	-	3,808,615	-
Education	12,792,065	-	87,670	-
Parks, recreation, and culture	3,354,852	371,053	400,180	-
Community development	1,621,715	20,588	63,857	-
Interest on long-term debt	1,207,248	-	-	-
Total governmental activities	53,607,798	6,716,972	16,839,852	1,105,977
Business-type activities:				
Water	3,611,452	3,744,712	-	40,000
Sewer	3,556,814	3,946,570	-	53,806
Storm Water	785,238	760,611	7,905	45,639
Environmental	2,207,342	2,397,526	6,484	-
Golf	151,865	118,900	-	-
Parking	414,275	407,383	-	-
Total business-type activities	10,726,986	11,375,702	14,389	139,445
Total primary government	$ 64,334,784	$ 18,092,674	$ 16,854,241	$ 1,245,422
Component Units:				
School Board	$ 33,086,264	$ 1,367,631	$ 11,087,820	$ 59,202
Economic Development Authority	322,954	37,500	27,378	62,465
Total component units	$ 33,409,218	$ 1,405,131	$ 11,115,198	$ 121,667

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

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

Net (Expenses) Revenues and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
$ (3,151,564)		$ (3,151,564)		
(511,921)		(511,921)		
(2,944,360)		(2,944,360)		
(2,137,604)		(2,137,604)		
(2,167,016)		(2,167,016)		
(12,704,395)		(12,704,395)		
(2,583,619)		(2,583,619)		
(1,537,270)		(1,537,270)		
(1,207,248)		(1,207,248)		
(28,944,997)		(28,944,997)		
-	$ 173,260	173,260		
-	443,562	443,562		
-	28,917	28,917		
-	196,668	196,668		
-	(32,965)	(32,965)		
-	(6,892)	(6,892)		
-	802,550	802,550		
(28,944,997)	802,550	(28,142,447)		
			$ (20,571,611)	$ -
			-	(195,611)
			(20,571,611)	(195,611)
23,798,051	-	23,798,051	-	-
4,079,919	-	4,079,919	-	-
3,651,814	-	3,651,814	-	-
2,092,035	-	2,092,035	-	-
1,125,214	-	1,125,214	-	-
1,352,910	-	1,352,910	-	-
1,023,050	-	1,023,050	-	-
68,532	50,658	119,190	2,446	-
		-		
2,805,667	-	2,805,667	9,577,122	-
29,086	-	29,086	-	-
-	-	-	11,939,100	-
(236,488)	236,488	-	-	-
39,789,790	287,146	40,076,936	21,518,668	-
10,844,793	1,089,696	11,934,489	947,057	(195,611)
39,691,653	66,044,831	105,736,484	(16,690,718)	8,264,894
$ 50,536,446	$ 67,134,527	$ 117,670,973	$ (15,743,661)	$ 8,069,283

CITY OF STAUNTON, VIRGINIA

BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2016

	General	Capital Projects Fund: Capital Improvements	Nonmajor Governmental	Total Governmental
Assets				
Cash and cash equivalents	$ 12,322,068	$ 8,629,009	$ 2,328,444	$ 23,279,521
Investments	1,194,541	-	-	1,194,541
Receivables (net of allowances for uncollectibles):				
Taxes	4,722,857	-	-	4,722,857
Accounts	611,269	-	3,750	615,019
Interest	3,290	-	-	3,290
Due from other governments	6,934,286	323,926	44,369	7,302,581
Due from other funds	166,179	-	-	166,179
Prepaid items	103,252	-	-	103,252
Restricted assets:				
Cash and cash equivalents	7,000	-	-	7,000
Total assets	$ 26,064,742	$ 8,952,935	$ 2,376,563	$ 37,394,240
Liabilities				
Accounts payable	$ 892,719	$ 270,428	$ 15,493	$ 1,178,640
Retainage payable	-	24,403	-	24,403
Accrued liabilities	531,708	-	18,031	549,739
Amounts held for others	56,703	-	-	56,703
Deposits payable	7,000	-	-	7,000
Total liabilities	1,488,130	294,831	33,524	1,816,485
Deferred Inflows of Resources				
Unavailable revenue	12,264,600	1,573,858	-	13,838,458
Fund Balances				
Nonspendable	103,252	-	-	103,252
Restricted	15,825	-	11,641	27,466
Committed	7,295,960	-	-	7,295,960
Assigned	2,790,139	7,084,246	2,331,398	12,205,783
Unassigned	2,106,836	-	-	2,106,836
Total fund balances	12,312,012	7,084,246	2,343,039	21,739,297
Total liabilities, deferred inflows of resources and fund balances	$ 26,064,742	$ 8,952,935	$ 2,376,563	$ 37,394,240

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

CITY OF STAUNTON, VIRGINIA

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

June 30, 2016

Total Fund Balances - Governmental Funds		$ 21,739,297
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	$ 124,680,582	
Less: accumulated depreciation	(66,318,637)	
		58,361,945
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)	$ 101,737	
Deferred amount on refunding (to be amortized as interest expense)	368,520	470,257
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		2,962,662
Receivables that are not available to pay for current-period expenditures are deferred or not reported in the funds.		
Due from EDA	$ 14,000,000	
Hotel rent	16,667	
Interest	3,290	
Miscellaneous reimbursement	10,430	
Jail buy out	5,432,403	
Real estate taxes	2,571,085	22,033,875
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2016 employer contributions	$ 2,057,462	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(1,212,803)	
Deferred inflows of resources for the net difference between expected and actual experience	(710,625)	
Net pension liability	(17,024,421)	(16,890,387)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	$ (25,049,607)	
Literary fund loans	(10,950,000)	
Accrued interest payable	(591,175)	
Claims payable	(61,048)	
Compensated absences	(1,489,373)	(38,141,203)
Total Net Position - Governmental Activities		$ 50,536,446

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

CITY OF STAUNTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Capital Projects	Nonmajor Governmental	Total Governmental
Revenues				
General property taxes	$ 23,036,507	$ -	$ -	$ 23,036,507
Other local taxes	13,324,942	-	-	13,324,942
Permits, privilege fees, and regulatory licenses	340,019	-	-	340,019
Fines and forfeitures	97,667	-	-	97,667
Revenues from use of money and property	118,827	1,404	70	120,301
Charges for services	1,500,778	-	227,645	1,728,423
Miscellaneous	82,138	450	53,397	135,985
Recovered costs	893,233	116,846	-	1,010,079
Intergovernmental:				
Federal	1,093,176	250,347	27,998	1,371,521
Commonwealth	11,047,432	994,921	703,818	12,746,171
City of Staunton School Board	-	-	100,000	100,000
Total revenues	51,534,719	1,363,968	1,112,928	54,011,615
Expenditures				
Current:				
General government administration	5,222,591	33,775	-	5,256,366
Judicial administration	1,908,434	-	-	1,908,434
Public safety	10,057,512	-	925,997	10,983,509
Public works	5,922,104	484,321	-	6,406,425
Health and welfare	5,953,836	-	-	5,953,836
Education	12,147,100	41,048	-	12,188,148
Parks, recreation, and cultural	3,459,278	36,106	-	3,495,384
Community development	1,375,048	242,331	22,035	1,639,414
Capital projects	-	2,969,485	-	2,969,485
Debt service:				
Principal retirement	-	-	2,546,046	2,546,046
Interest and fiscal charges	-	-	1,205,009	1,205,009
Total expenditures	46,045,903	3,807,066	4,699,087	54,552,056
Excess (deficiency) of revenues over expenditures	5,488,816	(2,443,098)	(3,586,159)	(540,441)
Other financing sources (uses)				
Transfers in	-	1,873,392	3,518,227	5,391,619
Transfers out	(5,106,911)	(500,000)	-	(5,606,911)
Total other financing sources (uses)	(5,106,911)	1,373,392	3,518,227	(215,292)
Net change in fund balance	381,905	(1,069,706)	(67,932)	(755,733)
Fund balance - beginning of year	11,930,107	8,153,952	2,410,971	22,495,030
Fund balance - end of year	$ 12,312,012	$ 7,084,246	$ 2,343,039	$ 21,739,297

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

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, 2016

Net changes in fund balances - Governmental Funds			$ (755,733)
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	$ (3,026,488)	
	Capital expenditures	3,869,312	
	Contributed Capital	92,325	935,149
In the statement of activities, only the gain on the disposal of capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset.			(7,902)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
	Property taxes	$ 761,544	
	Interest	(6,704)	
	Jail buy in	5,432,403	
	Miscellaneous revenue	(10,424)	6,176,819
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		2,546,046
Governmental funds report interest on long term debt as expenditures when payments are made, while the statement of activities reports interest expense on the accrual basis.			43,374
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.			
	Empoyer pension contributions	2,057,462	
	Pension expense	(1,056,851)	1,000,611
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		$ 95,351	
Amortization of bond discount, deferred amount, and bond premium		(45,613)	49,738
The net income of internal service funds is reported within governmental activities on the statement of activities.			856,691
Change in net position - Governmental Activities			$ 10,844,793

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2016

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	Internal Service
Assets							
Current assets:							
Cash and cash equivalents	$ 1,735,642	$ 971,536	$ 1,716,623	$ 65,945	$ 148,905	$ 4,638,651	$ 3,634,789
Investments	2,783,257	2,426,823	-	1,581,975	-	6,792,055	-
Receivable:							
Accounts (net of allowance for uncollectibles)	562,279	685,743	114,441	396,916	11,727	1,771,106	51,350
Interest	5,981	5,772	-	4,146	-	15,899	-
Inventory	-	-	-	-	-	-	207,189
Prepaid items	-	-	-	-	-	-	13,746
Restricted assets:							
Cash and cash equivalents	205,955	-	67,500	2,156,684	4,958	2,435,097	-
Due from other governments	-	206,256	-	-	-	206,256	-
Total current assets	5,293,114	4,296,130	1,898,564	4,205,666	165,590	15,859,064	3,907,074
Noncurrent assets:							
Restricted assets:							
Due from other governments	-	2,550,786	-	-	-	2,550,786	-
Capital assets:							
Nondepreciable	251,248	129,230	819,531	636,982	1,058,943	2,895,934	-
Depreciable,net	21,518,006	34,952,071	8,773,044	2,967,046	4,230,685	72,440,852	64,064
Total capital assets, net	21,769,254	35,081,301	9,592,575	3,604,028	5,289,628	75,336,786	64,064
Total noncurrent assets	21,769,254	37,632,087	9,592,575	3,604,028	5,289,628	77,887,572	64,064
Total assets	27,062,368	41,928,217	11,491,139	7,809,694	5,455,218	93,746,636	3,971,138
Deferred outflows of resources							
Pension contributions subsequent to measurement date	172,210	17,602	11,292	106,697	8,646	316,447	-
Deferred charge on refunding	47,475	-	-	-	-	47,475	-
Total deferred outflows of resources	219,685	17,602	11,292	106,697	8,646	363,922	-
Liabilities							
Current liabilities:							
Accounts payable	27,855	203,611	126,843	141,901	2,849	503,059	8,476
Claims payable	-	-	-	-	-	-	1,000,000
Retainage payable	-	6,602	29,186	-	-	35,788	-
Accrued liabilities	107,607	99,274	2,104	21,372	14,966	245,323	-
Unearned revenue	-	-	-	-	9,497	9,497	-
Deposits payable	205,955	-	67,500	-	4,958	278,413	-
Due to other funds	-	-	-	143,981	22,198	166,179	-
Debt, current	630,230	1,043,541	-	-	223,567	1,897,338	-
Landfill closure/postclosure	-	-	-	53,457	-	53,457	-
Compensated absences	78,268	1,065	1,378	52,755	-	133,466	-
Total current liabilities	1,049,915	1,354,093	227,011	413,466	278,035	3,322,520	1,008,476
Noncurrent liabilities:							
Net pension liability	1,425,873	144,739	93,885	827,280	72,369	2,564,146	-
Debt	6,035,252	11,861,838	-	-	772,436	18,669,526	-
Landfill closure/postclosure	-	-	-	2,055,275	-	2,055,275	-
Compensated absences	32,077	-	7,522	28,887	-	68,486	-
Total noncurrent liabilities	7,493,202	12,006,577	101,407	2,911,442	844,805	23,357,433	-
Total liabilities	8,543,117	13,360,670	328,418	3,324,908	1,122,840	26,679,953	1,008,476
Deferred Inflows of Resources							
Net difference between projected and actual investment earnings on pension plan investments	101,578	10,311	6,688	66,536	5,155	190,268	-
Net difference between expected and actual experience	59,518	6,042	3,919	33,310	3,021	105,810	-
Total deferred inflows of resources	161,096	16,353	10,607	99,846	8,176	296,078	-
Net Position							
Net investment in capital assets	15,103,772	22,175,922	9,592,575	3,604,028	4,293,625	54,769,922	64,064
Unrestricted	3,474,068	6,392,874	1,570,831	887,609	39,223	12,364,605	2,898,598
Total net position	$ 18,577,840	$ 28,568,796	$ 11,163,406	$ 4,491,637	$ 4,332,848	$ 67,134,527	$ 2,962,662

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

CITY OF STAUNTON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	Internal Service
OPERATING REVENUES							
Parking fines	$ -	$ -	$ -	$ -	$ 32,379	$ 32,379	$ -
Charges for services	3,649,524	4,011,375	760,611	2,386,728	491,731	11,299,969	8,128,113
Rental of property	82,972	-	-	703	-	83,675	-
Operating grants	-	-	7,905	6,484	-	14,389	-
Miscellaneous	-	7,544	-	6,114	1,988	15,646	-
Total operating revenues	3,732,496	4,018,919	768,516	2,400,029	526,098	11,446,058	8,128,113
OPERATING EXPENSES							
Personal services	1,112,598	415,637	95,614	1,008,222	202,243	2,834,314	-
Claims paid	-	-	-	-	-	-	5,998,621
Rental of property	4,173	1,650	-	-	6,200	12,023	4,338
Administrative fees	-	-	-	-	-	-	806,044
Repairs and maintenance	249,422	59,579	-	36,916	595	346,512	-
Contractual services	285,972	1,412,392	59,659	469,762	15,506	2,243,291	16,842
Materials and supplies	184,751	63,755	10,505	120,940	7,438	387,389	30,292
Depreciation	884,874	1,129,292	454,288	262,333	172,586	2,903,373	3,398
Utilities	165,952	9,021	-	2,785	30,628	208,386	538,184
Other expenses	454,377	155,539	165,172	296,432	81,773	1,153,293	-
Landfill closure/post-closure	-	-	-	9,952	-	9,952	-
Total operating expenses	3,342,119	3,246,865	785,238	2,207,342	516,969	10,098,533	7,397,719
Operating income (loss)	390,377	772,054	(16,722)	192,687	9,129	1,347,525	730,394
NONOPERATING REVENUES (EXPENSES)							
Interest income	18,876	15,999	394	15,348	41	50,658	533
Interest and fiscal charges	(269,333)	(387,739)	-	-	(49,171)	(706,243)	-
Gain (loss) on disposal of assets	12,216	(72,349)	-	3,981	185	(55,967)	-
Debt service recovery	-	77,790	-	-	-	77,790	-
Total nonoperating revenues (expenses)	(238,241)	(366,299)	394	19,329	(48,945)	(633,762)	533
Income (loss) before transfers and capital contributions	152,136	405,755	(16,328)	212,016	(39,816)	713,763	730,927
Capital Contributed-Developer	40,000	53,806	45,639	-	-	139,445	-
Capital Contributed-general government	-	-	146,960	-	-	146,960	-
Transfers in	-	-	-	-	89,528	89,528	125,764
Change in net position	192,136	459,561	176,271	212,016	49,712	1,089,696	856,691
Total net position - beginning of year	18,385,704	28,109,235	10,987,135	4,279,621	4,283,136	66,044,831	2,105,971
Total net position - end of year	$ 18,577,840	$ 28,568,796	$ 11,163,406	$ 4,491,637	$ 4,332,848	$ 67,134,527	$ 2,962,662

