



Comprehensive Annual **FINANCIAL REPORT**

City of Winchester, Virginia



Fiscal Year Ending
June 30, 2014



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CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2014

Prepared by:
City of Winchester, Virginia
Finance Department

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**CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

	Page(s)
INTRODUCTORY SECTION	
Officials	i
Organization Chart.....	ii
Letter of Transmittal	iii-vii
Certificate of Achievement.....	viii
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4a-4k
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Exhibit 1 – Statement of Net Position	5
Exhibit 2 – Statement of Activities	6
Fund Financial Statements:	
Exhibit 3 – Balance Sheet – Governmental Funds	7
Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	8
Exhibit 5 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Exhibit 6 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund.....	10-11
Exhibit 7 – Statement of Net Position – Proprietary Funds	12
Exhibit 8 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	13
Exhibit 9 – Statement of Cash Flows – Proprietary Funds	14-15
Exhibit 10 – Statement of Fiduciary Net Position – Fiduciary Funds.....	16
Notes to Financial Statements	17-70
<u>Required Supplementary Information:</u>	
Exhibit 11 – Schedules of Funding Progress.....	71

Other Supplementary Information:**Combining and Individual Fund Statements and Schedules:**

Nonmajor Governmental Funds	72
Exhibit 12 – Combining Balance Sheet – Nonmajor Governmental Funds	73
Exhibit 13 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	74
Exhibit 14 – Combining Balance Sheet – Nonmajor Special Revenue Funds	75
Exhibit 15 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds	76
Exhibit 16 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	77
Exhibit 17 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds	78
Internal Service Funds	79
Exhibit 18 – Combining Statement of Net Position	80
Exhibit 19 – Combining Statement of Revenue, Expenses, and Changes in Fund Net Position	81
Exhibit 20 – Combining Statement of Cash Flows	82
Fiduciary Funds	83
Exhibit 21 – Combining Statement of Fiduciary Net Position – Agency Funds	84
Exhibit 22 – Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	85
Discretely Presented Component Unit – School Board	86-87
Exhibit 23 – Balance Sheet – Governmental Funds	88
Exhibit 24 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	89
Exhibit 25 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund	90
Exhibit 26 – Combining Balance Sheet – Nonmajor Governmental Funds	91
Exhibit 27 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds	92
Exhibit 28 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	93

Other Supplementary Information: (Continued)**Discretely Presented Component Unit – School Board (Continued)**

Exhibit 29 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds.....	94
Exhibit 30 – Statement of Net Position – Internal Service Fund	95
Exhibit 31 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Fund	96
Exhibit 32 – Statement of Cash Flows – Internal Service Fund.....	97
Exhibit 33 – Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds	98
Exhibit 34 – Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds	99
Exhibit 35 – Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	100
Discretely Presented Component Unit – Parking Authority	101
Exhibit 36 – Statement of Net Position – Parking Authority Fund.....	102
Exhibit 37 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Parking Authority Fund	103
Exhibit 38 – Statement of Cash Flows – Parking Authority Fund	104
School Board’s Discretely Presented Component Unit – Winchester Education Foundation	105
Exhibit 39 – Statement of Net Position – Winchester Education Foundation Fund	106
Exhibit 40 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Winchester Education Foundation Fund.....	107
Exhibit 41 – Statement of Cash Flows – Winchester Education Foundation Fund	108

STATISTICAL SECTION

Narrative	109
Table 1 – Net Position by Component.....	110
Table 2 – Changes in Net Position.....	111-113
Table 3 – Fund Balances of Governmental Funds.....	114
Table 4 – Changes in Fund Balances of Governmental Funds	115-116
Table 5 – Assessed Value and Actual Value of Taxable Property	117
Table 6 – Direct Property Tax Rates.....	118
Table 7 – Principal Property Taxpayers.....	119
Table 8 – Property Tax Levies and Collections	120
Table 9 – Ratios of Outstanding Debt by Type	121
Table 10 – Ratios of Net General Bonded Debt Outstanding.....	122
Table 11 – Direct and Overlapping Governmental Activities Debt.....	123
Table 12 – Legal Debt Margin Information.....	124
Table 13 – Pledged-Revenue Coverage	125
Table 14 – Demographic and Economic Statistics	126
Table 15 – Principal Employers.....	127

STATISTICAL SECTION (Continued)

Page(s)

Table 16 – Full-time Equivalent City Government Employees by Function.....	128
Table 17 – Operating Indicators by Function.....	129
Table 18 – Capital Assets Statistics by Function.....	130

COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	131-132
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	133-134
Summary of State and Local Compliance Matters.....	135
Schedule of Findings and Questioned Costs	136-137
Schedule of Expenditures of Federal Awards	139-140

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor
John A. Willingham, President
Milton F. McInturff, Vice President
Les C. Veach, Sr., Vice Mayor

John P. Tagnesi
Corey S. Sullivan
John W. Hill

Evan H. Clark
Jeffrey B. Buettner

OFFICIALS

Eden E. Freeman, City Manager
Kari J. Van Diest, Deputy Clerk of Council

CONSTITUTIONAL OFFICERS

Leslie R. Taylor, City Sheriff
Jeffrey L. Barbour, City Treasurer
Terence H. Whittle, Clerk of the Circuit Court
Ann T. Burkholder, Commissioner of the Revenue
Alexander R. Iden, Commonwealth's Attorney