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	Internal Service
OPERATING ACTIVITIES							
Cash received from customers and users	$ 3,725,551	$ 3,998,035	$ 763,308	$ 2,362,822	$ 540,899	$ 11,390,615	$ 8,133,316
Cash paid to suppliers	(1,342,556)	(1,848,913)	(261,719)	(964,748)	(141,934)	(4,559,870)	(602,632)
Cash paid to employees	(1,099,746)	(498,712)	(93,247)	(1,100,357)	(206,029)	(2,998,091)	-
Claims paid	-	-	-	-	-	-	(5,541,888)
Administrative fees	-	-	-	-	-	-	(803,783)
Operating grants received	11,200	-	21,523	6,484	-	39,207	-
Net cash provided by operating activities	1,294,449	1,650,410	429,865	304,201	192,936	3,871,861	1,185,013
NONCAPITAL FINANCING ACTIVITIES							
Transfers to/from other funds	-	-	-	-	89,528	89,528	125,764
Interfund borrowing	-	-	-	(577,357)	(25,732)	(603,089)	-
Net cash provided by (used in) noncapital financing activities	-	-	-	(577,357)	63,796	(513,561)	125,764
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,010,548)	(520,108)	(450,928)	(325,550)	-	(2,307,134)	-
Principal paid on long-term debt	(551,428)	(1,251,463)	-	-	(215,624)	(2,018,515)	-
Interest paid on long-term debt	(312,721)	(334,467)	-	-	(49,207)	(696,395)	-
Proceeds from sale of capital assets	12,216	-	-	3,981	185	16,382	-
Collection of loans receivable	-	245,068	-	-	-	245,068	-
Net cash used in capital and related financing activities	(1,862,481)	(1,860,970)	(450,928)	(321,569)	(264,646)	(4,760,594)	-
INVESTING ACTIVITIES							
Transfer from investment account	-	-	-	500,000	-	500,000	-
Interest received	1,183	207	394	7,672	41	9,497	533
Net cash provided by investing activities	1,183	207	394	507,672	41	509,497	533
Net increase (decrease) in cash and cash equivalents	(566,849)	(210,353)	(20,669)	(87,053)	(7,873)	(892,797)	1,311,310
CASH AND CASH EQUIVALENTS							
Beginning of year	2,508,446	1,181,889	1,804,792	2,309,682	161,736	7,966,545	2,323,479
End of year	$ 1,941,597	$ 971,536	$ 1,784,123	$ 2,222,629	$ 153,863	$ 7,073,748	$ 3,634,789
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	$ 1,735,642	$ 971,536	$ 1,716,623	$ 65,945	$ 148,905	$ 4,638,651	$ 3,634,789
Restricted cash and cash equivalents	205,955	-	67,500	2,156,684	4,958	2,435,097	-
Total	$ 1,941,597	$ 971,536	$ 1,784,123	$ 2,222,629	$ 153,863	$ 7,073,748	$ 3,634,789

EXHIBIT 7 (cont'd)

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2016**

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	Internal Service
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	$ 390,377	$ 772,054	$ (16,722)	$ 192,687	$ 9,129	$ 1,347,525	$ 730,394
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	884,874	1,129,292	454,288	262,333	172,586	2,903,373	3,398
Pension expense net of employer contributions	8,351	(79,840)	404	(93,577)	(4,709)		-
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	1,977	(20,884)	6,315	(30,723)	13,855	(29,460)	(38,064)
Decrease in prepaid items	-	-	-	-	-	-	5,450
Increase in inventory	-	-	-	-	-	-	(610)
Increase (decrease) in accounts payable	2,091	(146,977)	(26,383)	15,544	206	(155,519)	(15,555)
Increase (decrease) in accrued liabilities	5,667	(1,824)	233	3,201	923	8,200	500,000
Increase in unearned revenue	-	-	-	-	464	464	-
Increase in deposits payable	2,278	-	10,000	-	482	12,760	-
Increase (decrease) in compensated absences	(1,166)	(1,411)	1,730	(1,759)	-	(2,606)	-
Decrease in landfill closure/postclosure liabilities	-	-	-	(43,505)	-	(43,505)	-
Net cash provided by operating activities	$ 1,294,449	$ 1,650,410	$ 429,865	$ 304,201	$ 192,936	$ 4,041,232	$ 1,185,013
Noncash investing, capital, and financing activities:							
Contributions of capital assets from developers and other funds	$ 40,000	$ 53,806	$ 192,599	$ -	$ -	$ 286,405	$ -

CITY OF STAUNTON, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	OPEB Trust Fund
ASSETS	
Assets held in trust, at fair value	
Investment in pooled funds	$ 1,468,265
Total assets	1,468,265
NET POSITION	
Held in trust for other post-employment benefits	1,468,265
Total net position	$ 1,468,265

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

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016

	OPEB Trust Fund
ADDITIONS/REDUCTIONS	
Contributions from employer	$ 205,000
Investment income (loss)	
Net decrease in fair value of investments	(5,449)
Investment expenses	(1,995)
Net investment loss	(7,444)
Total additions	197,556
Change in net position	197,556
Total Net Position Held in Trust for Other Post-employment Benefits - beginning of year	1,270,709
Total Net Position Held in Trust for Other Post-employment Benefits - end of year	$ 1,468,265

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

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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Related organizations:

The City also participates in the following entities:

Augusta Regional Landfill

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

Middle River Regional Jail Authority

The City, in conjunction with the City of Waynesboro and the County of Augusta, participates in the Middle River Regional Jail Authority. Capital and operating costs are allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. In accordance with the service agreement, the Authority has divided its charges to member jurisdictions into an operating component and a debt service component. The City paid the Authority $1,568,298 for the current year. This entity is not included in the City's financial statements.

B. Government-wide and Fund Financial Statements

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

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

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

The ***Water Fund*** accounts for the operations of the City's water distribution system.
The ***Sewer Fund*** accounts for the operations of the City's wastewater collection system.
The ***Stormwater Fund*** accounts for the operation of the City's storm water system.
The ***Environmental Fund*** accounts for the operations of the City's refuse collection and participation in a regional landfill operation.

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

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

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

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, or other funds. ***The OPEB Trust Fund*** accounts for the assets held for, and costs of, other post-employment benefits (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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Receivables and Allowance for Uncollectible Accounts

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

General Fund (property taxes)	$	526,606
General Fund (other local taxes)		1,724
Water Fund (charges for services)		39,362
Sewer Fund (charges for services)		61,877
Stormwater Fund (charges for services)		22,814
Parking Fund (charges for services)		680
Environmental Fund (charges for services)		28,688
	$	681,751

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventory

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

Prepaid Items

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

Capital Assets

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

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

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

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 2016, the enterprise funds incurred interest costs of $715,901 of which $9,659 was capitalized.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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 three 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 consists of change in proportion in the teacher cost sharing pool; this amount 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 five items that qualify for reporting in this category. The first item occurs only under the modified accrual basis of accounting; this item, *unavailable revenue*, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is unearned revenue, which results from collection in the current fiscal year of property taxes levied to fund future years. The third item is the net difference between projected and actual earnings on pension plan investments. 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 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.

Compensated Absences

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

Unearned Revenue

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

Long-Term Obligations

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

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

Pensions

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

Encumbrances

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

Net Position

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

The golf fund had negative net position totaling $(157,993) at June 30, 2016 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 $(15,743,661) at June 30, 2016 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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balance Policies

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

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

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

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

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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 14% 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, 2016 for the general fund is $7,295,960. 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, 2016

Note 2. Deposits and Investments

Deposits:

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

Investments:

Investment policy

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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
Primary Government		
Money Market Funds	$ 795,074	Not Rated
Federal Agency Bonds and Notes	6,226,985	AA+
Corporate Bonds/Notes	964,536	AA- to AA+
Local Government Investment Pool (LGIP)	917,345	AAAm
Total primary government	8,903,940	
Component Unit School Board		
Local Government Investment Pool (LGIP)	573,455	AAAm
Total Component Unit School Board	573,455	
Grand total	$ 9,477,395	

Credit Risk:

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

Concentration of Credit Risk:

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

Issuer	Percent of Total Portfolio
Local Government Investment Pool (LGIP)	15.73%
First American Government Obligations Fund	8.39%
Federal Farm Credit Bank	17.32%
Federal Home Loan Bank	19.20%
Federal Home Loan Mortgage Corp	19.34%
Federal National Mortgage Association	9.85%

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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	$ 795,074	N/A
Federal Agency Notes and Bonds	6,226,985	.99
Corporate Bonds/Notes	964,536	.99
Local Government Investment Pool (LGIP)	1,490,800	N/A
	$ 9,477,395	

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

	Primary Government	Component Units: School Board	Component Units: EDA
Deposits and investments:			
Cash on hand	$ 9,745	$ 264	$ -
Deposits	33,067,969	4,713,085	29,528
Investments	8,903,940	573,455	-
	$ 41,981,654	$ 5,286,804	$ 29,528
Statement of net position:			
Cash and cash equivalents	$ 31,552,961	$ 5,286,804	$ 29,528
Investments	7,986,596	-	-
Restricted-cash and cash equivalents	2,442,097	-	-
	$ 41,981,654	$ 5,286,804	$ 29,528

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, 2016:

	Level 1
Debt securities	
U.S. Agency securities	$ 6,226,985
Corporate bonds	964,536
	$ 7,191,521

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, 2016

Note 3. Due From Other Governmental Units

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

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities-	School Board
Various state and federal grants	$ 1,870,178	$ -	$ 2,082,142
Virginia revolving loans	-	2,757,042	-
Regional jail buy-in	5,432,403	-	-
	$ 7,302,581	$ 2,757,042	$ 2,082,142

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	$ 206,256	$ 71,137
Amount receivable within 2 to 5 years	884,886	224,687
Amount receivable beyond 5 years	1,665,890	206,477
	$ 2,757,042	$ 502,301

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	$ 553,081	$ 117,883
Amount receivable within 2 to 5 years	2,334,976	348,881
Amount receivable beyond 5 years	2,544,346	139,512
	$ 5,432,403	$ 606,276

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 4. Interfund Transfers and Obligations

Primary Government:

Transfers Out	Transfers In				
	Capital Projects Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Internal Service Fund	Total
Capital Projects	$ -	$ 500,000	$ -	$ -	$ 500,000
General Fund	1,873,392	3,018,227	89,528	125,764	5,106,911
Total	$ 1,873,392	$ 3,518,227	$ 89,528	$ 125,764	$ 5,606,911

Transfers from the General Fund to the Debt Service Fund are to fund debt service costs. Transfers from the General Fund to the Golf Fund are to fund debt service and operating costs. Transfers from the General Fund to the Parking Fund are to fund debt service costs. Transfers from the General fund to the Capital Projects fund are to fund capital projects. Transfers from the General fund to the Health insurance fund are to support a reserve for future health costs.

Component Unit School Board:

Transfers Out	Transfers In		
	Education Fund	Nonmajor Governmental Funds	Total
Education fund	$ -	$ 607,318	$ 607,318
Nonmajor governmental funds	95,755	-	95,755
Total	$ 95,755	$ 607,318	$ 703,073

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

Interfund Advances:

The General Fund has a receivable in the amount of $143,981 from the Environmental Fund and $22,198 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 $698,165 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, 2016

Note 5. Capital Assets

Primary Government:

Capital asset activity for the primary government is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities:				
Capital assets, not depreciated:				
Land (including easements)	$ 4,730,337	$ 7,150	$ -	$ 4,737,487
Construction in progress	639,516	837,449	409,233	1,067,732
Total capital assets, not depreciated	5,369,853	844,599	409,233	5,805,219
Capital assets, depreciated:				
Buildings	13,031,026	17,174	-	13,048,200
Improvements	2,903,789	295,672	61,369	3,138,092
School assets*	28,585,080	-	-	28,585,080
Equipment	14,435,529	1,097,318	388,818	15,144,029
Infrastructure	57,072,012	2,116,107	-	59,188,119
Total capital assets, depreciated	116,027,436	3,526,271	450,187	119,103,520
Less accumulated depreciation for:				
Buildings	5,835,073	296,320	-	6,131,393
Improvements	2,114,717	79,189	61,368	2,132,538
School assets*	8,419,524	703,917	-	9,123,441
Equipment	10,397,238	807,191	380,917	10,823,512
Infrastructure	37,128,577	1,143,269	-	38,271,846
Total accumulated depreciation	63,895,129	3,029,886	442,285	66,482,730
Total capital assets, depreciated, net	52,132,307	496,385	7,902	52,620,790
Total capital assets, net, governmental activities	$ 57,502,160	$ 1,340,984	$ 417,135	$ 58,426,009

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, 2016

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities:				
Capital assets, not depreciated:				
Land (including easements)	$ 1,997,183	$ -	$ -	$ 1,997,183
Construction in progress	1,571,370	681,677	1,354,296	898,751
Total capital assets, not depreciated	3,568,553	681,677	1,354,296	2,895,934
Capital assets, depreciated:				
Landfill	3,501,659	-	25,452	3,476,207
Buildings	42,382,054	-	-	42,382,054
Improvements	2,202,705	1,100,689	-	3,303,394
Equipment	11,358,694	1,471,588	416,810	12,413,472
Utility lines	59,309,913	705,785	-	60,015,698
Total capital assets, depreciated	118,755,025	3,278,062	442,262	121,590,825
Less accumulated depreciation				
Landfill	1,970,199	4,737	25,452	1,949,484
Buildings	11,887,686	947,152	-	12,834,838
Improvements	1,380,986	58,528	-	1,439,514
Equipment	8,094,465	459,705	344,461	8,209,709
Utility lines	23,261,264	1,455,164	-	24,716,428
Total accumulated depreciation	46,594,600	2,925,286	369,913	49,149,973
Total capital assets, depreciated, net	72,160,425	352,776	72,349	72,440,852
Total capital assets, net, business-type activities	$ 75,728,978	$ 1,034,453	$ 1,426,645	$ 75,336,786

Additions to accumulated depreciation of business-type activities differ from depreciation expense for business- type activities due to the transfer of a fully depreciated asset from governmental activities to the environmental fund in the amount of $21,913.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 5. Capital Assets (Continued)

Component Unit – School Board

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
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	236,000	88,556	-	324,556
Buildings	39,991,501	-	-	39,991,501
Improvements	744,579	-	-	744,579
School assets allocated to the City*	(28,585,080)	-	-	(28,585,080)
Equipment	6,723,659	215,136	79,001	6,859,794
Total capital assets, depreciated	18,874,659	215,136	79,001	19,010,794
Less accumulated depreciation				
Buildings	14,237,056	876,488	-	15,113,544
Improvements	381,967	23,255	-	405,222
School assets allocated to the City*	(8,419,524)	(703,917)	-	(9,123,441)
Equipment	4,753,843	432,732	79,001	5,107,574
Total accumulated depreciation	10,953,342	628,558	79,001	11,502,899
Total capital assets, depreciated, net	7,921,317	(413,422)	-	7,507,895
Total capital assets, net	$ 8,157,317	$ (324,866)	$ -	$ 7,832,451

*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, 2016

Note 5. Capital Assets (Continued)

Component Unit – EDA

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Component Unit – EDA:				
Capital assets, not depreciated:				
Land	$ 799,748	$ -	$ -	$ 799,748
Construction in Progress	162,297	-	162,297	-
Total capital assets, not depreciated	962,045	-	162,297	799,748
Capital assets, depreciated:				
Buildings	8,305,640	-	-	8,305,640
Equipment	2,002,896	-	-	2,002,896
Total capital assets, depreciated	10,308,536	-	-	10,308,536
Less accumulated depreciation				
Buildings	1,672,615	166,757	-	1,839,372
Equipment	1,316,557	83,214	-	1,399,771
Total accumulated depreciation	2,989,172	249,971	-	3,239,143
Total capital assets, depreciated, net	7,319,364	(249,971)	-	7,069,393
Total capital assets, net	$ 8,281,409	(249,971)	162,297	$ 7,869,141

Deletions from construction in progress are costs related to preparing the property at Staunton Crossing for sale and have been added to the inventory value. See Note 15.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 5. Capital Assets (Continued)

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

Governmental activities:

General government administration	$	141,914
Judicial administration		22,267
Public safety		380,391
Public works		1,485,238
Health and welfare		20,150
Education		703,917
Parks, recreation, and culture		265,760
Community development		6,851
Total depreciation expense – governmental	$	3,026,488

Business-type activities:

Water	$	884,874
Sewer		1,129,292
Storm water		454,288
Environmental		262,333
Golf		32,138
Parking		140,448
Total depreciation expense – business-type	$	2,903,373

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

Instruction	$	408,358
Administration, attendance and health		802
Pupil transportation		127,289
School food service		54,910
Operation and maintenance		37,199
Total depreciation expense – School Board	$	628,558

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

Community Development	$	249,971

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 6. Long-Term Debt

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

Primary Government:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
General obligation debt:					
General obligation bonds	$ 26,645,653	$ -	$ 1,596,046	$ 25,049,607	$ 1,877,194
Literary fund loans	11,900,000	-	950,000	10,950,000	950,000
	38,545,653	-	2,546,046	35,999,607	2,827,194
Less unamortized discount	(111,605)	-	(9,868)	(101,737)	(9,868)
Total general obligation debt	38,434,048	-	2,536,178	35,897,870	2,817,326
Other liabilities:					
Compensated absences	1,538,886	924,641	919,845	1,543,682	974,155
Claims payable	609,325	6,974,969	6,519,211	1,065,083	1,044,305
Total other liabilities	2,148,211	7,899,610	7,439,056	2,608,765	2,018,460
Total governmental activities long-term debt	$ 40,582,259	$ 7,899,610	$ 9,975,234	$ 38,506,635	$ 4,835,786