OTHER OFFICIALS

Penny Mathias

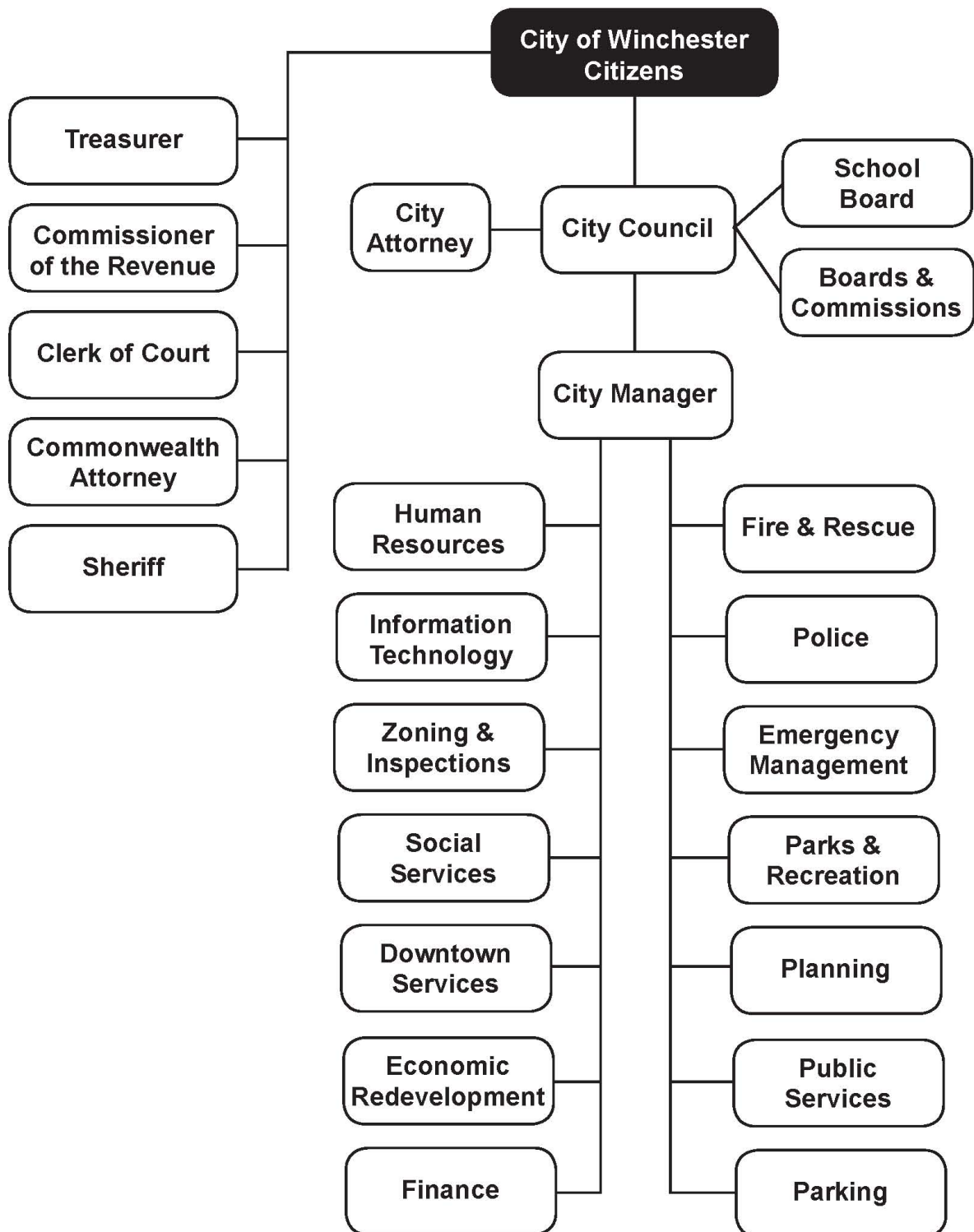
John C. Knight
Vacant

Mary M. Blowe
Allen W. Baldwin
Thomas D. Lloyd
Anthony C. Williams
Jennifer E. Bell

Jennifer L. Jones
Timothy A. Youmans
Kevin L. Sanzenbacher
Amber D. Dopkowski
Perry A. Eisenach
Dr. Ricky L. Leonard
Joyce S. Braithwaite
Samantha R. Anderson

Aaron M. Grisdale

Acting Director of Human
Resources
Building Official
Economic Redevelopment
Director
Finance Director
Fire and Rescue Chief
Information Technology Director
City Attorney
Downtown Manager, Old Town
Winchester
Parks & Recreation Director
Planning Director
Chief of Police
Social Services Director
Public Services Director
Superintendent of Schools
Voter Registrar
Executive Director, Winchester
Parking Authority
Zoning & Inspections
Director



Rouss City Hall
15 North Cameron Street
Winchester, VA 22601

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Website: www.winchesterva.gov

November 17, 2014

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Winchester, Virginia for the fiscal year ended June 30, 2014 is submitted herewith pursuant to Sections 15.1-166 & 167 of the Code of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of all the funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse; to ensure that adequate accounting data are compiled; and to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Brown Edwards & Company, L.L.P. performed the City of Winchester's audit for the fiscal year ended June 30, 2014. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Winchester's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Winchester

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.3 square miles and serves a population of approximately 27,216. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, 97 miles away.

The City of Winchester has a Council/Manager form of government. The nine member Council consists of a Mayor and eight Councilors elected from four wards in the city with each ward electing two members from the territory of the ward, and the mayor elected at-large and serving for a period of four years. In the governance of the City, the Council is charged with the responsibility of establishing policies and enacting ordinances and resolutions. The City Manager is appointed by the Council, and is charged with the responsibility of administering daily operations and implementing Council directives.

The City provides a full range of services, including the following: police and fire protection; emergency response and rescue services; education; water and sewer services; refuse removal and disposal services; the construction and maintenance of highways, streets and infrastructure; parks and recreational activities; cultural events; parking facilities; transit services; social services; planning and zoning; and general administration. All moneys required to support these services are reflected in this report.

The CAFR includes all funds, component unit agencies, and 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 following organizations are included in the financial statements for the reasons indicated:

- ◆ Winchester Parking Authority (WPA): The City of Winchester created the WPA to plan and foster the development of off-street parking facilities. The WPA is included in the accompanying financial statements as the City appoints all WPA members and is able to impose its will on the WPA.
- ◆ Winchester School Board (Board): The 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. All members of the Board are appointed by the City's Common Council, which has the ability to impose its will upon the Board.

Financial activities of the following joint ventures and other related organizations are not included in the CAFR, but are disclosed in the notes to the financial statements in accordance with pronouncements of the Governmental Accounting Standards Board:

- ◆ Frederick-Winchester Service Authority
- ◆ Winchester Regional Airport Authority
- ◆ Handley Regional Library Board

The City maintains budgetary control as part of its fiscal management techniques. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. Only the Common Council can revise the appropriation for each department. The City Manager is authorized to transfer appropriations within general government departments, and the School Board is authorized to transfer budgeted amounts within the school system's categories. As demonstrated by the statements and schedules included in the financial section of this report, the City meets its responsibility for sound financial management.

Local Economy

The City is the region's commercial, industrial, and medical center serving a 60-mile radius. Because of the City's position as a regional economic center and its extensive highway system, the City's work force is drawn from a substantially broader area. Employers in the area offer a wide variety of private sector jobs ranging from agriculture, forestry, and manufacturing, to retail, professional, educational, and medical services.

The City's largest employer is the Valley Health Systems, which owns and operates the Winchester Medical Center and five smaller primary care hospitals along with other related services such as urgent care clinics, home health services, a childcare facility, and transport services. A level II trauma center, the Winchester Medical Center is a non-profit, regional referral hospital, serving the tri-state region surrounding the City. The 445-bed facility offers a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services. The Winchester Medical Center recently completed a three-year \$161 million construction project enhancing critical care and women's services.

Located within the City of Winchester is Shenandoah University, a United Methodist Church-affiliated institution, which was founded in 1875 in Dayton, Virginia, and moved to Winchester in 1960. Today, Shenandoah University has an enrollment of approximately 4,000 students. These students participate in more than 90 programs of study at the undergraduate, graduate, doctorate and professional levels in seven schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, School of Nursing, and School of Education and Human Development. The University has continued to grow its presence in downtown Winchester through the creation of housing, administrative and classroom facilities.

The Winchester Regional Airport is an all-weather general aviation airport, with 5,500 feet of grooved asphalt runway, serving the region. The airport is staffed 24 hours a day/7 days a week and sells 100LL and Jet-A aviation fuel. It is the official airport of the Virginia Inland Port Authority, which is fifteen miles south of Winchester. The City participates with other user localities in a joint venture to operate the airport, and contributes a share of the local funding needed for the operations and capital improvements of the airport.

The City's commercial tax base accounts for 40.0% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, and Winchester Station house Martin's, Staples, Kohl's, Home Goods, Books-A-Million, Michael's, Old Navy, and HH Gregg. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of specialty shops and restaurants. There are also several anchorless strip centers and one life style center that house Ann Taylor Loft, Talbots, Jos A Banks Clothier, and other high end retail stores. The City also is home to several national chain restaurants. In addition, the City has several class A office buildings serving the professional services sector and business service entities.

The City's Department of Economic Development and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development within the City of Winchester. During the last year, several major economic development activities have occurred. The EDA worked with the City, U.S. Department of Housing and Urban Development and private companies to redevelop the historic Taylor Hotel into a multi-use space that incorporates downtown living, a unique Cajun restaurant and a premier public gathering space. In addition, the EDA continues to incentivize the redevelopment of several downtown properties and has collectively acquired over \$1,000,000 worth of property in the historic downtown. Also, through enterprise zone designation by the Virginia Department of Housing and Community Development, the EDA has created a valuable and comprehensive incentive package that has facilitated the commencement and expansion of Winchester businesses.

In addition, the City's Old Town Development Board continues to successfully market the City's downtown. New businesses continue to locate downtown, while existing businesses thrive. The Old Town Development Board administers the Main Street Program, which concentrates on downtown revitalization - putting the traditional assets of downtown, such as unique architecture and locally-owned businesses, to work as a catalyst for economic growth and community pride. The efforts of the Old Town Development Board have earned it recognition for excellence in the field of downtown revitalization by meeting high standards of performance set by the Virginia Main Street Program and the National Trust for Historic Preservations National Main Street Center.

Long-term Financial Planning

Unassigned fund balance in the general fund (22.0% of General Fund expenditures) falls within the policy guidelines set by Council for planning purposes. Twenty percent is the target for the City's General Fund balance.

As part of our strategic plan, the City has implemented a 20 year financial planning model to help project revenue and expenditures through the year 2030. Factored into the financial planning model are the future major capital projects. Replacement of John Kerr Elementary School is being accomplished through a recently completed bond issuance (\$20M project cost), and the expansion and renovation of Frederick Douglas Elementary School will require a future bond issuance of approximately \$15.4M. Operational costs for the newly renovated facilities will increase as the renovations are completed at an approximate cost of \$1,000,000. The John Kerr School is approximately 40 years old and has never been renovated. Winchester Public Schools projects that enrollment will grow by approximately 500 students by 2022-2023 to an anticipated total enrollment of over 4,600, and that the current facilities are inadequately sized to handle the increased number of students. These improvements should take us well into the future, allowing us to continue providing a quality education for all students in the City.

Relevant Financial Policies

In December 2003, along with the fund balance policy, City Council adopted a debt obligation policy, which states that net debt as a percentage of assessed value will not exceed 4%. General obligation debt service and capital lease payments as a percentage of general governmental expenditures will not exceed 15%.

The City's investment policy is designed to allow the City to obtain the highest possible yield on available City financial assets, consistent with constraints imposed by its safety objectives, cash flow considerations, and Virginia State laws that restrict the placement of public funds. Accordingly, deposits were either insured by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Major Initiatives

A. Meadow Branch Extension

Along with the construction of a new John Kerr Elementary School, City Council has approved the construction of the extension of Meadow Branch Avenue. This roadway extension will be approximately 0.6 miles in length and will connect Meadow Branch between Merrimans Lane and Buckner Drive and will serve the new school. Construction on the \$4 million project is expected to begin in the late spring of 2015.

B National Avenue Gateway Improvements

In an effort to improve the safety of National Avenue entering downtown and also construct gateway improvements on this major entryway, the City will be completing some significant improvements to National Avenue/East Lane/Piccadilly Street. The City has acquired twelve parcels of property in this area to be able to make the improvements. The existing structures will be demolished which will allow the roadway to be realigned by constructing a roundabout. There will also be significant landscaping improvements included with the project. Construction on the project will begin in the early spring of 2015 at a cost of \$1.4 million.

C. Monticello Extension

The City was selected as the recipient of \$5 million of funding from the state as part of the Governor's Transportation Partnership Opportunity Fund which was directly related to Rubbermaid's recent decision to expand their Winchester facility. This funding will be used to provide Rubbermaid with an additional truck entrance through improving and extending Armour Dale and Monticello Street making the roads a one-way entrance/exit from the site.

D. Sidewalk and Street Improvements

As a part of the City's Strategic Plan, the City developed both a Sidewalk Master Plan and Street Maintenance Master Plan in 2013 to be used as a guide for future sidewalk improvements within the City and the City's street maintenance program. In FY15, the City will be completing \$2 million of street repaving on numerous streets throughout the City \$550,000 of sidewalk improvements.

Awards and Acknowledgment

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 Winchester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-second year that the City of Winchester has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the dedicated and effective efforts of City and Schools Finance staff, and staff in other departments throughout the City who assisted in gathering the information for this report. Many hours of hard work are represented herein, and we extend our sincere appreciation to each member of our staff who contributed to the final report.

Finally, grateful appreciation is extended to the City Council for their leadership and support throughout the year.

Respectfully submitted,



Eden E. Freeman
City Manager



Mary M. Blowe
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Winchester
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is fluid and cursive.

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

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 Winchester, Virginia, as of and for the year ended June 30, 2014, 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 an opinion on these financial statements based on our audit. 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* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2014, the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress 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 financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied 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 17, 2014, 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, and 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 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 and should be considered in assessing the results of our audit.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 17, 2014

City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

This section of the City of Winchester's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2014. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

Financial Highlights

- The assets of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2014 by \$64.3 million (net position).
- The City's total net position decreased approximately \$6.7 million over the course of this year's operations. Net position of governmental activities decreased \$10.7 million, and net position of business-type activities increased \$4.0 million over the prior year. The decrease in net position by the governmental activities is the result of the increase in liabilities due to new debt issuance for school construction and public improvement projects.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27.9 million, an increase of \$3.2 million in comparison with the prior year. Approximately 57.0% of this amount, \$16.0 million, is available for spending at the government's discretion (unassigned fund balance).
- As of the close of the current fiscal year, the unassigned fund balance of the City's general fund was \$16.0 million. This amount represents 22.0% of total general fund expenditures.
- The City's total debt increased by \$12.6 million, or 7.0%, during the current fiscal year due to the new debt issuance in FY2014 for school construction and public improvement projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

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

Overview of the Financial Statements (Continued)

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government; judicial administration; public safety; public works; health and welfare; and recreation and cultural. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate school district and a legally separate parking authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget.