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, 2016

Note 6. Long-Term Debt (Continued)

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loans	$ 20,798,917	$ -	$ 1,802,890	$ 18,996,027	$ 1,613,560
General obligation bonds	1,217,274	-	215,624	1,001,650	224,102
	22,016,191	-	2,018,514	19,997,677	1,837,662
Plus unamortized premium	667,568	-	64,620	602,948	64,620
Less unamortized discount	(39,169)	-	(5,408)	(33,761)	(4,944)
Total bonds and loans payable	22,644,590	-	2,077,726	20,566,864	1,897,338
Other liabilities:					
Landfill closure/postclosure liability	2,152,237	10,971	54,476	2,108,732	53,457
Compensated absences	204,558	137,060	139,666	201,952	133,466
Total other liabilities	2,356,795	148,031	194,142	2,310,684	186,923
Total business-type activities long-term debt	$ 25,001,385	$ 148,031	$ 2,271,868	$ 22,877,548	$ 2,084,261
Component Unit – School Board					
Other liabilities:					
Compensated absences	$ 352,041	$ 158,406	$ 142,154	$ 368,293	$ 160,249
Total Component Unit School Board long-term debt	$ 352,041	$ 158,406	$ 142,154	$ 368,293	$ 160,249

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 6. Long-Term Debt (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General Obligation Bonds:						
2005 CIP Bonds (City and School Improvement projects)	3.43%	06/2005	02/2025	$ 4,600,000	$ 2,545,310	$ -
2007 GO Refunding & CIP Bonds (Refunding Water GO bonds and golf course improvements)	3.50-4.25%	01/2007	02/2034	10,600,000	8,840,000	475,000
1997A School Construction Bonds (Bessie Weller Elementary)	4.35-5.225%	11/1997	01/2017	2,000,000	200,000	-
1997B School Construction Bonds (Bessie Weller Elementary)	4.35-5.225%	11/1997	01/2017	4,211,116	489,297	-
1998 Parking Garage Bonds (New Street Parking Garage)	4.20%	12/1998	06/2019	3,000,000	-	526,650
2012 GO Bonds (Staunton Crossing)	2.21%	10/2012	10/2027	10,000,000	8,830,000	-
2013 GO Bonds (Staunton Crossing)	2.58%	01/2013	01/2028	5,000,000	4,145,000	-
					$ 25,049,607	$ 1,001,650
Literary Fund Loans :						
2002 Bessie Weller Elem renovations	4.00%	02/2002	03/2022	4,000,000	$ 1,200,000	$ -
2008 McSwain Elem renovations	3.00%	08/2008	08/2028	7,500,000	4,875,000	-
2008 Ware Elem renovations	3.00%	08/2008	08/2028	7,500,000	4,875,000	-
					$ 10,950,000	$ -
Virginia Revolving Loan Funds:						
Middle River Wastewater Phase II improvements	3.50%	09/2001	03/2021	6,411,399	-	2,076,261
Middle River Wastewater Phase IIIA improvements	3.00%	01/2008	03/2030	9,309,033	-	7,159,225
Middle River Wastewater Phase IIIB improvements	3.00%	09/2008	03/2030	2,066,747	-	1,591,493
2009A Refunding Bonds	1.125%-5.125%	06/2009	10/2021	4,150,000	-	2,115,000
2010A VRA Water and Sewer CIP projects	2.78%-5.2%	06/2010	10/2030	7,080,000	-	5,825,000
New Hope Road Industrial Park	3.85%	03/2002	09/2021	629,734	-	229,048
					$ -	$ 18,996,027

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 6. Long-Term Debt (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
2017	$ 1,877,194	776,106	$ 950,000	$ 340,500
2018	1,927,922	713,819	950,000	310,000
2019	1,627,366	658,164	950,000	279,500
2020	1,674,399	610,107	950,000	249,000
2021	1,722,743	561,516	950,000	218,500
2022-2026	9,068,983	2,021,310	3,950,000	683,000
2027-2031	5,201,000	838,255	2,250,000	135,000
2032-2036	1,950,000	167,876	-	-
	$ 25,049,607	$ 6,347,153	$ 10,950,000	$ 2,215,500

Business-Type Activities

Year Ending	General Obligation Bonds		Virginia Revolving Loan	
June 30,	Principal	Interest	Principal	Interest
2017	$ 224,102	39,997	$ 1,613,560	$ 662,656
2018	232,893	30,412	1,672,107	602,017
2019	129,655	20,401	1,736,531	537,057
2020	20,000	17,206	1,806,866	470,409
2021	20,000	16,406	1,868,133	403,158
2022-2026	125,000	67,844	5,068,404	1,425,224
2027-2031	145,000	40,857	5,230,426	487,579
2032-2036	105,000	8,926	-	-
	$ 1,001,650	$ 242,049	$ 18,996,027	$ 4,588,100

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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. 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, 2016

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. 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%.
- **Disability Coverage** for 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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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%.

- **Disability Coverage –** Same as Plan 1 except that the retirement multiplier is 1.65%.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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 and 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.
- **Creditable Service –**
  - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
  - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **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.
- **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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **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.
- **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.
- **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 and 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 –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City
Inactive members or their beneficiaries currently receiving benefits	265
Inactive members:	
Vested inactive members	45
Non-vested inactive members	62
Inactive members active elsewhere in VRS	102
Total inactive members	209
Active members	270
Total covered employees	744

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

	School Non-Professional
Inactive members or their beneficiaries currently receiving benefits	45
Inactive members:	
Vested inactive members	6
Non-vested inactive members	34
Inactive members active elsewhere in VRS	14
Total inactive members	54
Active members	40
Total covered employees	139

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, 2016 was 17.94% and 11.47%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $2,363,714 and $2,897,005 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions to the pension plan from the school division were $119,455 and $158,520 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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, 2014, 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, 2015.

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

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, 2014 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; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

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, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
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 %

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, 2016

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, 2014	$ 72,024,154	$ 52,391,583	$ 19,632,571
Changes for the year:			
Service cost	1,417,990	-	1,417,990
Interest	4,916,956	-	4,916,956
Differences between expected and actual experience	(1,160,922)	-	(1,160,922)
Contributions – employer	-	2,260,879	(2,260,879)
Contributions – employee	-	636,054	(636,054)
Net investment income	-	2,383,649	(2,383,649)
Benefit payments, including refunds of employee contributions	(3,563,843)	(3,563,843)	-
Administrative expenses	-	(32,790)	32,790
Other changes	-	(504)	504
Net changes	1,610,181	1,683,445	(73,264)
Balances at June 30, 2015	$ 73,634,335	$ 54,075,028	$ 19,559,307
Add Net Pension Liability from Landfill			29,260
Total Net Pension Liability at June 30, 2015			$ 19,588,567

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability-School Nonprofessionals

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2014	$ 4,377,515	$ 3,956,043	$ 421,472
Changes for the year:			
Allocation of prior year to Genesis	(70,040)	(63,297)	(6,743)
Service cost	79,198	-	79,198
Interest	290,196	-	290,196
Differences between expected and actual experience	(60,971)	-	(60,971)
Contributions – employer	-	102,963	(102,963)
Contributions – employee	-	44,375	(44,375)
Net investment income	-	173,171	(173,171)
Benefit payments, including refunds of employee contributions	(323,637)	(323,637)	-
Administrative expenses	-	(2,510)	2,510
Other changes	-	(36)	36
Net changes	(85,254)	(68,971)	(16,283)
Balances at June 30, 2015	$ 4,292,261	$ 3,887,072	$ 405,189

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	$ 28,621,288	$ 19,559,307	$ 11,998,973
School nonprofessional employees net pension liability	$ 821,052	$ 405,189	$ 48,728

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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, 2016, the City recognized pension expense of $1,196,383. At June 30, 2016, 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	$ -	$ 816,435
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments		
City	-	1,393,386
Landfill*	-	9,685
Employer contributions subsequent to the measurement date		
City	2,363,713	-
Landfill*	10,196	-
Total	$ 2,373,909	$ 2,219,506

*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, 2016, the school division recognized pension income of $8,059 for nonprofessional employees. At June 30, 2016, 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	$ -	$ 32,873
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	105,271
Employer contributions subsequent to the measurement date	119,455	-
Total	$ 119,455	$ 138,144

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 7. Defined Benefit Pension Plan (Continued)

The $2,363,713 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2017	$ (892,899)
2018	(892,899)
2019	(675,874)
2020	251,851
2021	-
Thereafter	-

The $119,455 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:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2017	$ (69,392)
2018	(46,071)
2019	(41,295)
2020	18,614
2021	-
Thereafter	-

Payables to the Pension Plan-City

At June 30, 2016, approximately $248,271 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

Payables to the Pension Plan-School Division

At June 30, 2016, approximately $15,187 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 school divisions, including City of Staunton (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

Prior to the adoption of GASB Statement No. 68 in fiscal year 2015, Virginia local school divisions were required to disclose information about their contributions to the teacher cost-sharing plan, but not report a proportionate share of the plan's net pension liability. Upon adoption of the new pension standards in 2015, the School Division now reports its proportionate share of the plan's net pension liability as well as certain other deferred inflows and/or outflows as disclosed below.

Plan participants are covered under three different benefit structures – 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.

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, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for 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 18.20%, however, it was reduced to 17.64% as a result of the transfer. The school division's allocation portion of this transfer, which is included in operating grants and contributions on the statement of activates was $408,366.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Employee and employer contributions to the pension plan from the school division were $3,118,604 and $3,062,931 for the years ended June 30, 2016 and June 30, 2015, respectively.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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, 2016, the school division reported a liability of $26,647,826 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .21775% as compared .21711% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of $1,738,472. 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, 2016, 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	$ -	$ 366,557
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,632,492
Changes in proportion and differences between Employer contributions and proportionate share of contributions	70,006	789,508
Employer contributions subsequent to the measurement date	2,293,663	-
Total	$ 2,363,669	$ 2,788,557

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 $2,293,663 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:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2017	$ (935,353)
2018	(935,353)
2019	(935,353)
2020	118,621
2021	(31,113)
Thereafter	-

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	$ 38,996,036	$ 26,647,826	$ 16,482,430

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 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, 2016, approximately $301,597 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 9. Other Post-Employment Benefits

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

The City and School Board recognize the cost of the retiree health subsidy during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City and School Board. This funding methodology is similar to the funding approach used for pension benefits prior to the adoption of GASB No. 68. The legal authority to establish a trust fund to fund OPEB was provided by the Virginia General Assembly and Governor in March 2007. Accordingly, the City has established a joint trust fund with the School Board to fund the cost of OPEB.

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 9. Other Post-Employment Benefits (Continued)

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

Plan Description

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

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

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

Funding Policy-City

The contribution requirements of the City healthcare plan members and City are established and may be amended by the City Council. During fiscal year 2016, the City paid approximately 91% of subscriber only coverage, 84% of subscriber plus child coverage, 81% of subscriber plus children coverage, 80% of subscriber plus spouse coverage, and 82% of family coverage. The retiree is required to pay the remaining amount.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2016, the City contributed $507,000 to the City's healthcare plan for health insurance and contributed $141,000 to the Virginia Pooled OPEB Trust. The contribution to the trust and the City contributions to the healthcare plan combine to fully fund the annual required contribution (ARC) of $648,000 for fiscal year 2016. It is the City's intent to fully fund the ARC each year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 9. Other Post-Employment Benefits (Continued)

Funding Policy-School Board

The contribution requirements of the School Board healthcare plan members and School Board are established and may be amended by the School Board. During fiscal year 2016, 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, 2016, the School Board contributed $275,000 to the School Board's healthcare plan for health insurance and contributed $64,000 to the Virginia Pooled OPEB Trust. The contribution to the trust and contributions to the healthcare plan combine to over fund the annual required contribution of $339,000 for fiscal year 2016. 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 2016 is as follows:

	Primary Government	Component Unit – School Board
Annual Required Contribution (ARC)	$ 648,000	$ 339,000
Interest on Net OPEB Obligation	-	-
Net OPEB Obligation Adjustment	-	-
Annual OPEB Cost	648,000	339,000
Actual Contribution	(648,000)	(339,00)
Increase (decrease) in net OPEB Obligation	-	-
Net OPEB Obligation July 1, 2015	-	(14,000)
Net OPEB Obligation, June 30, 2016	$ -	$ (14,000)

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 9. Other Post-Employment Benefits (Continued)

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Primary Government			
June 30, 2014	$ 495,000	100%	$ -
June 30, 2015	$ 648,000	100%	$ -
June 30, 2016	$ 648,000	100%	$ -
Component Unit –School Board			
June 30, 2014	$ 297,000	100%	$ -
June 30, 2015	$ 339,000	100%	$ (14,000)
June 30, 2016	$ 339,000	100%	$ (14,000)

Funded Status and Funding Progress

As of July 1, 2013, the actuarial valuation date applicable to FY16, the City's OPEB plan was 6% funded. The actuarial accrued liability for benefits was $6,306,000 and the actuarial value of assets was $390,000, resulting in an unfunded actuarial accrued liability (UAAL) of $5,916,000. The covered payroll (annual payroll of active employees covered by the City plan) was $11,179,000, and the ratio of the UAAL to the covered payroll was 53%.

As of July 1, 2013, the actuarial valuation date applicable to FY16, the School Board's OPEB plan was 10.9% funded. The actuarial accrued liability for benefits was $3,010,000 and the actuarial value of assets was $328,000, resulting in an unfunded actuarial accrued liability (UAAL) of $2,682,000. The covered payroll (annual payroll of active employees covered by the School Board plan) was $12,820,000, and the ratio of the UAAL to the covered payroll was 20.9%.

Actuarial Valuations

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 9. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

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

For both the City and the School Board, the ARC for fiscal year 2015 was determined as part of the July 1, 2013 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions used in the valuation include:

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

Note 10. Commitments and Contingencies

State and Federal Programs:

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

Legal Matters:

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 10. Commitments and Contingencies (Continued)

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 are expected to be 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 $856,404 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.

	Construction Commitments	Encumbrances
Water fund	$ 130,680	$ -
Stormwater fund	308,633	-
General fund	-	1,298,416
Capital Improvements Fund	417,091	43,919
Nonmajor funds	-	2,465
	$ 856,404	$ 1,344,800

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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, 2015 and due December 5, 2015 as well as the portion of the January 1, 2016 assessment due June 20, 2016, 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, 2015 and 2016 levies was $.95 per $100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2016 and due December 5, 2016, are reflected in the accompanying financial statements as a receivable and are offset by deferred inflows of resources, in the amount of $1,944,559, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2016 are also included in deferred inflows of resources, in the amount of $2,286,166 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 2016, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2015 assessment due December 5, 2015, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The 2015 tax rate for machinery and tools was $1.24 per $100 of assessed value. The 2015 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	$ 7,000	$ 278,413
Receivable for share of debt	-	2,757,042
Landfill sinking fund	-	2,156,684
Total	$ 7,000	$ 5,192,139

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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 2016. 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, 2016, 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 $4,034 and is reported in the General Fund.

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

Changes in the claims liability amount in fiscal years 2014, 2015 and 2016 were as follows:

Year Ended June 30,	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2014	$ 76,996	$ 103,575	$ 124,048	$ 56,523
2015	$ 56,523	$ 3,193,391	$ 2,640,589	$ 609,325
2016	$ 609,325	$ 6,974,969	$ 6,519,212	$ 1,065,083

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 $1,145,505 reported as landfill closure liability at June 30, 2016 represents the cumulative amount reported to date based on the use of 90% of the estimated capacity of the Permit #585 (Phases 1-3) landfill and the stockpile financial assurance liability. The $963,227 reported as post-closure monitoring liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 90% 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, 2016 for both joint ventures are $2,108,732.

The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of $159,224 for Permit #585 (phases 1-3) landfill as the remaining estimated capacity is filled over the next 18 to 24 months and $792,157 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 2015.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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. During FY 2015 and 2016, existing buildings were demolished to in order to facilitate the sale of a portion of the property. The adjusted inventory value includes the cost of these demolitions and is reported at $14,191,586 as of June 30, 2016.

The amount due back to the City is still reported at $14,000,000, the original estimated fair value. In fiscal year 2016 the City's management concluded that no material decline in the property's value had occurred.

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

Subsequent to June 30, the EDA sold approximately 25 acres of the property at a price of $1.25 million. These funds will be transferred to the City to reduce the amount due back to the City for the value of the property.