Overview of the Financial Statements (Continued)

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee benefits program, equipment maintenance operation, and other post-employment benefits. Because these three functions predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer fund (a major fund). Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has three fiduciary funds: the Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and Northwestern Regional Juvenile Detention Center Fund. The accounting used for fiduciary funds is much like that used for proprietary 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. The notes to the financial statements can be found on pages 17-70 of this report.

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 obligation to provide pension benefits to its employees. Required supplementary information can be found on page 71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position (assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by \$64.3 million at the close of fiscal year 2014.

The City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (Continued)

Table 1
City of Winchester's Net Position
Fiscal Year ended June 30, 2014
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets								
Current and other assets	\$ 39.5	\$ 34.9	\$ 4.4	\$ 3.5	\$ 43.9	\$ 38.4	\$ 30.4	\$ 13.8
Capital assets	83.3	77.1	153.1	155.8	236.4	232.9	110.0	111.5
Total Assets	122.8	112.0	157.5	159.3	280.3	271.3	140.4	125.3
Deferred Outflows of Resources								
Deferred charge on refunding	5.4	6.0	1.1	1.2	6.5	7.2	-	-
Total Deferred outflows of resources	5.4	6.0	1.1	1.2	6.5	7.2	-	-
Liabilities								
Current and other liabilities	5.9	4.9	2.4	2.3	8.3	7.2	5.4	6.3
Long-term liabilities	110.2	90.3	103.2	109.2	213.4	199.5	1.3	1.3
Total Liabilities	116.1	95.2	105.6	111.5	221.7	206.7	6.7	7.6
Deferred Inflows of Resources								
Property taxes	0.8	0.8	-	-	0.8	0.8	-	-
Total Deferred outflows of resources	0.8	0.8	-	-	0.8	0.8	-	-
Net Position								
Net investment in capital assets	57.6	55.6	51.2	48.2	108.8	103.8	110.0	111.5
Restricted	-	-	-	-	-	-	20.4	0.6
Unrestricted	(46.3)	(33.6)	1.8	0.8	(44.5)	(32.8)	3.3	5.6
Total Net Position	\$ 11.3	\$ 22.0	\$ 53.0	\$ 49.0	\$ 64.3	\$ 71.0	\$ 133.7	\$ 117.7

Governmental activities. As shown in Table 1, net position for governmental activities decreased from \$22.0 million at the end of FY2013 to \$11.3 million at the end of FY2014. The major reason for the decrease in net position is due to the increase in long-term liabilities reflecting the issuance of debt for school construction and public improvement projects. The City, as required by GASB 34, reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board.

If the debt related to the construction of schools was not presented in governmental activities, the net position for the governmental activities would be \$89.5 million and the total net position for the primary government would be \$142.5 million.

Government-wide Financial Analysis (Continued)

Table 2
Changes in the City of Winchester's Net Position
Fiscal Year ended June 30, 2014
(in millions)

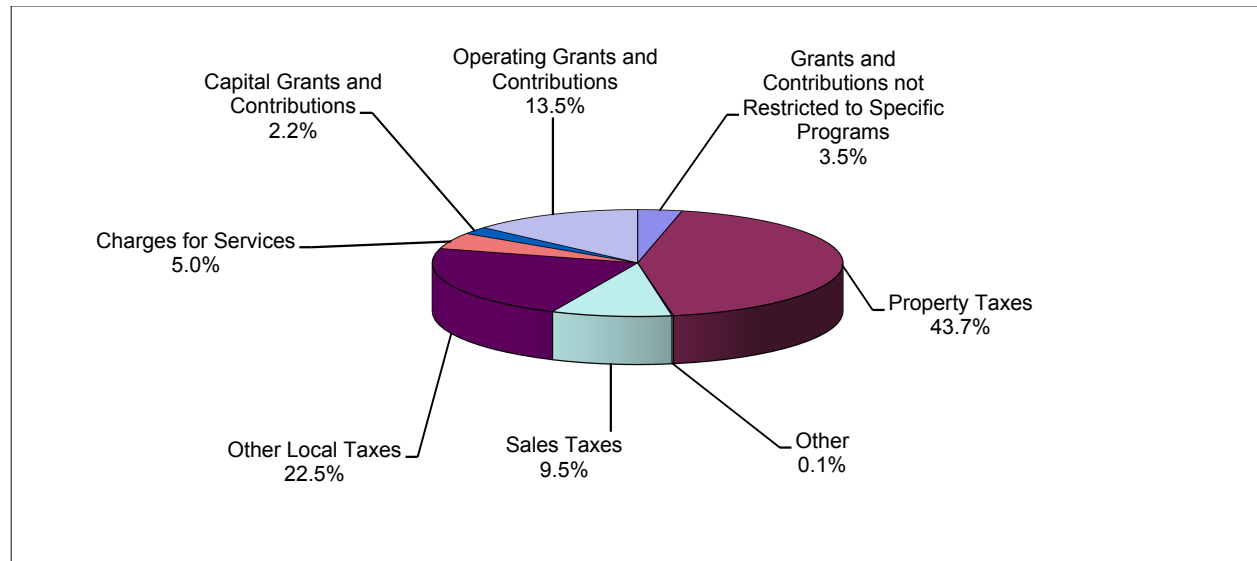
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues								
Program Revenues								
Charges for services	\$ 4.2	\$ 4.2	\$ 24.8	\$ 22.4	\$ 29.0	\$ 26.6	\$ 0.7	\$ 0.7
Operating grants and contributions	11.6	11.9	-	-	11.6	11.9	23.7	23.5
Capital grants and contributions	1.9	1.1	1.4	2.8	3.3	3.9	0.2	0.1
General Revenues								
Property taxes	37.6	36.0	-	-	37.6	36.0	-	-
Sales taxes	8.1	8.7	-	-	8.1	8.7	-	-
Other taxes	19.4	18.3	-	-	19.4	18.3	-	-
Grants and contributions not restricted to specific programs	3.0	3.0	-	-	3.0	3.0	-	-
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Other	3.5	-	-	-	3.5	-	45.9	26.9
Total revenues	\$ 89.4	\$ 83.3	\$ 26.2	\$ 25.2	\$ 115.6	\$ 108.5	\$ 70.6	\$ 51.3
Expenses								
General government administration	4.8	4.1	-	-	4.8	4.1	-	-
Judicial administration	3.2	3.2	-	-	3.2	3.2	-	-
Public safety	19.6	19.1	-	-	19.6	19.1	-	-
Public works	12.3	10.4	-	-	12.3	10.4	-	-
Health and welfare	6.9	7.2	-	-	6.9	7.2	-	-
Education	45.7	26.7	-	-	45.7	26.7	54.6	53.6
Parks, recreation and culture	3.5	3.8	-	-	3.5	3.8	-	-
Community development	1.8	2.4	-	-	1.8	2.4	-	-
Interest on long-term debt	3.7	3.2	-	-	3.7	3.2	-	-
Bond issuance costs	0.2	0.6	-	0.7	0.2	1.3	-	-
Water and sewer	-	-	20.6	21.2	20.6	21.2	-	-
Total expenses	101.7	80.7	20.6	21.9	122.3	102.6	54.6	53.6
Increase (decrease) in net position before transfers	(12.3)	2.6	5.6	3.3	(6.7)	5.9	16.0	(2.3)
Transfers	1.6	1.9	(1.6)	(1.9)	-	-	-	-
Increase (decrease) in net position	(10.7)	4.5	4.0	1.4	(6.7)	5.9	16.0	(2.3)
Net Position - beginning	22.0	17.5	49.0	47.6	71.0	65.1	117.7	120.0
Net Position - ending	\$ 11.3	\$ 22.0	\$ 53.0	\$ 49.0	\$ 64.3	\$ 71.0	\$ 133.7	\$ 117.7