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 $2,573,858. The City has received notice of award of $1,000,000 revenue sharing grant for road improvements. The developer contributed the remaining amount of $1,573,858. Since no work has begun on the projects, the amount is reported as unearned revenue in the financial statements.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

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,		
2017	$	41,751
2018		42,586
2019		43,438
2020		44,306
2021		45,193
2022-2027		290,782
Total	$	508,056

Note 17. Fund Balance

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2016:

Fund	General	Capital Improvements Fund	Nonmajor governmental	School Board Component Unit
Nonspendable:				
Prepaid items	$ 103,252	$ -	$ -	$ 1,708
Restricted:				
Donor purposes	$ 15,825	$ -	$ 11,641	$ 18,665
Grant programs	-	-	-	1,823
Health insurance programs	-	-	-	89,718
Total restricted	$ 15,825	$ -	$ 11,641	$ 110,206
Committed:				
Stabilization arrangement	$ 7,295,960	$ -	$ -	$ -
Assigned:				
Accrued leave	$ 1,489,373	$ -	$ -	$ -
Capital projects	-	6,623,236	-	1,087,858
Debt service	-	-	1,825,129	-
General government administration	313,791	-	-	-
Judicial administration	2,806	-	-	-
Public safety	339,894	-	245,114	-
Public works	451,550	166,505	-	-
Parks and recreation	134,958	75,724	-	-
Community development	57,767	218,781	261,155	-
Education	-	-	-	1,990,565
Textbooks	-	-	-	348,614
Food service	-	-	-	396,879
Total assigned	$ 2,790,139	$ 7,084,246	$ 2,331,398	$ 3,823,916
Unassigned	$ 2,106,836	$ -	$ -	$ -

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

Note 18. New Accounting Standards

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

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

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

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78*, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2016

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial*

Note 18. New Accounting Standards (Continued)

Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the 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.

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 (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) 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, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STAUNTON, VIRGINIA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	$ 22,603,575	$ 22,603,575	$ 23,036,507	$ 432,932
Other local taxes	12,864,000	12,864,000	13,324,942	460,942
Permits, privilege fees, and regulatory licenses	231,800	231,800	340,019	108,219
Fines and forfeitures	95,000	95,000	97,667	2,667
Revenue from use of money and property	92,610	92,610	118,827	26,217
Charges for services	1,391,608	1,391,608	1,500,778	109,170
Miscellaneous	32,950	32,950	82,138	49,188
Recovered costs	896,000	897,833	893,233	(4,600)
Intergovernmental:				
Federal	984,557	1,033,659	1,093,176	59,517
Commonwealth	11,632,900	11,812,911	11,047,432	(765,479)
Total revenues	50,825,000	51,055,946	51,534,719	478,773
EXPENDITURES				
Current:				
General government administration	5,688,836	5,813,151	5,222,591	590,560
Judicial administration	1,945,901	2,023,305	1,908,434	114,871
Public safety	10,245,809	10,474,785	10,057,512	417,273
Public works	5,717,460	6,415,474	5,922,104	493,370
Health and welfare	6,580,135	6,646,175	5,953,836	692,339
Education	12,147,100	12,147,100	12,147,100	-
Parks, recreation, and cultural	3,409,508	3,673,240	3,459,278	213,962
Community development	1,541,446	1,678,217	1,375,048	303,169
Total expenditures	47,276,195	48,871,447	46,045,903	2,825,544
Excess of revenues over expenditures	3,548,805	2,184,499	5,488,816	3,304,317
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year reserves/encumbrances	-	2,922,412	-	(2,922,412)
Transfers out	(3,548,805)	(5,106,911)	(5,106,911)	-
Total other financing sources (uses)	(3,548,805)	(2,184,499)	(5,106,911)	(2,922,412)
Net change in fund balance	$ -	$ -	$ 381,905	$ 381,905

See Note to Required Supplementary Information.

EXHIBIT 11

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT
Year Ended June 30, 2016

	Primary Government Plan Year 2014	Primary Government Plan Year 2015
Total Pension Liability		
Service cost	$ 1,379,588	$ 1,417,990
Interest on total pension liability	4,740,682	4,916,956
Difference between expected and actual experience	-	(1,160,922)
Benefit payments, including refunds of employee contributions	(3,640,294)	(3,563,843)
Net change in total pension liability	2,479,976	1,610,181
Total pension liability - beginning	69,544,178	72,024,154
Total pension liability - ending	72,024,154	73,634,335
Plan Fiduciary Net Position		
Contributions - employer	2,180,741	2,260,879
Contributions - employee	632,939	636,054
Net investment income	7,195,341	2,383,649
Benefit payments, including refunds of employee contributions	(3,640,294)	(3,563,843)
Administrative expenses	(39,137)	(32,790)
Other	379	(504)
Net change in plan fiduciary net position	6,329,969	1,683,445
Plan fiduciary net position - beginning	46,061,614	52,391,583
Plan fiduciary net position - ending	52,391,583	54,075,028
Net pension liability - ending	$ 19,632,571	$ 19,559,307
Add Net Pension Liability from Augusta Regional landfill	23,723	29,260
Total Net pension liability - ending	$ 19,656,294	$ 19,588,567
Plan fiduciary net position as a percentage of total pension liability	73%	73%
Covered employee payroll	$ 12,625,654	$ 13,175,660
Net pension liability as a percentage of covered employee payroll	155%	148%

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 ot 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.

EXHIBIT 12

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, 2016

	Schools- Nonprofessional Employees Plan Year	
	2014	**2015**
Total Pension Liability		
Service cost	$ 88,093	$ 79,198
Interest on total pension liability	289,866	290,196
Difference between expected and actual experience	-	(60,971)
Benefit payments, including refunds of employee contributions	(282,780)	(323,637)
Net change in total pension liability	95,179	(15,214)
Total pension liability - beginning	4,282,336	4,377,515
Adjustment to remove Genesis	-	(70,040)
Total pension liability - ending	4,377,515	4,292,261
Plan Fiduciary Net Position		
Contributions - employer	102,300	102,963
Contributions - employee	41,269	44,375
Net investment income	547,950	173,171
Benefit payments, including refunds of employee contributions	(282,780)	(323,637)
Administrative expenses	(3,047)	(2,510)
Other	29	(36)
Net change in plan fiduciary net position	405,721	(5,674)
Plan fiduciary net position - beginning	3,550,322	3,956,043
Adjustment to remove Genesis	-	(63,297)
Plan fiduciary net position - ending	3,956,043	3,887,072
Net pension liability - ending	$ 421,472	$ 405,189
Plan fiduciary net position as a percentage of total pension liability	90%	91%
Covered employee payroll	$ 921,127	$ 1,041,460
Net pension liability as a percentage of covered employee payroll	46%	39%

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

This schedule is intended to show information for 10 years. 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.

See Note to Required Supplementary Information

EXHIBIT 13

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
Year Ended June 30, 2016

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					
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					
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 two years of data is available. Additional years will be included as they become available.

*Does not include regional landfill

See Note to Required Supplementary Information

EXHIBIT 14

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
Year Ended June 30, 2016

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.21775%	$ 26,647,826	$ 15,705,288	169.67%	70.68%
2015	0.21711%	25,560,457	15,304,922	167.01%	70.88%

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

See Note to Required Supplementary Information

EXHIBIT 15

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
Year Ended June 30, 2016

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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.

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

CITY OF STAUNTON, VIRGINIA

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

SCHEDULES OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

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

COMPONENT UNIT – SCHOOL BOARD

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

SCHEDULES OF EMPLOYER CONTRIBUTIONS FOR OTHER POST-EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	$ 648,000	100%
2015	$ 648,000	100%
2014	$ 495,000	100%
2013	$ 495,000	100%
2012	$ 490,000	100%
2011	$ 490,000	100%
2010	$ 515,000	100%
2009	$ 515,000	100%

COMPONENT UNIT – SCHOOL BOARD

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	$ 339,000	100%
2015	$ 339,000	100%
2014	$ 297,000	100%
2013	$ 297,000	100%
2012	$ 596,000	100%
2011	$ 596,000	100%
2010	$ 568,000	100%
2009	$ 562,000	100%

CITY OF STAUNTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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, 2016

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 Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 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

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, 2016

	Special Revenue Funds			Debt Service Fund	
	Blue Ridge Court Services	State and Federal Grants	Community Development	Debt Service	Total Nonmajor Governmental
Assets					
Cash and cash equivalents	$ 241,680	$ 480	$ 261,155	$ 1,825,129	$ 2,328,444
Receivables, net	3,750	-	-	-	3,750
Due from other governmental units	44,369	-	-	-	44,369
Total assets	$ 289,799	$ 480	$ 261,155	$ 1,825,129	$ 2,376,563
Liabilities					
Liabilities:					
Accounts payable	$ 15,493	$ -	$ -	$ -	$ 15,493
Accrued liabilities	18,031	-	-	-	18,031
Total liabilities	33,524	-	-	-	33,524
Fund balances					
Restricted	11,641	-	-	-	11,641
Assigned	244,634	480	261,155	1,825,129	2,331,398
Total fund balances	256,275	480	261,155	1,825,129	2,343,039
Total liabilities and fund balances	$ 289,799	$ 480	$ 261,155	$ 1,825,129	$ 2,376,563

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Special Revenue Funds			Debt Service Fund	
	Blue Ridge Court Services	State and Federal Grants	Community Development	Debt Service	Total Nonmajor Governmental
REVENUES					
Revenues from use of money and property	$ 20	$ -	$ 50	$ -	$ 70
Charges for services	227,645	-	-	-	227,645
Miscellaneous	53,397	-	-	-	53,397
Intergovernmental:					
Federal	15,000	2,862	10,136	-	27,998
Commonwealth	698,818	-	5,000	-	703,818
City of Staunton School Board	-	-	-	100,000	100,000
Total revenues	994,880	2,862	15,186	100,000	1,112,928
EXPENDITURES					
Current:					
Public safety	923,135	2,862	-	-	925,997
Community development	-	-	22,035	-	22,035
Debt service:					
Principal retirement	-	-	-	2,546,046	2,546,046
Interest and fiscal charges	-	-	-	1,205,009	1,205,009
Total expenditures	923,135	2,862	22,035	3,751,055	4,699,087
Excess (deficiency) of revenues over expenditures	71,745	-	(6,849)	(3,651,055)	(3,586,159)
OTHER FINANCING SOURCES					
Transfers in	-	-	-	3,518,227	3,518,227
Total other financing sources	-	-	-	3,518,227	3,518,227
Net change in fund balance	71,745	-	(6,849)	(132,828)	(67,932)
Fund balances - beginning of year	184,530	480	268,004	1,957,957	2,410,971
Fund balances - ending of year	$ 256,275	$ 480	$ 261,155	$ 1,825,129	$ 2,343,039

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	$ -	$ 20	$ 20
Charges for services	157,000	227,645	70,645
Miscellaneous	40,750	53,397	12,647
Intergovernmental:			
Federal	15,000	15,000	-
Commonwealth	753,013	698,818	(54,195)
Total revenues	965,763	994,880	29,117
EXPENDITURES			
Current:			
Public safety	966,145	923,135	43,010
Total expenditures	966,145	923,135	43,010
Excess (deficiency) of revenues over expenditures	(382)	71,745	72,127
Net change in fund balance	$ (382)	$ 71,745	$ 72,127

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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
Federal	$ 5,224	$ 2,862	$ (2,362)
Commonwealth	65,000	-	(65,000)
Total revenues	70,224	2,862	(67,362)
EXPENDITURES			
Current:			
Public safety	5,224	2,862	2,362
Community development	65,000	-	65,000
Total expenditures	70,224	2,862	67,362
Excess (deficiency) of revenues over expenditures	-	-	-
Net change in fund balance	$ -	$ -	$ -

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
Year Ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	$ -	$ 50	$ 50
Recovered costs	-	-	-
Intergovernmental:			
Federal	-	10,136	10,136
Commonwealth	11,900	5,000	(6,900)
Total revenues	11,900	15,186	3,286
EXPENDITURES			
Current:			
Community Development	20,233	22,035	(1,802)
Total expenditures	20,233	22,035	(1,802)
Deficiency of revenues over expenditures	(8,333)	(6,849)	1,484
Net change in fund balance	$ (8,333)	$ (6,849)	$ 1,484

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
City of Staunton School Board	$ 50,000	$ 100,000	$ 50,000
Total revenues	50,000	100,000	50,000
EXPENDITURES			
Current:			
Debt Service			
Principal	3,196,043	2,546,046	649,997
Interest and fiscal charges	1,375,245	1,205,009	170,236
Total expenditures	4,571,288	3,751,055	820,233
Deficiency of revenues over expenditures	(4,521,288)	(3,651,055)	870,233
OTHER FINANCING SOURCES			
Transfers in:			
Transfer from General fund	3,018,227	3,018,227	-
Transfer from Capital Improvements fund	500,000	500,000	-
Total other financing sources	3,518,227	3,518,227	-
Net change in fund balance	$ (1,003,061)	$ (132,828)	$ 870,233

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, 2016

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
REVENUES				
Revenue from use of money and property	$ 258,117	$ 1,404	$ 259,521	$ 5,314
Recovered costs	428,538	116,846	545,384	1,546,179
Miscellaneous	24,000	450	24,450	450
Intergovernmental:				
Federal	287,976	250,347	538,323	1,679,090
Commonwealth of Virginia	1,321,684	994,921	2,316,605	3,644,971
Total revenues	2,320,315	1,363,968	3,684,283	6,876,004
EXPENDITURES				
Capital outlay:				
General government administration	2,513,457	79,965	2,593,422	2,716,210
Public safety	6,378,866	4,340	6,383,206	7,207,942
Public works	4,183,423	2,269,962	6,453,385	12,779,902
Education	579,448	41,048	620,496	1,920,498
Parks, recreation, and culture	1,124,359	840,653	1,965,012	2,225,696
Community development	2,132,350	571,098	2,703,448	3,312,219
Debt service:				
Interest and fiscal charges	165,000	-	165,000	165,000
Total expenditures	17,076,903	3,807,066	20,883,969	30,327,467
Deficiency of revenues over expenditures	(14,756,588)	(2,443,098)	(17,199,686)	(23,451,463)
OTHER FINANCING SOURCES (USES)				
Transfers in	29,458,403	1,873,392	31,331,795	29,458,406
Transfers out	(6,006,943)	(500,000)	(6,506,943)	(6,006,943)
Total other financing sources (uses)	23,451,460	1,373,392	24,824,852	23,451,463
Net change in fund balance		$ (1,069,706)		

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, 2016

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,765	$ 146,140	$ 148,905
Receivables, net	-	11,727	11,727
Restricted assets:			
Cash and cash equivalents	-	4,958	4,958
Total current assets	2,765	162,825	165,590
Capital assets:			
Nondepreciable	24,694	1,034,249	1,058,943
Depreciable, net	398,402	3,832,283	4,230,685
Total capital assets, net	423,096	4,866,532	5,289,628
Total noncurrent assets	423,096	4,866,532	5,289,628
Total assets	425,861	5,029,357	5,455,218
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	8,646	-	8,646
Total deferred outflows of resources	8,646	-	8,646
LIABILITIES			
Current liabilities:			
Accounts payable	686	2,163	2,849
Accrued liabilities	10,251	4,715	14,966
Unearned revenue	9,467	30	9,497
Deposits payable	-	4,958	4,958
Due to other funds	22,198	-	22,198
General obligation bonds	19,465	204,102	223,567
Total current liabilities	62,067	215,968	278,035
Noncurrent liabilities:			
Net pension liability	72,369	-	72,369
General obligation bonds	449,888	322,548	772,436
Total noncurrent liabilities	522,257	322,548	844,805
Total liabilities	584,324	538,516	1,122,840
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual investment earnings on pension plan investments	5,155	-	5,155
Net difference between expected and actual experience	3,021	-	3,021
Total deferred inflows of resources	8,176	-	8,176
NET POSITION			
Net investment in capital assets	(46,257)	4,339,882	4,293,625
Unrestricted	(111,736)	150,959	39,223
Total net position	$ (157,993)	$ 4,490,841	$ 4,332,848

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
OPERATING REVENUES			
Parking fines	$ -	$ 32,379	$ 32,379
Charges for services	118,682	373,049	491,731
Miscellaneous	33	1,955	1,988
Total operating revenues	118,715	407,383	526,098
OPERATING EXPENSES			
Personal services	87,461	114,782	202,243
Rental of property	900	5,300	6,200
Repairs and maintenance	-	595	595
Contractual services	1,664	13,842	15,506
Materials and supplies	6,385	1,053	7,438
Depreciation	32,138	140,448	172,586
Utilities	1,127	29,501	30,628
Other expenses	1,448	80,325	81,773
Total operating expenses	131,123	385,846	516,969
Operating income (loss)	(12,408)	21,537	9,129
NONOPERATING REVENUES (EXPENSES)			
Interest income	1	40	41
Interest and fiscal charges	(20,742)	(28,429)	(49,171)
Gain on disposal of assets	185	-	185
Total nonoperating revenues (expenses)	(20,556)	(28,389)	(48,945)
Loss before transfers	(32,964)	(6,852)	(39,816)
Transfers in	50,000	39,528	89,528
Change in net position	17,036	32,676	49,712
Total net position - beginning of year	(175,029)	4,458,165	4,283,136
Total net position - end of year	$ (157,993)	$ 4,490,841	$ 4,332,848

EXHIBIT B-3

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
OPERATING ACTIVITIES			
Cash received from customers	$ 119,149	$ 421,750	$ 540,899
Cash paid to suppliers	(11,545)	(130,389)	(141,934)
Cash paid to employees for services	(91,953)	(114,076)	(206,029)
Net cash provided by operating activities	15,651	177,285	192,936
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	50,000	39,528	89,528
Interfund borrowing	(25,732)	-	(25,732)
Net cash provided by noncapital financing activities	24,268	39,528	63,796
CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(20,000)	(195,624)	(215,624)
Interest paid on long-term debt	(20,432)	(28,775)	(49,207)
Proceeds from sale of equipment	185	-	185
Net cash used by capital and related financing activities	(40,247)	(224,399)	(264,646)
INVESTING ACTIVITIES			
Interest received	1	40	41
Net cash provided by investing activities	1	40	41
Net decrease in cash and cash equivalents	(327)	(7,546)	(7,873)
CASH AND CASH EQUIVALENTS			
Beginning of year	3,092	158,644	161,736
End of year	$ 2,765	$ 151,098	$ 153,863

Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	$ 2,765	$ 146,140	148,905
Restricted cash and cash equivalents	-	4,958	4,958
Total	$ 2,765	$ 151,098	$ 153,863

EXHIBIT B-3 (cont'd)

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (12,408)	$ 21,537	$ 9,129
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	32,138	140,448	172,586
Pension expense net of employer contributions	(4,709)	-	(4,709)
Change in assets and liabilities:			
Decrease in accounts receivable	-	13,855	13,855
Increase (decrease) in accounts payable	(21)	227	206
Increase in accrued liabilities	217	706	923
Increase in unearned revenue	434	30	464
Increase in deposits payable	-	482	482
Net cash provided by operating activities	$ 15,651	$ 177,285	$ 192,936

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

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NONMAJOR 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 – NONMAJOR INTERNAL SERVICE FUNDS
June 30, 2016

	Health Insurance	Inventory	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,194,391	$ 440,398	$ 3,634,789
Receivables, net	43,267	8,083	51,350
Inventory	-	207,189	207,189
Prepaid items	-	13,746	13,746
Total current assets	3,237,658	669,416	3,907,074
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	64,064	64,064
Total capital assets, net	-	64,064	64,064
Total noncurrent assets	-	64,064	64,064
Total assets	3,237,658	733,480	3,971,138
LIABILITIES			
Current liabilities:			
Accounts payable	7,280	1,196	8,476
Claims payable	1,000,000	-	1,000,000
Total current liabilities	1,007,280	1,196	1,008,476
Total liabilities	1,007,280	1,196	1,008,476
NET POSITION			
Net investment in capital assets	-	64,064	64,064
Unrestricted	2,230,378	668,220	2,898,598
Total net position	$ 2,230,378	$ 732,284	$ 2,962,662

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – NONMAJOR INTERNAL SERVICE FUNDS
Year Ended June 30, 2016

	Health Insurance	Inventory	Total
OPERATING REVENUES			
Charges for services	$ 7,524,066	$ 604,047	$ 8,128,113
Total operating revenues	7,524,066	604,047	8,128,113
OPERATING EXPENSES			
Claims paid	5,998,621	-	5,998,621
Rental of property	-	4,338	4,338
Adminstrative charges	806,044	-	806,044
Contractual services	-	16,842	16,842
Materials and supplies	-	30,292	30,292
Depreciation	-	3,398	3,398
Other expenses	-	538,184	538,184
Total operating expenses	6,804,665	593,054	7,397,719
Operating income	719,401	10,993	730,394
NONOPERATING REVENUES			
Interest income	449	84	533
Total nonoperating revenues	449	84	533
Income before transfers	719,850	11,077	730,927
Transfers in	125,764	-	125,764
Change in net position	845,614	11,077	856,691
Total net position - beginning of year	1,384,764	721,207	2,105,971
Total net position - end of year	$ 2,230,378	$ 732,284	$ 2,962,662

EXHIBIT C-3

CITY OF STAUNTON, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR INTERNAL SERVICE FUNDS
Year Ended June 30, 2016

	Health Insurance	Inventory	Total
OPERATING ACTIVITIES			
Cash received from internal services provided	$ 7,524,066	$ 609,250	$ 8,133,316
Cash paid to suppliers	-	(602,632)	(602,632)
Claims paid	(5,541,888)	-	(5,541,888)
Administrative fees	(803,783)	-	(803,783)
Net cash provided by operating activities	1,178,395	6,618	1,185,013
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	125,764	-	125,764
Net cash provided by noncapital financing activities	125,764	-	125,764
INVESTING ACTIVITIES			
Interest received	449	84	533
Net cash provided by investing activities	449	84	533
Net increase in cash and cash equivalents	1,304,608	6,702	1,311,310
CASH AND CASH EQUIVALENTS			
Beginning of year	1,889,783	433,696	2,323,479
End of year	$ 3,194,391	$ 440,398	$ 3,634,789
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	$ 3,194,391	$ 440,398	3,634,789
Total	$ 3,194,391	$ 440,398	$ 3,634,789
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 719,401	$ 10,993	$ 730,394
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)	5,203	(38,064)
Decrease in prepaid items	-	5,450	5,450
Increase in inventory	-	(610)	(610)
Increase (decrease) in accounts payable	2,261	(17,816)	(15,555)
Increase in accrued liabilities	500,000	-	500,000
Net cash provided by operating activities	$ 1,178,395	$ 6,618	$ 1,185,013

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, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 5,286,804
Accounts receivable	291,989
Due from other governmental units	2,082,142
Prepaid items	1,708
Capital assets:	
Land	324,556
Other capital assets, net of accumulated depreciation	7,507,895
Total assets	15,495,094
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	2,413,118
Changes in proportion - teacher cost sharing plan	70,006
	2,483,124
LIABILITIES	
Accounts payable	354,412
Accrued liabilities	3,018,644
Amounts held for others	813
Noncurrent liabilities:	
Net pension liability	27,053,016
Due within one year	160,249
Due in more than one year	208,044
Total liabilities	30,795,178
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual investment earnings on pension plan investments	1,737,763
Net difference between expected and actual experience	399,430
Changes in proportion - teacher cost sharing plan	789,508
Total deferred inflows of resources	2,926,701
NET POSITION	
Net investment in capital assets	7,832,451
Restricted for:	
Programs	91,541
Donor purposes	18,665
Unrestricted	(23,686,318)
Total net position	$ (15,743,661)

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
Instruction and related services	$ 24,931,556	$ 1,032,297	$ 9,997,348	$ 53,302	$ (13,848,609)
Administration, attendance, and health	1,952,829	-	-	-	(1,952,829)
Pupil transportation	1,021,522	-	-	-	(1,021,522)
Food service	1,427,516	335,334	1,090,472	-	(1,710)
Operations	2,422,136	-	-	5,900	(2,416,236)
Technology	1,330,705	-	-	-	(1,330,705)
Total School Board	$ 33,086,264	$ 1,367,631	$ 11,087,820	$ 59,202	(20,571,611)

General revenues:	
Unrestricted investment earnings	2,446
Grants and contributions not restricted to specific programs	9,577,122
Net payment from City of Staunton	11,939,100
Total general revenues	21,518,668
Change in net position	947,057
Net position - beginning of year	(16,690,718)
Net position - end of year	$ (15,743,661)

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2016

	Education	Other Governmental	Total Governmental
Assets			
Cash and cash equivalents	$ 3,276,711	$ 2,010,093	$ 5,286,804
Accounts receivable	219,005	72,984	291,989
Prepaid items	1,708	-	1,708
Due from other governmental units	1,244,057	838,085	2,082,142
Due from other funds	698,165	-	698,165
Total assets	$ 5,439,646	$ 2,921,162	$ 8,360,808
Liabilities			
Accounts payable	$ 231,541	$ 122,871	$ 354,412
Accrued liabilities	2,771,041	265,698	3,036,739
Due to other funds	-	698,165	698,165
Held for others	813	-	813
Total liabilities	3,003,395	1,086,734	4,090,129
Deferred Inflows of Resources			
Unavailable revenue	334,849	-	334,849
Fund Balances			
Nonspendable	1,708	-	1,708
Restricted	109,129	1,077	110,206
Assigned	1,990,565	1,833,351	3,823,916
Total fund balances	2,101,402	1,834,428	3,935,830
Total liabilities, deferred inflows of resources and fund balances	$ 5,439,646	$ 2,921,162	$ 8,360,808

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balances – Component Unit School Board		$ 3,935,830
Amounts reported for governmental activities in the statement of net position (Exhibit C-1) are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Capital assets	$ 19,335,350	
Less: accumulated depreciation	(11,502,899)	7,832,451
Receivables that are not available to pay for current period expenditures are not reported in the funds.		334,849
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2016 employer contributions	$ 2,413,118	
Deferred outflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions teacher cost sharing pension plan	70,006	
Deferred inflows of resources for the difference between expected and and actual experience	(399,430)	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(1,737,763)	
Deferred inflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions teacher cost sharing pension plan	(789,508)	
Net pension liability	(27,053,016)	(27,496,593)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(350,198)
Total Net Position – Component Unit School Board		$ (15,743,661)

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, 2016

	Education	Other Governmental	Total Governmental
REVENUES			
Revenues from use of money and property	$ 27,497	$ 2,049	$ 29,546
Charges for services	1,004,597	335,334	1,339,931
Miscellaneous	191,110	68,508	259,618
Recovered costs	35,201	353,319	388,520
Intergovernmental:			
Federal	1,650,369	975,504	2,625,873
Commonwealth	14,131,079	2,802,922	16,934,001
City of Staunton	11,989,100	150,000	12,139,100
Total revenues	29,028,953	4,687,636	33,716,589
EXPENDITURES			
Current:			
Payment to City	100,000	100,000	200,000
Education	28,186,495	4,817,626	33,004,121
Capital projects	-	242,110	242,110
Total expenditures	28,286,495	5,159,736	33,446,231
Excess (deficiency) of revenues over expenditures	742,458	(472,100)	270,358
OTHER FINANCING SOURCES (USES)			
Transfers in	95,755	607,318	703,073
Transfers out	(607,318)	(95,755)	(703,073)
Total other financing sources (uses)	(511,563)	511,563	-
Net change in fund balances	230,895	39,463	270,358
Fund balances - beginning of year	1,870,507	1,794,965	3,665,472
Fund balances - end of year	$ 2,101,402	$ 1,834,428	$ 3,935,830

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, 2016

Amounts reported for governmental activities in the statement of activities (Exhibit C-2) are different because:		
Net changes in fund balances - school board component unit		$ 270,358
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	$ 303,692	
Capital expenses	(628,558)	
		(324,866)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		16,390
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	2,413,118	
Pension expense	(1,428,593)	984,525
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		650
Change in net position of governmental activities		$ 947,057

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue Funds			Capital Projects Fund	
	School Cafeteria	Textbook	State Operated Programs	School Construction	Total Nonmajor Governmental
Assets					
Cash and cash equivalents	$ 457,049	$ 348,614	$ -	$ 1,204,430	$ 2,010,093
Accounts receivable	3,750	-	69,234	-	72,984
Due from other governmental units	19,126	-	818,959	-	838,085
Total assets	$ 479,925	$ 348,614	$ 888,193	$ 1,204,430	$ 2,921,162
Liabilities					
Accounts payable	$ 2,921	$ -	$ 3,378	$ 116,572	$ 122,871
Accrued liabilities	79,048	-	186,650	-	265,698
Due to other funds		-	698,165	-	698,165
Total liabilities	81,969	-	888,193	116,572	1,086,734
Fund Balance					
Restricted	1,077	-	-	-	1,077
Assigned	396,879	348,614	-	1,087,858	1,833,351
Total fund balances	397,956	348,614	-	1,087,858	1,834,428
Total liabilities and fund balances	$ 479,925	$ 348,614	$ 888,193	$ 1,204,430	$ 2,921,162

EXHIBIT D-6

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, 2016

	Special Revenue Funds			Capital Projects Fund	
	School Cafeteria	Textbook	State Operated Programs	School Construction	Total Nonmajor Governmental
REVENUES					
Revenues from use of money and property	$ 73	$ 60	$ -	$ 1,916	$ 2,049
Charges for services	335,334	-	-	-	335,334
Miscellaneous	22,535	-	45,973	-	68,508
Recovered costs	-	-	353,319	-	353,319
Intergovernmental:					
Federal	954,285	-	21,219	-	975,504
Commonwealth	31,326	148,256	2,570,038	53,302	2,802,922
City of Staunton	-	-	-	150,000	150,000
Total revenues	1,343,553	148,316	2,990,549	205,218	4,687,636
EXPENDITURES					
Current:					
Payment to the City	-	-	-	100,000	100,000
Education	1,334,025	200,286	2,894,794	388,521	4,817,626
Capital projects	-	-	-	242,110	242,110
Total expenditures	1,334,025	200,286	2,894,794	730,631	5,159,736
Excess (deficiency) of revenues over expenditures	9,528	(51,970)	95,755	(525,413)	(472,100)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	-	507,318	607,318
Transfers out	-	-	(95,755)	-	(95,755)
Total other financing sources (uses)	-	100,000	(95,755)	507,318	511,563
Net change in fund balances	9,528	48,030	-	(18,095)	39,463
Fund balances - beginning of year	388,428	300,584	-	1,105,953	1,794,965
Fund balances - end of year	$ 397,956	$ 348,614	$ -	$ 1,087,858	$ 1,834,428

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE –
EDUCATION FUND
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	$ 26,000	$ 26,000	$ 27,497	$ 1,497
Charges for services	726,277	974,714	1,004,597	29,883
Miscellaneous	224,000	145,692	191,110	45,418
Recovered costs	29,000	62,902	35,201	(27,701)
Intergovernmental:				
Federal	1,719,430	2,024,470	1,650,369	(374,101)
Commonwealth	14,463,618	14,086,938	14,131,079	44,141
City of Staunton	11,989,100	11,989,100	11,989,100	-
Total revenues	29,177,425	29,309,816	29,028,953	(280,863)
EXPENDITURES				
Current:				
Payment to City	-	100,000	100,000	-
Education	29,339,000	29,735,686	28,186,495	1,549,191
Total expenditures	29,339,000	29,835,686	28,286,495	1,549,191
Excess (deficiency) of revenues over expenditures	(161,575)	(525,870)	742,458	1,268,328
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year reserve/encumbrances	225,000	861,527	-	(861,527)
Transfers in:				
Transfer from State Operated Programs Fund	86,575	86,575	95,755	9,180
Transfers out:				
Transfer to School Construction Fund	(50,000)	(507,318)	(507,318)	-
Transfer to School Textbook Fund	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	161,575	340,784	(511,563)	(852,347)
Net change in fund balance	$ -	$ (185,086)	$ 230,895	$ 415,981

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Agency Fund
	Genesis
ASSETS	
Cash and cash equivalents	$ 480,776
Total assets	$ 480,776
LIABILITIES	
Amounts held for Program	$ 389,601
Accounts payable	31,267
Accrued liabilities	59,908
Total liabilities	$ 480,776

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
GENESIS FUND				
ASSETS				
Cash and cash equivalents	$ 255,122	$ 992,575	$ 766,921	$ 480,776
Accounts receivable	43,360	251,458	294,818	-
Due from other governmental units	26,000	-	26,000	-
Total assets	$ 324,482	$ 1,244,033	$ 1,087,739	$ 480,776
LIABILITIES				
Amounts held for Program	$ 248,709	$ 1,093,857	$ 952,965	$ 389,601
Accounts payable	1,849	90,268	60,850	31,267
Accrued liabilities	73,924	59,908	73,924	59,908
Total liabilities	$ 324,482	$ 1,244,033	$ 1,087,739	$ 480,776