Government-wide Financial Analysis (Continued)

As shown in Table 2, the City's revenues from governmental activities totaled \$89.4 million for FY2014, an increase of \$6.1 million from FY2013. Local tax revenues increased by \$2.1 million due to the continued recovery experienced in our local economy. Revenues also increased \$3.5 million due to the one-time special item for the addition of sidewalks to the City's capital assets. Expenses increased by \$21.0 million due to a one-time transfer of bond proceeds to the City school system for the construction of a new elementary school. As shown in Figure A, the City received 75.7% of its revenue from taxes. The major source of revenue for the City was property taxes (\$37.6 million or 43.7%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2014 increased by approximately 0.3% from the prior year. Other tax revenues (sales, meals, and other taxes) increased \$0.5 million from the prior year.

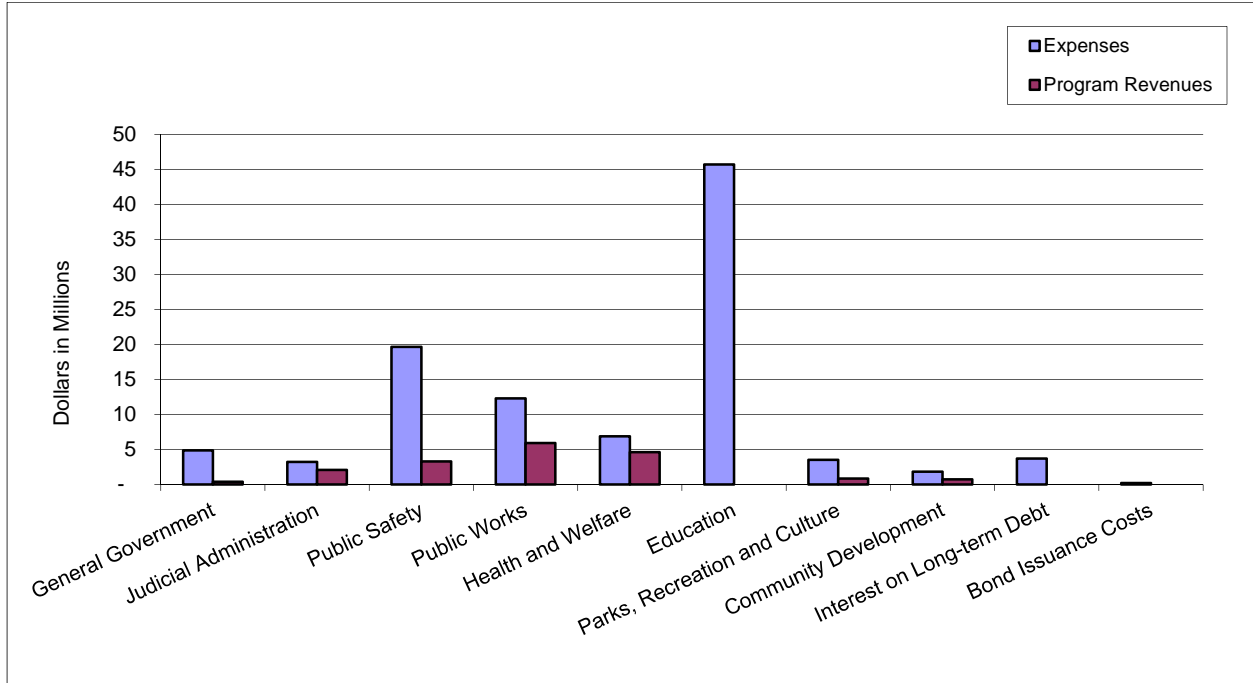
The City's expenses from governmental activities totaled \$101.7 million (Table 2) for the fiscal year ended June 30, 2014, an increase of \$21.0 million from the prior year. As shown in Figure B, education was the largest expense at \$45.7 million or 44.0% of total governmental expenses. Public safety was the second largest expense at \$19.6 million or 19.0% of total governmental expenses.

Figure A
Revenues by Source – Governmental Activities



Government-wide Financial Analysis (Continued)

Figure B
Expenses and Program Revenues – Governmental Activities



Business-type activities. The City's business-type activities include the water and sewer fund. The net position of these business-type activities totaled \$53.0 million (Table 2) an increase of \$4.0 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility fees, which totaled \$24.8 million or 94.6% of the total revenues for business-type activities. Capital grants and contributions decreased \$1.4 million from the prior year mainly due to a decrease in contributed capital in the form of water & sewer infrastructure to the City. Expenses of the business-type activities totaled \$20.6 million (Table 2) a decrease of \$0.6 million from the prior year. This decrease in expenses is mainly due to reduction in capital related expenses for FY 2014.