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, 2016

ASSETS	
Cash and cash equivalents	$ 29,528
Accounts receivable	16,667
Inventory	14,191,586
Capital assets:	
Nondepreciable assets	799,748
Depreciable assets, net	7,069,393
Total assets	22,106,922
LIABILITIES	
Accounts payable	37,639
Due to primary government	14,000,000
Total liabilities	14,037,639
NET POSITION	
Net investment in capital assets	7,869,141
Unrestricted	200,142
Total net position	$ 8,069,283

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2016

OPERATING REVENUES	
Rental of property	$ 37,500
Operating grants-City	27,378
Total operating revenues	64,878
OPERATING EXPENSES	
Professional fees	6,065
Stonewall Jackson rental payment	25,000
Villages	28,718
Staunton Crossing	13,200
Depreciation	249,971
Total operating expenses	322,954
Operating loss	(258,076)
NONOPERATING REVENUES	
Capital grant-City	62,465
Total nonoperating revenues	62,465
Change in net position	(195,611)
Net position - beginning of year	8,264,894
Net position - end of year	$ 8,069,283

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

OPERATING ACTIVITIES	
Cash received from customers	$ 37,500
Cash paid to suppliers/grantees	(208,570)
Other operating grants	174,653
Net cash provided by operating activities	3,583
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(105,771)
Refund of performance bond for timber sale	(15,000)
Capital grant from the City	62,465
Net cash used by capital and related financing activities	(58,306)
CASH AND CASH EQUIVALENTS	
Beginning of year	84,251
End of year	$ 29,528
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (258,076)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	249,971
Change in assets and liabilities:	
Decrease in receivables	147,275
Decrease in accounts payable	(135,587)
Net cash provided by operating activities	$ 3,583

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, 2016

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	$ 16,835,000	$ 16,974,204	$ 139,204
Real and personal public service corporation property taxes	711,000	726,277	15,277
Personal property taxes	4,352,575	4,552,166	199,591
Machinery and tools taxes	375,000	411,700	36,700
Penalties and interest	330,000	372,160	42,160
Total General Property Taxes	22,603,575	23,036,507	432,932
Other local taxes:			
Local sales and use taxes	3,900,000	4,079,919	179,919
Consumers' utility taxes	1,125,000	1,125,214	214
Local communication tax	1,400,000	1,352,910	(47,090)
Business license taxes	2,100,000	2,092,035	(7,965)
Bank stock taxes	325,000	396,760	71,760
Taxes on recordation and wills	159,000	172,413	13,413
Lodging taxes	405,000	448,176	43,176
Restaurant food tax	2,990,000	3,203,638	213,638
Short term rental tax	20,000	26,444	6,444
Cigarette tax	440,000	427,433	(12,567)
Total Other Local Taxes	12,864,000	13,324,942	460,942
Permits, privilege fees, and regulatory licenses:			
Animal licenses	22,000	12,395	(9,605)
Permits and other licenses	209,800	327,624	117,824
Total Permits, Privilege Fees, and Regulatory Licenses	231,800	340,019	108,219
Fines and forfeitures	95,000	97,667	2,667
Revenue from use of money and property:			
Revenue from use of money	20,000	73,229	53,229
Revenue from use of property	72,610	45,598	(27,012)
Total Revenue from Use of Money and Property	92,610	118,827	26,217

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

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	$ 7,000	$ 13,707	$ 6,707
Charges for Commonwealth's Attorney	3,000	3,148	148
Charges for sheriff	2,617	2,617	-
Courtroom security fee	45,000	38,528	(6,472)
Jail admission fee	2,500	3,860	1,360
Charges for publications and maps	3,000	1,303	(1,697)
Charges for parks and recreation	283,780	340,392	56,612
Charges for library fines	25,000	25,551	551
Property clean up fees	3,000	4,823	1,823
Administrative fees	31,000	27,904	(3,096)
Payments in lieu of tax from Enterprise funds	980,711	1,034,202	53,491
Charges for tax-exempt organizations	5,000	4,743	(257)
Total Charges for Services	1,391,608	1,500,778	109,170
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	12,950	12,953	3
Sale of salvage and surplus	10,000	29,185	19,185
Donations	-	23,269	23,269
Virginia Tourism Corp Marketing Leverage Program	-	35	35
Miscellaneous	10,000	16,696	6,696
Total Miscellaneous Revenue	32,950	82,138	49,188
Recovered Costs	897,833	893,233	(4,600)
Total Revenue from Local Sources	38,209,376	39,394,111	1,184,735
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	170,000	104,764	(65,236)
Rolling stock taxes	10,000	10,294	294
Auto rental taxes	63,000	78,612	15,612
Law enforcement	858,608	858,608	-
Grantor's tax	35,000	45,155	10,155
Recordation tax	55,000	56,034	1,034
PPTRA reimbursement	1,652,200	1,652,200	-
Total Non-Categorical Aid	2,843,808	2,805,667	(38,141)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

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	$ 403,800	$ 407,519	$ 3,719
Sheriff	277,380	269,789	(7,591)
Commissioner of the revenue	113,530	115,116	1,586
Treasurer	107,050	107,308	258
Registrar/Electoral Board	37,000	43,652	6,652
Circuit court clerk	254,350	256,165	1,815
Circuit court clerk-technology trust fund	14,300	14,300	-
Total Shared Expenses	1,207,410	1,213,849	6,439
Health and welfare	1,583,542	1,181,625	(401,917)
Other Categorical Aid:			
Street and highway maintenance	3,886,426	3,886,427	1
State Disaster payment	-	427	427
Circuit Court Library grant	10,614	10,614	-
Library	144,040	143,003	(1,037)
E911 Wireless funds	62,000	73,221	11,221
Fire programs	75,000	75,260	260
Commission for the Arts	5,000	5,000	-
Comprehensive Services Act funds	1,944,000	1,598,443	(345,557)
Four-for-Life funds	20,000	21,938	1,938
Animal license plates	600	638	38
Victim/Witness funds	14,488	14,488	-
Forfeited assets	5,983	6,206	223
Jurors/Witness fees	10,000	10,626	626
Total Other Categorical Aid	6,178,151	5,846,291	(331,860)
Total Categorical Aid	8,969,103	8,241,765	(727,338)
Total Revenue from the Commonwealth	11,812,911	11,047,432	(765,479)
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	970,557	886,399	(84,158)
Comprehensive Services Act funds	-	142,149	142,149
Victim/Witness	52,157	52,157	-
FEMA Disaster payment	-	1,526	1,526
Federal Crime forfeited	10,945	10,945	-
Total Revenue from the Federal Government	1,033,659	1,093,176	59,517
Total General Fund	$ 51,055,946	$ 51,534,719	$ 478,773

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

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	$ -	$ 20	$ 20
Total Revenue from Use of Money and Property	-	20	20
Charges for services:			
Supervision fees	30,000	29,847	(153)
Drug screen fees	12,000	11,582	(418)
Home electronic monitoring fees	100,000	164,873	64,873
SA/AM/DV/Group therapy/Admin.	15,000	21,343	6,343
Total Charges for Services	157,000	227,645	70,645
Miscellaneous:			
CAPSAW	15,000	15,000	-
Community Foundation	4,000	4,000	-
Augusa Health	16,750	16,750	-
United Way	5,000	15,000	10,000
Sale of Salvage and Surplus	-	2,636	2,636
Other	-	11	11
Total Miscellaneous Revenue	40,750	53,397	12,647
Total Revenue from Local Sources	197,750	281,062	83,312
Revenue from the Commonwealth:			
Drug Court	123,121	88,806	(34,315)
Community Corrections and Pre-trial services funds	629,892	610,012	(19,880)
Total Revenue from the Commonwealth	753,013	698,818	(54,195)
Revenue from the Federal Government:			
JAG	15,000	15,000	-
Total Revenue from the Federal Government	15,000	15,000	-
Total Blue Ridge Court Services Fund	$ 965,763	$ 994,880	$ 29,117
State and Federal Grants Fund:			
Revenue from the Commonwealth:			
Office on Intermodel Planning Grant	$ 65,000	$ -	$ (65,000)
Total Revenue from the Commonwealth	65,000	-	(65,000)
Revenue from the Federal Government:			
JAG-Byrne Justice Assistance Grant	5,224	2,862	(2,362)
Total Revenue from the Federal Government	5,224	2,862	(2,362)
Total State and Federal Grants Fund	$ 70,224	$ 2,862	$ (2,362)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds:			
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	$ -	$ 50	$ 50
Total Revenue from Local Sources	-	50	50
Revenue from the Commonwealth:			
AFID Planning grant	11,900	5,000	(6,900)
Total Revenue from the Commonwealth	11,900	5,000	(6,900)
Revenue from the Federal Government:			
RBEG	-	10,136	10,136
Total Revenue from the Federal Government	-	10,136	10,136
Total Community Development Fund	$ 11,900	$ 15,186	$ 3,286
Total Special Revenue Funds	$ 1,047,887	$ 1,012,928	$ 30,041
Grand Total Revenues - Primary Government			
General and special revenue funds	$ 52,103,833	$ 52,547,647	$ 508,814

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Special Revenue Funds:			
Education Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	$ 1,000	$ 397	$ (603)
Revenue from use of property	25,000	27,100	2,100
Total Revenue from Use of Money and Property	26,000	27,497	1,497
Charges for services:			
Charges for education	14,315	16,213	1,898
Tuition or other payments from another county or city	960,399	988,384	27,985
Total Charges for Services	974,714	1,004,597	29,883
Miscellaneous revenue:			
Donations	9,700	9,740	40
E-Rate reimbursement	112,613	107,759	(4,854)
Wellness program	15,000	15,903	903
Miscellaneous grants	8,379	50,252	41,873
Sale of salvage and surplus	-	7,456	7,456
Total Miscellaneous Revenue	145,692	191,110	45,418
Recovered Costs	62,902	35,201	(27,701)
Contribution from City of Staunton	11,989,100	11,989,100	-
Total Revenue from Local Sources	13,198,408	13,247,505	49,097
Revenue from the Commonwealth:			
Categorical Aid:			
Share of state sales tax	3,263,920	3,276,323	12,403
Basic school aid	6,281,859	6,281,259	(600)
Foster care	30,000	19,395	(10,605)
Gifted and talented-SOQ	72,408	72,418	10
Remedial Education-SOQ	320,446	320,486	40
ISAEP funds	15,717	15,717	-
Special education-SOQ	600,836	600,912	76
Special education-foster care	30,000	17,676	(12,324)
Homebound	4,078	3,197	(881)
Regional tuition programs	502,122	593,507	91,385
Primary Class size (K-3)	413,815	413,815	-
Vocational education-SOQ	195,657	195,681	24
Social security instructional	411,341	411,393	52
VRS retirement instructional	814,980	815,083	103
Group Life Insurance instructional	26,860	26,194	(666)
At risk	364,024	364,024	-
VPSA Technology grants	180,000	180,000	-
At Risk - Four Year Olds (VPSI)	196,895	196,895	-

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

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: (cont'd)			
Categorical Aid: (cont'd)			
STEM recruitment	$ -	$ 5,000	$ 5,000
Remedial Summer School	88,000	57,823	(30,177)
English as a second language	26,787	26,787	-
Early Reading Intervention	36,610	36,610	-
Early Reading Specialist (ERSIP)	18,657	18,657	-
SOL-Algebra readiness	37,578	37,578	-
Vocational - Equipment	7,749	5,083	(2,666)
Project Graduation	8,208	10,223	2,015
Mentor Teacher Program	4,518	1,260	(3,258)
Compensation supplement	116,859	113,967	(2,892)
National board certification	5,000	-	(5,000)
Va Middle School Teacher Corp.	10,000	10,000	-
Other state funds	2,014	4,116	2,102
Total Categorical Aid	14,086,938	14,131,079	44,141
Total Revenue from the Commonwealth	14,086,938	14,131,079	44,141
Revenue from the Federal Government:			
Categorical Aid:			
Title I	907,884	729,889	(177,995)
Title VI - B - Special Education	900,530	677,871	(222,659)
Early Childhood Supplemental	11,000	11,000	-
Preschool grants	35,336	19,846	(15,490)
Title II A-Training and Recruiting	99,650	136,111	36,461
Rural and low income school program	9,027	8,678	(349)
Title III ESEA - Limited English proficient	3,481	3,481	-
Tech Prep Education (Carl Perkins)	56,742	62,673	5,931
Other federal funds	820	820	-
Total Categorical Aid	2,024,470	1,650,369	(374,101)
Total Revenue from the Federal Government	2,024,470	1,650,369	(374,101)
Total Education Fund	$ 29,309,816	$ 29,028,953	$ (280,863)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD: (cont'd)			
Special Revenue Funds: (cont'd)			
School Cafeteria Fund:			
Revenue from Local Sources:			
Revenue from the use of money and property:			
Revenue from use of money	$ 100	$ 73	$ (27)
Charges for services:			
Charges for food service	355,900	335,334	(20,566)
Miscellaneous Revenue:			
Donations	-	6,177	6,177
Chef Ann Mission Nutrition grant	7,500	7,500	-
Action for Healthy Kids grant	5,250	4,950	(300)
Share our Strength grant	-	1,500	1,500
Other	2,900	2,408	(492)
Total Miscellaneous revenue	15,650	22,535	6,885
Total Revenue from Local Sources	371,650	357,942	(13,708)
Revenue from the Commonwealth:			
Meal reimbursement	15,300	15,103	(197)
State Breakfast Incentive	10,475	10,476	1
Breakfast after the Bell	-	5,747	5,747
Total revenue from the Commonwealth	25,775	31,326	5,551
Revenue from the Federal Government:			
Fresh fruits and vegetables grant	21,000	25,581	4,581
Summer Food service program	-	16,397	16,397
National school lunch and breakfast program	901,300	912,307	11,007
Total Revenue from the Federal Government	922,300	954,285	31,985
Total School Cafeteria Fund	$ 1,319,725	$ 1,343,553	$ 23,828
Textbook Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:	$ -	$ 60	$ 60
Total Revenue from Local Sources	-	60	60
Revenue from the Commonwealth:			
Textbook payment (including lottery fund)	152,000	148,256	(3,744)
Total Textbook Fund	$ 152,000	$ 148,316	$ (3,684)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD: (cont'd)			
Special Revenue Funds: (cont'd)			
State Operated Programs Fund:			
Revenue from Local Sources:			
E-rate reimbursement	$ 50,000	$ 44,879	$ (5,121)
VAE grants	-	1,094	1,094
Recovered costs	179,266	353,319	174,053
Total Revenue from local sources	229,266	399,292	170,026
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,694,734	2,570,038	(124,696)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	5,000	9,022	4,022
Title VI-B	10,000	12,197	2,197
Total Revenue from Federal Government	15,000	21,219	6,219
Total State Operated Programs Fund	$ 2,939,000	$ 2,990,549	$ 51,549
Total Special Revenue Funds	$ 4,410,725	$ 4,482,418	$ 71,693
Grand Total Revenues - Component Unit School Board	$ 33,720,541	$ 33,511,371	$ (209,170)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2016

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
General Government Administration:			
Legislative:			
City Council	$ 116,432	$ 92,067	$ 24,365
Total Legislative	116,432	92,067	24,365
General and Financial Administration:			
City Manager	554,610	534,919	19,691
City Attorney	384,350	320,184	64,166
City Memberships	27,385	27,384	1
Professional Consultants	61,750	61,750	-
Commissioner of the Revenue	289,499	289,278	221
Assessor and Equalization Board	321,422	311,907	9,515
Treasurer	388,312	387,535	777
Finance	1,301,529	1,094,872	206,657
Information Technology	1,294,632	1,068,158	226,474
Risk Management	532,860	519,147	13,713
Human Resources	284,926	277,636	7,290
Communications Manager	91,098	84,436	6,662
Total General and Financial Administration	5,532,373	4,977,206	555,167
Board of Elections:			
Electoral Board and Registrar	164,346	153,318	11,028
Total Board of Elections	164,346	153,318	11,028
Total General Government Administration	5,813,151	5,222,591	590,560
Judicial Administration:			
Courts:			
Circuit court	153,051	140,967	12,084
General District Court	10,862	5,074	5,788
Juvenile and Domestic Relations Court	78,342	68,813	9,529
Clerk of the Circuit Court	478,224	465,687	12,537
Sheriff	601,017	549,752	51,265
Victim/Witness	82,164	78,775	3,389
Magistrates	2,000	1,900	100
Total Courts	1,405,660	1,310,968	94,692
Commonwealth Attorney	617,645	597,466	20,179
Total Judicial Administration	2,023,305	1,908,434	114,871

Continued

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2016

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	$ 5,018,369	$ 4,691,324	$ 327,045
E-911 Communications	841,060	803,957	37,103
Total Law Enforcement and Traffic Control	5,859,429	5,495,281	364,148
Fire and Rescue Services:			
Fire Department	2,458,135	2,458,173	(38)
EMS Council/Four for Life	37,340	22,186	15,154
State Fire Programs	84,500	71,587	12,913
Total Fire and Rescue Services	2,579,975	2,551,946	28,029
Correction and Detention:			
Juvenile Detention Home - Contribution	111,292	111,292	-
Jail Facility	1,310,000	1,300,506	9,494
Youth Commission	133,977	133,537	440
Total Correction and Detention	1,555,269	1,545,335	9,934
Inspections:			
Building Inspection	413,912	399,029	14,883
Other Protection:			
Animal control - Animal Care	66,000	65,741	259
Medical Examiner	200	180	20
Total Other Protection	66,200	65,921	279
Total Public Safety	10,474,785	10,057,512	417,273
Public Works:			
Administration	302,636	301,057	1,579
Traffic Engineering (signs)	93,521	85,543	7,978
Highways, Streets, and Sidewalks	3,585,655	3,217,789	367,866
City Engineering	402,621	394,531	8,090
Traffic Signals	186,097	130,567	55,530
Total	4,570,530	4,129,487	441,043
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,383,520	1,331,203	52,317
Equipment Maintenance	461,424	461,414	10
Total Maintenance of General Buildings, Grounds, Equipment	1,844,944	1,792,617	52,327
Total Public Works	6,415,474	5,922,104	493,370

Continued

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2016

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	$ 257,847	$ 257,800	$ 47
Mental Health and Mental Retardation:			
Chapter X Board	126,627	126,627	-
Total Health	384,474	384,427	47
Welfare:			
DSS-public assistance	3,283,108	2,798,003	485,105
Children Services Act	2,700,000	2,508,145	191,855
Tax Relief - Elderly and Disabled	139,000	105,718	33,282
Tax Relief - Veterans	55,000	72,950	(17,950)
Staunton Senior Center	6,000	6,000	-
CAPSAW	20,000	20,000	-
Contribution to Area Agency on Aging (VPAS)	16,551	16,551	-
CATS Contribution	42,042	42,042	-
Total Welfare	6,261,701	5,569,409	692,292
Total Health and Welfare	6,646,175	5,953,836	692,339
Education:			
Contribution to Community College	8,000	8,000	-
Contribution to Component Unit - School Board	12,139,100	12,139,100	-
Total Education	12,147,100	12,147,100	-
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	1,008,426	960,163	48,263
Park Maintenance	1,193,331	1,059,205	134,126
Horticulture	262,555	258,510	4,045
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	2,484,312	2,297,878	186,434
Cultural Enrichment:			
Contributions to Community Organizations	15,000	14,999	1
Total Cultural Enrichment	15,000	14,999	1
Library:			
Library Administration and Operations	1,173,928	1,146,401	27,527
Total Library	1,173,928	1,146,401	27,527
Total Parks, Recreation, and Cultural	3,673,240	3,459,278	213,962

Continued

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2016

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	$ 570,857	$ 334,615	$ 236,242
Planning and Development	325,082	274,908	50,174
Tourism Development	362,669	347,376	15,293
VRT-Trolley Operation	63,000	63,000	-
Staunton Welcome Center	51,724	50,267	1,457
Special Service District	158,755	158,968	(213)
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	32,971	32,755	216
Historic Staunton Foundation	25,000	25,000	-
GART Tourism Board	20,000	20,000	-
Staunton Creative Community Fund	20,000	20,000	-
Total Planning and Community Development	1,678,217	1,375,048	303,169
Total Community Development	1,678,217	1,375,048	303,169
Total General Fund	$ 48,871,447	$ 46,045,903	$ 2,825,544
Special Revenue Funds:			
Blue Ridge Court Services Fund:			
Public Safety:			
Correction and Detention:			
Community Corrections	769,395	727,957	41,438
JAG-Supplemental	60,000	60,866	(866)
Augusta Health Grant	16,750	8,599	8,151
Drug Court	120,000	125,713	(5,713)
Total Correction and Detention	966,145	923,135	43,010
Total Public Safety	966,145	923,135	43,010
Total Blue Ridge Court Services Fund	$ 966,145	$ 923,135	$ 43,010
State and Federal Grants Fund:			
Public Safety:			
Police Department Grants:			
DCJS-Byrne grant	$ 5,224	$ 2,862	$ 2,362
Total Public Safety	5,224	2,862	2,362
Planning and Community Development			
Police Department Grants:			
Office on Intermodel Planning Grant	65,000	-	65,000
Total Planning and Community Development	65,000	-	65,000
Total State and Federal Grants Fund	$ 70,224	$ 2,862	$ 67,362
Community Development Fund			
Community Development:			
AFID Planning Grant	$ 11,900	$ 11,899	$ 1
RBEG Grant	8,333	10,136	(1,803)
Total Community Development Fund	$ 20,233	$ 22,035	$ (1,802)
Total Special Revenue Funds	$ 1,056,602	$ 948,032	$ 108,570
Grand Total - Expenditures -Primary Government- General and special revenue	$ 49,928,049	$ 46,993,935	$ 2,934,114

Continued

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2016

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Education:			
Instructional Costs	$ 22,462,805	$ 21,469,946	$ 992,859
Administration, Attendance & Health	2,096,569	1,963,675	132,894
Pupil Transportation	999,245	916,053	83,192
Operations and Maintenance	2,755,702	2,506,116	249,586
Technology	1,421,365	1,330,705	90,660
Total Education	29,735,686	28,186,495	1,549,191
Payment to City	100,000	100,000	-
Total Education Fund	$ 29,835,686	$ 28,286,495	$ 1,549,191
School Cafeteria Fund:			
Food Service	$ 1,382,471	$ 1,334,025	$ 48,446
Total School Cafeteria Fund	$ 1,382,471	$ 1,334,025	$ 48,446
Textbook Fund			
Education:			
Instructional costs	$ 252,000	$ 200,286	$ 51,714
Total Textbook Fund	$ 252,000	$ 200,286	$ 51,714
State Operated Programs Fund			
Education:			
Instructional costs	$ 2,852,803	$ 2,894,794	$ (41,991)
Total State Operated Programs Fund	$ 2,852,803	$ 2,894,794	$ (41,991)
Total Special Revenue Funds	$ 4,487,274	$ 4,429,105	$ 58,169
Grand Total - Expenditures - Component Unit - School Board	$ 34,322,960	$ 32,715,600	$ 1,607,360

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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)
UNAUDITIED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	$ 35,503,141	$ 32,734,112	$ 32,253,859	$ 31,074,300	$ 31,321,359	$ 29,909,806	$ 24,406,532	$ 25,235,126	$ 29,705,089	$ 29,874,206
Restricted	27,466	117,646	122,452	120,217	184,868	103,639	27,485	32,366	64,201	91,704
Unrestricted	15,005,839	6,839,895	21,671,005	20,530,870	17,813,098	18,269,177	16,550,240	15,199,232	13,215,652	10,403,691
Total governmental activities net position	$ 50,536,446	$ 39,691,653	$ 54,047,316	$ 51,725,387	$ 49,319,325	$ 48,282,622	$ 40,984,257	$ 40,466,724	$ 42,984,942	$ 40,369,601
Business-type activities										
Net investment in capital assets	$ 54,769,922	$ 53,499,079	$ 51,946,042	$ 51,646,845	$ 51,212,802	$ 49,958,761	$ 50,278,514	$ 48,929,485	$ 41,803,122	$ 38,777,694
Unrestricted	12,364,605	12,545,752	15,594,582	15,253,532	16,101,004	17,720,858	15,786,830	16,283,224	15,716,827	15,079,925
Total business-type activities net position	$ 67,134,527	$ 66,044,831	$ 67,540,624	$ 66,900,377	$ 67,313,806	$ 67,679,619	$ 66,065,344	$ 65,212,709	$ 57,519,949	$ 53,857,619
Primary government										
Net investment in capital assets	$ 90,273,063	$ 86,233,191	$ 82,721,145	$ 82,721,145	$ 79,868,567	$ 74,685,046	$ 74,164,611	$ 71,508,211	$ 68,651,900	$ 60,636,054
Restricted	27,466	117,646	120,217	120,217	103,639	27,485	32,366	64,201	91,704	117,686
Unrestricted	27,370,444	19,385,647	35,784,402	35,784,402	35,990,035	32,337,070	31,482,456	28,932,479	25,483,616	25,531,715
Total primary net position	$ 117,670,973	$ 105,736,484	$ 118,625,764	$ 118,625,764	$ 115,962,241	$ 107,049,601	$ 105,679,433	$ 100,504,891	$ 94,227,220	$ 86,285,455

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

CITY OF STAUNTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities:										
General government	$ 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	$ 3,954,903
Judicial administration	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	1,632,266
Public safety	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	9,458,730
Public works	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	6,028,489
Health and welfare	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	4,492,566
Education	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	13,770,045
Parks, recreation and culture	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	3,427,478
Community development	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	1,795,290
Interest on long-term debt	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	1,413,046
Total governmental activities expenses	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	45,972,813
Business-Type Activities:										
Golf	3,611,452	3,421,897	3,610,302	167,950	191,022	179,702	158,480	162,124	180,980	-
Water	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	3,272,895
Sewer	785,238	724,382	749,025	3,908,777	3,984,420	3,358,564	2,688,221	2,913,749	2,955,223	2,908,962
Stormwater	2,207,342	2,210,477	2,362,161	781,975	710,250	742,232	564,181	486,581	-	-
Environmental	151,865	155,309	158,691	2,431,257	2,594,453	1,777,831	2,773,641	2,615,547	3,055,363	2,398,520
Parking	414,275	430,555	411,135	421,934	468,930	423,434	455,855	466,889	490,053	491,750
Total business-type activities expenses	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	9,072,127
Total primary government expenses	$ 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	$ 55,044,940
Program Revenues										
Governmental activities:										
Charges for services:										
Governmental-PILOT from enterprise funds	$ 1,034,202	$ 980,711	$ 1,035,568	$ 1,083,122	$ 1,056,120	$ 1,127,162	$ 817,375	$ 909,072	$ 845,932	$ 904,686
Public safety	558,495	391,728	317,028	291,172	309,363	226,605	294,628	312,814	380,489	251,815
Parks and recreation	371,053	329,414	315,569	336,266	354,003	314,065	330,649	352,207	360,488	580,720
Other activities	4,753,222	3,115,420	562,709	480,508	512,293	445,442	318,251	394,589	418,345	301,536
Operating grants and contributions	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	8,843,956
Capital grants and contributions	1,105,977	546,586	683,527	471,852	274,810	4,684,814	217,303	379,550	2,109,697	2,676,309
Total governmental activities program revenues	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	13,559,022

(Continued)

CITY OF STAUNTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Program Revenues: (cont'd)										
Business-type activities:										
Charges for services:										
Golf	$ 118,900	$ 120,931	$ 137,413	$ 147,255	$ 147,371	$ 147,200	$ 174,954	$ 176,720	$ -	$ -
Water	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	3,274,548
Sewer	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	3,110,685
Stormwater	760,611	788,237	715,878	689,179	709,206	464,462	325,967	-	-	-
Environmental	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	2,351,433
Parking	407,383	396,382	302,234	315,158	241,846	240,989	260,062	264,351	285,581	261,107
Operating grants and contributions	14,389	65,031	13,374	5,044	13,341	2,876	3,947	10,950	20,832	6,594
Capital grants and contributions	139,445	686,595	-	65,871	925,347	1,269,948	3,815,810	4,347,999	5,291,714	5,194,756
Total business-type activities program revenues	11,529,536	11,868,363	10,629,799	10,442,322	11,237,413	10,306,240	12,883,409	13,462,314	13,947,461	14,199,123
Total primary government program revenues	$ 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	$ 27,758,145
Net (expense)/revenue										
Governmental activities	$ (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)	$ (32,413,791)
Business-type activities	802,550	1,296,673	(194,369)	(865,096)	(269,155)	377,920	3,103,146	3,424,769	3,734,951	5,126,996
Total primary government net expense	$ (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)	$ (27,286,795)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 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	$ 15,382,482
Sales tax	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	3,847,080
Hotel and meals tax	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	2,105,857
Business license	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	1,848,116
Utility tax	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	2,306,670
Local communication tax	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	1,023,050	1,000,048	728,998	763,722	741,910	1,110,569	1,244,487	1,302,851	1,772,047	1,653,799
Unrestricted investment earnings	68,532	11,241	11,370	18,196	26,298	32,403	115,142	343,008	490,959	561,944
Grants and contributions not restricted to a specific program	2,805,667	2,805,165	2,827,514	2,526,975	2,527,349	2,756,972	2,740,644	3,066,910	3,181,920	2,724,725
Miscellaneous	29,086	25,089	8,783	27,765	52,673	19,380	31,975	11,153	103,195	7,802
Gain (loss) on sale of assets	-	-	-	-	-	-	25,105	-	-	7,887
Transfers	(236,488)	12,752	(224,400)	(641,360)	(224,400)	(224,400)	(4,454,401)	229,502	(179,440)	615,062
Total governmental activities	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	31,061,424

(Continued)

CITY OF STAUNTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-type activities:										
Unrestricted investment earnings	$ 50,658	$ 29,192	$ 39,790	$ 57,073	$ 80,782	$ 102,258	$ 392,495	$ 668,398	$ 869,700	$ 569,207
Grants and contributions not restricted to a specific program	-	-	-	-	-	-	-	-	58,458	160,281
Transfers	236,488	(12,752)	224,400	641,360	224,400	224,400	4,454,401	(229,502)	179,440	(615,062)
Total business-type activities	287,146	16,440	264,190	698,433	305,182	326,658	4,846,896	438,896	1,107,598	114,426
Total primary government	$ 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	$ 31,175,850
Change in Net Position										
Governmental activities	$ 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	$ (1,352,367)
Business-type activities	1,089,696	1,313,113	69,821	(166,663)	36,027	704,578	7,950,042	3,863,665	4,842,549	5,241,422
Total primary government	$ 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	$ 3,889,055

During FY 07 the local utility and E911 taxes were replaced by the local communication tax.

Table 3

CITY OF STAUNTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	$ 103,252	$ 78,126	$ 95,561	$ 58,666	$ 61,789	$ 125,118	$ 59,636	$ 35,742	$ 15,912	$ 26,556
Restricted	15,825	117,646	122,452	120,217	149,868	88,639	13,985	18,866	20,701	789,234
Committed	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	3,706,008
Assigned	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	1,528,865
Unassigned	2,106,836	2,364,510	3,386,768	3,472,715	2,647,250	2,496,844	3,309,359	2,752,859	3,415,203	1,762,319
Total General Fund	$ 12,312,012	$ 11,930,107	$ 11,535,212	$ 10,919,647	$ 9,255,929	$ 9,327,190	$ 8,999,653	$ 8,113,586	$ 9,059,232	$ 7,812,982
All Other Governmental Funds										
Restricted	$ 11,641	$ 3,490	$ -	$ -	$ 35,000	$ 15,000	$ 13,500	$ -	$ -	$ -
Assigned	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	4,431,650
Unassigned	-	-	-	(5,308)	-	-	-	(101,509)	-	-
Total all other governmental funds	$ 9,427,285	$ 10,564,923	$ 9,453,593	$ 9,905,565	$ 9,449,308	$ 9,704,435	$ 8,519,243	$ 7,000,372	$ 4,467,568	$ 4,431,650

Notes:
Includes only the primary government

TABLE 4

CITY OF STAUNTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES										
General property taxes	$ 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	$ 17,978,630
Sales and use tax	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	3,975,959
Hotel and meals tax	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	2,004,839
Utility taxes	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	1,700,693
Business license tax	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	1,956,690
Local communication tax	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	688,019
Other local taxes	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	1,885,127
Permits, privilege fees, and regulatory licenses	340,019	194,875	157,536	192,509	211,744	176,104	240,985	257,003	323,715	218,835
Fines and forfeitures	97,667	96,231	102,876	61,682	71,616	59,336	70,171	74,901	82,382	39,741
Charges for services	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	1,593,674
Intergovernmental	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	11,684,470
Investment earnings	74,703	11,826	9,238	14,607	28,659	510,633	34,041	121,033	331,766	470,930
Other revenues	1,191,662	1,189,448	693,820	665,595	681,836	61,329	580,000	637,355	606,933	1,024,993
Total revenues	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	45,222,600
EXPENDITURES										
General government administration	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	3,621,958
Judicial administration	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	1,630,446
Public safety	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	9,340,095
Public works	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	4,633,944
Health and welfare	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	4,487,419
Education	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	14,233,660
Parks, recreation and cultural	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	3,268,105
Community development	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	1,782,443
Capital outlay	2,969,485	339,235	1,868,965	533,126	2,900,387	625,192	219,482	-	72,913	453,004
Debt service:										
Principal retirement	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	1,533,795
Interest and fiscal charges	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	1,408,521
Bond issue costs	-	-	-	96,553	-	-	106,621	9,675	-	135,772
Total expenditures	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	46,529,162
Excess (deficiency) of revenues over (under) expenditures	(540,441)	1,795,753	387,993	2,344,375	(151,388)	1,719,281	2,609,179	(13,258,507)	1,541,248	(1,306,562)

(Continued)

TABLE 4

CITY OF STAUNTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
OTHER FINANCING SOURCES (USES)										
Bonds issued	-	-	15,000,000	-	-	-	15,000,000	-	10,600,000	9,675,400
Discount on general obligation bonds	-	-	-	-	-	-	-	-	(206,895)	-
Sale of building and equipment	-	-	-	-	17,848	20,159	25,105	-	-	-
Payment to refunding bond escrow agent*	-	-	(15,000,000)	-	-	-	-	-	(9,655,097)	-
Transfers in	5,391,619	5,992,012	8,933,104	9,296,443	5,945,984	4,077,358	3,117,242	1,418,913	4,010,450	4,161,554
Transfers out	(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)	(3,546,492)
Total other financing sources (uses)	(215,292)	(289,528)	(224,400)	(175,000)	(206,552)	(204,241)	14,845,665	(259,080)	558,568	10,290,462
Net change in fund balance	$ (755,733)	$ 1,506,225	$ 163,593	$ 2,169,375	$ (357,940)	$ 1,515,040	$ 17,454,844	$ (13,517,587)	$ 2,099,816	$ 8,983,900
Debt service as a percentage of noncapital expenditures	7.40%	7.57%	7.92%	6.47%	6.71%	7.73%	8.57%	6.65%	5.29%	6.75%

Notes:
Includes only the primary government
* in 2013 $15,000,000 was paid to the Commonwealth of Virginia to settle debt on the Staunton Crossing property. See note 16.