Government-wide Financial Analysis (Continued)

Figure C
Revenues by Source – Business-type Activities

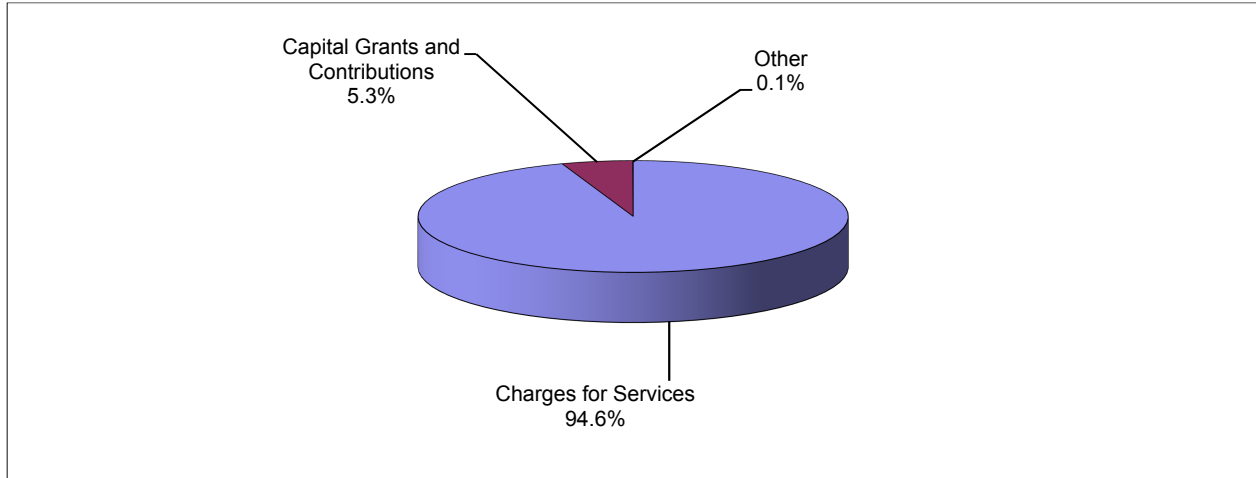
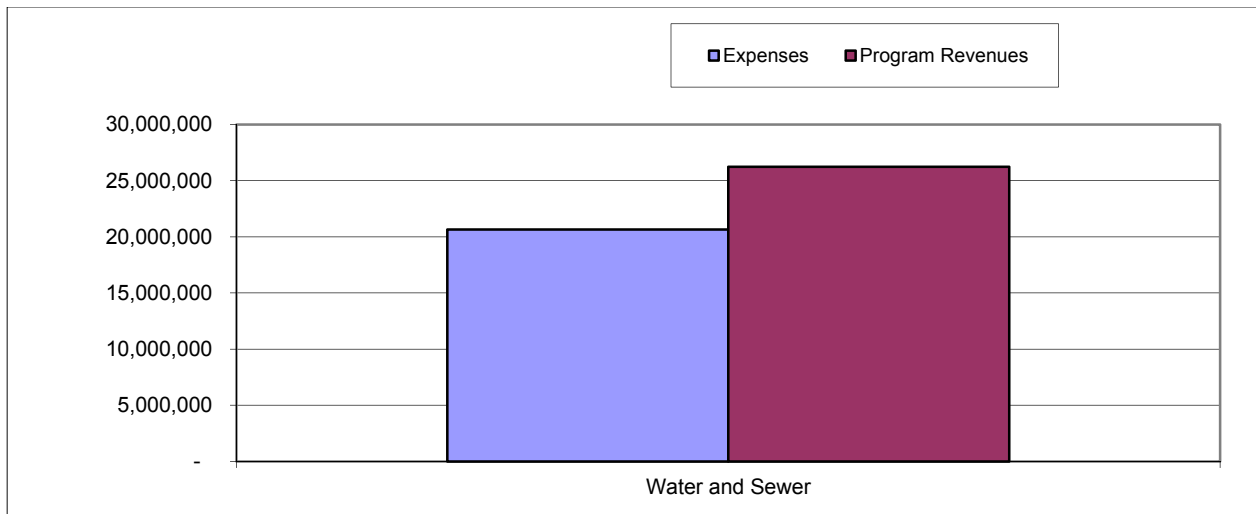


Figure D
Expenses and Program Revenues – Business-type Activities



Financial Analysis of the City's Funds

The City of Winchester uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Fund balances are the difference between assets and liabilities in governmental funds and consist of the following categories:

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that are restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

For the fiscal year ended June 30, 2014, the City's governmental funds reported combined fund balances of \$27.9 million, an increase of \$3.2 million in comparison with the prior year. Approximately \$16.0 million of the combined total fund balances constitutes unassigned fund balance, which is generally available for spending at the City's discretion.

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2014, the unassigned fund balance of the general fund was \$16.0 million, while total fund balance reached \$22.2 million. Unassigned fund balance represents 22.0% of total general fund expenditures, as a measure of the general fund's liquidity. Fund balance in the City's general fund slightly increased by \$0.1 million during the current fiscal year.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's water and sewer fund for the fiscal year ended June 30, 2014, amounted to \$1.8 million, an increase of \$1.0 million from the prior year. The increase in the water and sewer unrestricted net position can mainly be attributed to decrease of bonds payable due to debt retirement in FY2014 and good financial performance of the fund.

General Fund Budgetary Highlights

City Council revised the City budget twice during the fiscal year. The difference between the original budget and the final amended budget of expenditures for the general fund was an increase of \$21.0 million, mainly due to \$20.0 million for the bond proceeds for the John Kerr Elementary School project.

Actual revenues were more than final budget amounts by \$1.0 million, and actual expenditures were \$2.3 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes exceeded budget by \$0.6 million primarily due to strong meals tax and business license revenues indicating that the local economy in Winchester is showing positive signs of recovery and growth.
- Revenues from general property taxes exceeded budget by \$0.7 million mainly due to personal property revenues. This was due to the decreasing percentage of State tax relief available to offset local taxpayers' amount due for personal property tax.
- Actual combined general government, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were \$0.8 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Community development was \$0.6 million less than budget due to the deferral of projects to the next fiscal year.

Capital Assets and Debt Administration

Capital assets. The City of Winchester's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$236.4 million net of depreciation, which represents an increase of \$3.5 million, or 1.5% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 8 to the financial statements.

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

- Sidewalk additions and replacements totaled \$3.5 million
- Land acquisition for the National Avenue Gateway Enhancement project totaled \$0.3 million.
- E-911 system upgrade totaled \$0.3 million.
- Completion of a new Transit parking area totaled \$0.1 million.

Capital Assets and Debt Administration (Continued)

Table 3 summarizes the City's capital assets as of June 30, 2013 and 2014.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2014

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,738,201	\$ 5,437,240	\$ 1,201,485	\$ 1,201,485	\$ 6,939,686	\$ 6,638,725
Construction in progress	5,071,239	956,141	115,788	-	5,187,026	956,141
Buildings	20,826,975	21,461,438	-	-	20,826,975	21,461,438
Treatment plants	-	-	40,760,681	41,661,486	40,760,681	41,661,486
Improvements other than buildings	7,265,177	3,917,008	4,076	4,531	7,269,253	3,921,539
Infrastructure	39,451,772	41,672,388	92,113,546	92,493,701	131,565,318	134,166,089
Machinery & Equipment	4,969,679	3,689,412	983,122	1,166,384	5,952,801	4,855,796
FWSA purchased capacity	-	-	17,947,417	19,317,594	17,947,417	19,317,594
Total Capital Assets	\$ 83,323,043	\$ 77,133,627	\$ 153,126,115	\$ 155,845,181	\$ 236,449,157	\$ 232,978,808

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of \$194.2 million, for the fiscal year ended June 30, 2014, an increase of \$12.6 million from the fiscal year ended June 30, 2013. This entire amount is backed by the full faith and credit of the City, with \$97.5 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2014, the City retired \$7.3 million of outstanding general obligation bond principal and issued \$24.2 million for net increase of \$16.9 million. More detailed information regarding the City's long-term debt can be found in Note 10 to the financial statements.

Table 4
City of Winchester's Outstanding Debt
Fiscal Year ended June 30, 2014

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 96,034,572	\$ 77,520,134	\$ 18,187,064	\$ 19,784,803	\$ 114,221,636	\$ 97,304,937
Revenue Bonds	-	-	63,183,122	65,620,000	63,183,122	65,620,000
Obligations payable	600,000	900,000	16,202,542	17,709,408	16,802,542	18,609,408
Total Outstanding Debt	\$ 96,634,572	\$ 78,420,134	\$ 97,572,728	\$ 103,114,211	\$ 194,207,300	\$ 181,534,345

The City's General Obligation Bonds have been rated AAA by Standard & Poor's Corporation, and Aa2 by Moody's Investors Service. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City's legal debt limit is \$283.4 million. As of June 30, 2014, the City's total debt applicable to the limitation totaled \$114.2 million, leaving a legal debt margin of \$169.2 million.

Economic Factors and Next Year's Budgets and Rates

- The City of Winchester uses a robust strategic planning process to identify and address significant community issues. The process involves both the City Council and staff working together to create and update the plan. The 2014 -2015 strategic plan includes the City's Vision 2028, the City's work plan through 2018 and the City's mission statement. City Council developed the following four main goals during the planning process: grow the economy, develop a high performing organization, continue revitalization of historic old town, and create a more livable City for all. The City has embraced these goals and Council and staff work together to forward these goals.
- The City of Winchester completed an Economic Development Master Plan and adopted the updated Comprehensive Plan. The goal described in both of these new plans is to attract young professionals, and families headed by individuals over the age of 55. These are the two largest growing population segments in the country, with the largest amounts of disposable income and the minimal impact on municipal services. Our plans, which have been reinforced by a recently completed market study, call for major changes in land use to allow for more mixed use development and increases in housing density with the hope that these changes will allow for the development of appropriate housing and work environments required to attract these population segments. These two populations groups will help provide a skilled workforce for future employment, particularly in our growing health services industries, along with providing market support for our retail and service sectors.
- The City recently adopted more stringent storm water regulations to comply with federal and state mandates related primarily to the Chesapeake Bay initiatives that are intended to improve water quality in the Bay. These regulations will require the City to undertake additional activities related to storm water management in the coming years. Some of these activities will be rather costly and will require additional City resources.
- For the month of June 2014, the City's unemployment rate was 5.1%, compared to the State's 5.4% and Federal rate of 6.3%.

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 Director of Finance, City of Winchester, 15 N. Cameron Street, Winchester, VA 22601.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2014

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash	\$ 21,877,441	\$ 928,913	\$ 22,806,354	\$ 6,183,811	\$ 1,095,464
Investments	8,707,767	169,558	8,877,325	1,258,783	198,684
Receivables, net:					
Taxes, including penalties	2,193,353	-	2,193,353	-	-
Accounts	1,481,885	3,911,007	5,392,892	34,702	2,509
Notes	127,500	-	127,500	-	-
Promises to give	-	-	-	1,404,484	-
Due from other governments	3,899,227	-	3,899,227	1,530,464	-
Internal balances	720,584	(720,584)	-	-	-
Prepays	376,532	-	376,532	465	-
Inventories	131,558	100,468	232,026	22,365	-
Land held for sale	-	-	-	15,000	-
Investments - restricted	-	-	-	20,018,600	-
Capital assets:					
Nondepreciable	10,809,440	1,317,273	12,126,713	2,855,085	11,685
Depreciable, net	<u>72,513,603</u>	<u>151,808,842</u>	<u>224,322,445</u>	<u>107,104,979</u>	<u>8,296,911</u>
Total assets	<u>122,838,890</u>	<u>157,515,477</u>	<u>280,354,367</u>	<u>140,428,738</u>	<u>9,605,253</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	<u>5,467,216</u>	<u>1,076,556</u>	<u>6,543,772</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>5,467,216</u>	<u>1,076,556</u>	<u>6,543,772</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and other current					
liabilities	4,619,364	1,285,605	5,904,969	5,410,570	27,378
Accrued interest	1,308,167	1,082,990	2,391,157	-	166,989
Noncurrent liabilities:					
Due within one year	6,743,595	6,430,060	13,173,655	232,000	195,149
Due in more than one year	<u>103,504,587</u>	<u>96,785,725</u>	<u>200,290,312</u>	<u>1,091,004</u>	<u>8,130,797</u>
Total liabilities	<u>116,175,713</u>	<u>105,584,380</u>	<u>221,760,093</u>	<u>6,733,574</u>	<u>8,520,313</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes	<u>869,924</u>	<u>-</u>	<u>869,924</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>869,924</u>	<u>-</u>	<u>869,924</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	57,626,610	51,196,584	108,823,194	109,960,064	29,757
Restricted - unspent debt proceeds	-	-	-	20,371,300	-
Unrestricted	<u>(46,366,141)</u>	<u>1,811,069</u>	<u>(44,555,072)</u>	<u>3,363,800</u>	<u>1,055,183</u>
Total net position	<u>\$ 11,260,469</u>	<u>\$ 53,007,653</u>	<u>\$ 64,268,122</u>	<u>\$ 133,695,164</u>	<u>\$ 1,084,940</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Exhibit 2