CITY OF STAUNTON, VIRGINIA

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

Calendar Year	Residential	Commercial	Industrial	Total Taxable and Actual Assessed Value	Total Direct Tax Rate
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
2007	1,443,735,578	291,724,204	51,152,994	1,344,077,362	0.96

Sources:
City of Staunton Assessor's Office.

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

TABLE 6

CITY OF STAUNTON, VIRGINIA

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

	2016			2007		
Taxpayer Name	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	0.78%	$ 14,567,540	1	0.82%
Wal-Mart Real Estate Business	11,638,200	2	0.64%	11,483,560	2	0.64%
Bigf Sky LLC	9,628,200	3	0.53%	10,789,640	3	0.60%
Staunton Station LLC	9,568,880	4	0.53%			
Statler Station LLC	9,333,800	5	0.52%			
BH Brightview Baldwin Park LLC	9,214,830	6	0.51%	9,140,210	5	0.51%
LSK Properties LLC	7,328,390	7	0.41%			
Woodcrest Properties	6,817,200	8	0.38%			
Lowe's Home Centers Inc	6,261,790	9	0.35%			
North Augusta LLC	6,090,360	10	0.34%			
Staunton Plaza LLC	-		-	10,290,930	4	0.58%
Staunton Hotel LLC	-		-	8,645,430	6	0.00%
FAP Properties	-		-	8,425,900	7	0.47%
Health Care REIT	-		-	8,288,160	8	0.46%
Morris Mill Road Plant LLC	-		-	8,126,340	9	0.45%
Fore Frontier Ridge Apartments	-		-	8,016,670	10	0.45%
Totals	$ 89,895,650		4.98%	$ 97,774,380		4.98%

Source: City Assessor
Notes:
Real Estate Only

TABLE 7

CITY OF STAUNTON, VIRGINIA

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

Calendar Year		Taxes Levied for the Calendar Year		Collected within the Calendar Year of the Levy: Amount	Collected within the Calendar Year of the Levy: Percentage of Levy	Collections in Subsequent Calendar Years	Total Collections To Date: Amount	Total Collections To Date: Percentage of Levy
2016	(1)	$ 17,097,175	(2)	$ -	0.00%	$ -	$ -	0.00%
2015		16,968,376		16,082,688	94.78%	-	16,082,688	94.78%
2014		16,887,817		15,988,802	94.68%	297,109	16,285,911	96.44%
2013		16,782,813		15,819,093	94.26%	476,081	16,295,174	97.09%
2012		16,261,738		15,280,479	93.97%	577,986	15,858,465	97.52%
2011		16,140,585		15,094,471	93.52%	697,326	15,791,797	97.84%
2010		17,426,047		16,310,945	93.60%	822,650	17,133,595	98.32%
2009		17,310,637		16,259,263	93.93%	800,852	17,060,115	98.55%
2008		16,247,090		15,434,142	95.00%	596,181	16,030,323	98.67%
2007		16,194,110		15,234,398	94.07%	510,963	15,745,361	97.23%

Sources: City of Staunton Assessor and Finance Department

Includes real estate and downtown service district taxes

(1)Taxes levied for the current calendar year are levied in May and are due 75% in June and 25% in December.
(2)Collections made during the current calendar year for any tax year are not shown because the calendar year is not complete.

CITY OF STAUNTON, VIRGINIA

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

	Governmental Activities				Business - type Activities				
Fiscal Year	General Obligation Bonds	Contractual Obligations	Literary Loans	Capital Leases	General Obligation Bonds	VRA Loans	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2016	$ 25,049,607	$ -	$ 10,950,000	$ -	$ 1,001,650	$18,996,027	$ 55,997,284	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
2007	20,521,920	-	18,075,400	144,041	7,760,473	9,065,627	55,567,461	6.50%	2,388

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.

CITY OF STAUNTON, VIRGINIA

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

	General Bonded Debt Outstanding				Percentage of Actual	
Fiscal Year	General Obligation Bonds	Literary Loans	VRA Loans	Net Bonded Debt	Taxable Value of Property (a)	Per Capita (b)
2016	$ 26,051,257	$ 10,950,000	$ 18,996,027	$ 55,997,284	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
2007	28,282,393	18,075,400	9,065,627	55,423,420	3.11%	2,382

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	$ 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	$ 178,661,278
Total net debt applicable to limit	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	55,423,420
Legal debt margin	$ 124,599,012	$ 118,303,431	$ 112,671,993	$ 107,182,043	$ 122,867,083	$ 117,735,440	$ 128,547,759	$ 133,786,527	$ 126,046,897	$ 123,237,858
Legal debt margin as a percentage of the debt limit	68.99%	65.95%	63.02%	60.14%	67.11%	64.68%	65.57%	68.79%	69.12%	68.98%

TABLE 11

CITY OF STAUNTON, VIRGINIA

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

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median age (1)	School enrollment (3)	Unemployment rate (4)
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%
2007	23,333	3,620,374	31,161	40.4	2,646	3.1%

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

	2016			2007		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Western State Hospital	500-599	1	4.87%	500	2	4.45%
Staunton City School Board	500-599	2	4.87%	565	1	5.02%
Mary Baldwin College	250-499	3	3.32%	400	4	3.56%
City of Staunton	250-499	4	3.32%	428	3	3.81%
WalMart	250-499	5	3.32%	400	5	3.56%
Federated/Fisher Auto Parts	250-499	6	3.32%	-		
VDOT	100-249	7	1.55%	-		
Cadence/Specialty Blades	100-249	8	1.55%	-		
Virginia School for the Deaf and Blind	100-249	9	1.55%	-		
Home Instead Senior Care	100-249	10	1.55%	-		
Best Buy Company				275	6	2.45%
Planters Bank				175	7	1.56%
Unifi				135	8	1.20%
The News Leader				110	9	0.98%
Staunton Steam Laundry				85	10	0.76%
Total	2400-4190		29.24%	3,073		27.35%

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

	Full Time Equivalent Employees as of June 30									
Function/Program	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
General Government	35	35	32	33	31	31	30	33	33	33
Judicial	22	21	21	21	21	21	23	23	22	22
Public Safety	103	99	99	99	99	98	101	107	106	106
Public Works	40	40	38	38	38	38	39	40	42	42
Parks, Recreation, and Culture	24	24	24	23	23	22	26	26	26	27
Community Development	7	7	7	7	7	7	8	8	7	7
Blue Ridge Courts	9	9	8	8	8	8	8	8	na	na
Golf	1	1	1	1	1	1	1	1	1	0
Water	26	25	25	25	25	25	24	25	25	25
Sewer	5	5	5	5	5	5	6	6	6	6
Environmental	18	18	18	18	18	20	22	24	24	24
Stormwater	1	1	1	1	1	1	1	2	na	na
Total	291	285	279	279	277	289	289	292	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.

CITY OF STAUNTON, VIRGINIA

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

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety:										
Police:										
Arrests	2,542	2,363	2,438	2,429	2,415	2,402	2,378	2,517	2,835	2,469
Parking tickets	4,855	4,813	4,931	5,036	5,548	5,117	3,639	5,428	6,846	5,031
Traffic summons	3,143	3,066	4,263	2,982	3,809	4,693	4,093	4,525	4,723	4,773
Fire:										
Incident responses	3,200	3,176	3,087	3,450	2,640	3,372	3,000	2,812	2,695	2,648
Fires extinguished	50	78	50	55	56	65	45	80	79	99
Inspections	1,311	1,250	1,193	918	424	417	407	348	286	211
Inspections:										
Building permits issued	960	907	957	881	1,010	1,036	896	1,024	1,219	1,641
Building inspections conducted	3,054	2,352	2,353	2,772	2,592	2,753	2,538	3,587	4,631	4,623
Public Works:										
Refuse:										
Recycling collected (tons per day)	2.28	2.73	2.27	2.16	2.12	1.72	1.58	1.65	na	na
Refuse collected (tons per day)	60.95	57.4	59.6	61.8	63.7	62.6	69.9	67.6	79.5	83.1
Other public works:										
Lane miles paved	12	13.7	11.1	10.2	12.3	10.08	9.78	5.25	7.43	7.97
Parks and Recreation:										
Rounds of golf	7,796	8,555	9,040	9,698	9,731	9,863	8,939	10,283	10,345	13,000
Library:										
Volumes in collection	163,930	172,836	174,577	177,957	177,037	175,505	171,652	172,345	174,390	173,503
Total volumes borrowed	388,795	379,306	393,416	389,551	397,243	418,107	432,276	450,949	447,047	425,581
Utility:										
New connections-water	4	8	8	8	9	16	11	13	122	228
Active customers-water	9,454	9,401	9,351	9,347	9,358	9,335	9,727	9,296	9,271	9,231

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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Units-marked	18	18	19	19	19	20	20	20	20	21
Units-unmarked	20	20	18	18	18	16	16	16	16	14
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse										
Collection trucks	7	8	8	10	8	7	7	7	7	7
Recycling trucks	3	3	3	3	4	3	3	3	3	3
Other Public Works										
Lane miles of streets	300.62	300.28	299.72	298.7	298.7	298.55	298.55	298.55	297.38	291.22
Traffic Signals-signals and flashers	65	65	65	65	65	63	64	64	64	64
Parks and Recreation										
Acreage	482	482	482	482	482	482	482	477	477	477
Number of Parks	9	9	9	9	9	9	9	7	7	7
Baseball/softball fields	8	8	8	8	8	8	8	7	7	7
# of baseball/softball games played	1,670	1,798	1,619	1,614	1,585	1,560	1,522	1,590	1,503	1,488
Soccer/football fields	4	4	4	4	4	4	4	4	3	3
# of soccer/football games played	385	196	211	220	212	195	214	217	183	176
Water										
Miles of water mains	181.41	181.27	181.11	181.4	179.41	175.37	175.35	175.15	174.9	173.56
Fire Hydrants	1062	964	957	919	912	912	897	887	866	828
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	133.41	133.39	132.8	132.84	132.84	132.79	132.42	132.35	131.82	130.88

Sources: Various City departments
na - data not available.

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the *Specifications for Audits of Counties, Cities, and Towns,* and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2016.

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.**

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described as item 2016-001 in the accompanying schedule of findings and questioned costs.**

City of Staunton's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2016

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, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2016.

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.

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2016

CITY OF STAUNTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2016

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, 2016

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 in Accordance with 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:

Foster Care – Title IV-E	93.658
Title I	84.010

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

2016- 001: Weldon Cooper Survey

Condition:

The City entered $568,894 for total emergency snow removal expenditures on the report submitted in March 2016. The correct amount was $468,894.

Recommendation:

The City should perform a review of the Weldon Cooper Survey prior to submission.

Management's Response:

Management concurs with this comment. Although the total eligible emergency snow removal expenditures were reported correctly, the total expenditure figure contained a typographical error resulting in the amount being reported incorrectly. We will implement additional review processes to prevent errors such as this in the future.

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Programs:			
Rural Business Enterprise Grant	10.769	55-035-571270797	$ 10,136
Pass-Through Programs:			
Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program - Non Cash Commodities	10.555	N/A	86,076
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	405910; 402530; 405880	266,201
National School Lunch Program	10.555	406230; 402540	662,503
Fresh Fruits and Vegetables Program	10.582	405990;402510;406010	25,581
Department of Social Services:			
Food Stamp Cluster:			
State Administrative Matching Grants for the Food Stamp Program:			
Cost Allocations - Food Stamps	10.561	84322	5,425
DEPARTMENT OF EDUCATION:			
Pass-Through Programs:			
Department of Education:			
Title 1, Part A Cluster:			
Title I Educationally Deprived Children - LEA	84.010	S010A130046, S010A140046 & S010A150046	729,889
Title I, Part D - Neglected & Delinquent Children	84.013	S013A130046; S013A140046; S013A150046	9,022
Special Education Cluster			
Title VIB - Special Education	84.027	H027A130172; H027A140107	690,068
Special Education - Pre-School Grants	84.173	H173A140112; H173A150112	30,846
Vocational Education - Basic Grants to States	84.048	V048A150046 & V048A140046	62,673
Title II, Part A - Training & Recruiting Grant	84.367	S367A150044 & S367A140044	136,111
Title III ESEA - Limited English Proficie	84.365	na	3,481
Title VI-Rural and Low-Income Schools	84.358	S358B130046	8,678
Advanced Placement Incentive Program	84.330	S330B140002	820

Continued

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through Programs:			
Department of Social Services:			
Temporary Assistance for Needy Families:	93.558		
TANF-Manual checks		80801	$ (118)
VIEW-JOBS Purchased Services		87201	2,865
VIEW-Supportive Services		87202	13,662
VIEW- Transitional Transportation		87204	21,525
VIEW-Transportation		87207	34,175
VIEW-Transitional Support		87211	5,328
Adjustment			(1,785)
Child Care and Development Block Grant:	93.575		
Fee Child Care 100% Federal		88302	(15)
Child Care and Development Fund:-Mandatory and Matching Funds	93.596		
VIEW - Working Child Care		87101	(180)
Child Care Mandatory/Matching		88901	(829)
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	155,991
Licensed Child Placing Agency-Basic Maintenance		81108	75,083
Local Agency Foster Home-Basic Maintenance		81110	32,859
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision		81112	101,883
Central Service Cost Allocation - IV-E serv		84319	1,685
Adoption Assistance:	93.659		
Subsidized Adoption Assistance-Basic Maintenance		81201	231,550
Nonrecurring Adoption Assistance		81202	13,907
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision		81203	130,081
Cost Allocation		84324	176
Social Services Block Grant:	93.667		
State Adoption Assistance		81701	40,593
Home Based Companion (State Supplement)		83304	16,328
Adult Protective Services		89501	2,452
Medical Assistance Program (Title XIX)	93.778		
Central Service Cost Allocation-Medicaid		84323	3,758
Comprehensive Services for At Risk Youth and Families			
Social Services Block Grant:	93.667	na	142,149

Continued

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY:			
Direct Programs:			
Pass Through Programs:			
Department of Emergency Management:			
Disaster Grant-Public Assistance (Presidentially Declared Disaster)	97.036	na	1,526
ENVIRONMENTAL PROTECTION AGENCY			
Pass-Through Programs:			
Department of Environmetal Quality			
Chesapeake Bay Program	66.466	16047	7,905
DEPARTMENT OF JUSTICE:			
Direct Programs:			
Equitable Sharing Program	16.922	n/a	10,945
Pass-Through Programs:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	86015	52,157
Edward Byrne Memorial Justice Assistance Grant Program	16.738	41100; 41000	17,862
DEPARTMENT OF TRANSPORTATION:			
Pass-Through Programs:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	UPC102839; 80485	250,347
Total Expenditures of Federal Awards			$ 4,091,375

CITY OF STAUNTON, VIRGINIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

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.