					Net (Expenses) Revenues and Changes in Net Position				
Program Revenues					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
Primary government:									
Governmental activities:									
General government	\$ 4,847,983	\$ 147,384	\$ 237,693	\$ -	\$ (4,462,906)		\$ (4,462,906)		
Judicial administration	3,217,304	634,692	1,434,636	-	(1,147,976)		(1,147,976)		
Public safety	19,691,104	1,193,298	1,340,082	739,700	(16,418,024)		(16,418,024)		
Public works	12,276,087	1,071,780	3,646,870	1,182,132	(6,375,305)		(6,375,305)		
Health and welfare	6,874,897	52,008	4,552,818	-	(2,270,071)		(2,270,071)		
Education	45,697,366	-	-	-	(45,697,366)		(45,697,366)		
Parks, recreation, and culture	3,504,618	833,837	-	-	(2,670,781)		(2,670,781)		
Community development	1,810,977	316,428	394,425	-	(1,100,124)		(1,100,124)		
Interest on long-term debt	3,682,243	-	-	-	(3,682,243)		(3,682,243)		
Bond issuance costs	183,567	-	-	-	(183,567)		(183,567)		
Total governmental activities	101,786,146	4,249,427	11,606,524	1,921,832	(84,008,363)		(84,008,363)		
Business-type activities:									
Water and sewer	20,636,511	24,814,747	-	1,400,500	-	\$ 5,578,736	5,578,736		
Total business-type activities	20,636,511	24,814,747	-	1,400,500	-	5,578,736	5,578,736		
Total primary government	\$ 122,422,657	\$ 29,064,174	\$ 11,606,524	\$ 3,322,332	(84,008,363)	5,578,736	(78,429,627)		
Component units:									
School board	\$ 54,649,291	\$ 697,971	\$ 23,720,228	\$ 248,673				\$ (29,982,419)	\$ -
Parking authority	1,226,432	1,041,489	-	-				-	(184,943)
Total component unit	\$ 55,875,723	\$ 1,739,460	\$ 23,720,228	\$ 248,673				(29,982,419)	(184,943)
General revenues:									
Taxes:									
Property taxes					37,597,733	-	37,597,733	-	-
Sales taxes					8,119,431	-	8,119,431	-	-
Utility taxes					2,233,337	-	2,233,337	-	-
Business license taxes					6,016,529	-	6,016,529	-	-
Franchise taxes					402,711	-	402,711	-	-
Hotel and meals taxes					6,596,681	-	6,596,681	-	-
Communication taxes					2,145,662	-	2,145,662	-	-
Other local taxes					1,979,202	-	1,979,202	-	-
Miscellaneous					33,441	6,694	40,135	243,541	490
Payments from City					-	-	-	45,659,975	1,000,000
Grants and contributions not restricted to specific programs					2,987,618	-	2,987,618	-	-
Unrestricted investment earnings					70,590	426	71,016	115,791	532
Special item (annexation of sidewalks)					3,451,777	-	3,451,777	-	-
Transfers					1,600,000	(1,600,000)	-	-	-
Total revenues and transfers					73,234,712	(1,592,880)	71,641,832	46,019,307	1,001,022
Change in net position					(10,773,651)	3,985,856	(6,787,795)	16,036,888	816,079
Net position - beginning, as restated (Note 18)					22,034,120	49,021,797	71,055,917	117,658,276	268,861
Net position - ending					\$ 11,260,469	\$ 53,007,653	\$ 64,268,122	\$ 133,695,164	\$ 1,084,940

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

FUND FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 16,989,371	\$ 1,231,765	\$ 18,221,136
Investments	3,102,500	4,997,344	8,099,844
Receivables, net:			
Taxes, including penalties	2,193,353	-	2,193,353
Accounts	1,199,301	188,656	1,387,957
Notes	-	127,500	127,500
Prepays	-	40,000	40,000
Inventories	11,916	-	11,916
Due from other funds	1,059,000	-	1,059,000
Due from other governments	2,299,047	1,600,180	3,899,227
Total assets	<u>\$ 26,854,488</u>	<u>\$ 8,185,445</u>	<u>\$ 35,039,933</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 855,596	\$ 1,719,246	\$ 2,574,842
Deposits payable	94,134	-	94,134
Accrued payroll	969,574	219,780	1,189,354
Due to other funds	-	405,000	405,000
Deferred revenue	-	167,309	167,309
Total liabilities	<u>1,919,304</u>	<u>2,511,335</u>	<u>4,430,639</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	<u>2,693,726</u>	<u>-</u>	<u>2,693,726</u>
Total deferred inflows of resources	<u>2,693,726</u>	<u>-</u>	<u>2,693,726</u>
FUND BALANCES			
Nonspendable	11,916	167,500	179,416
Restricted	495,790	4,013,360	4,509,150
Committed	1,926,988	-	1,926,988
Assigned	3,722,604	1,493,250	5,215,854
Unassigned	16,084,160	-	16,084,160
Total fund balances	<u>22,241,458</u>	<u>5,674,110</u>	<u>27,915,568</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,854,488</u>	<u>\$ 8,185,445</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	83,282,035
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,991,111
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	2,348,403
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.	5,467,216
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(109,743,864)
Net position of governmental activities	<u>\$ 11,260,469</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 37,746,991	\$ -	\$ 37,746,991
Other local taxes	27,493,553	-	27,493,553
Permits, privilege fees, and regulatory licenses	300,089	-	300,089
Fines and forfeitures	149,170	-	149,170
Revenues from use of money and property	179,791	14,234	194,025
Charges for services	813,950	1,197,936	2,011,886
Miscellaneous	1,087,800	44,786	1,132,586
Recovered costs	550,051	62,524	612,575
Intergovernmental:			
Frederick County	-	100,500	100,500
Commonwealth	6,017,840	6,289,018	12,306,858
Federal	562,862	2,741,738	3,304,600
Total revenues	<u>74,902,097</u>	<u>10,450,736</u>	<u>85,352,833</u>
EXPENDITURES			
Current:			
General government administration	5,046,842	-	5,046,842
Judicial administration	3,164,598	37,164	3,201,762
Public safety	18,350,346	1,594,136	19,944,482
Public works	4,092,222	9,919,727	14,011,949
Health and welfare	901,530	5,978,613	6,880,143
Education	45,697,366	-	45,697,366
Parks, recreation, and culture	3,232,432	223,500	3,455,932
Community development	1,566,564	242,426	1,808,990
Debt service:			
Principal retirement	6,047,562	-	6,047,562
Interest and fiscal charges	3,672,839	-	3,672,839
Bond issuance costs	183,567	-	183,567
Total expenditures	<u>91,955,868</u>	<u>17,995,566</u>	<u>109,951,434</u>
Excess (deficiency) of revenues over expenditures	<u>(17,053,771)</u>	<u>(7,544,830)</u>	<u>(24,598,601)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	33,437	-	33,437
Proceeds from bond issuance	18,701,837	5,563,163	24,265,000
Proceeds from premium on bond issuance	1,481,730	444,518	1,926,248
Transfers in	1,600,000	4,712,546	6,312,546
Transfers out	(4,712,546)	-	(4,712,546)
Total other financing sources (uses)	<u>17,104,458</u>	<u>10,720,227</u>	<u>27,824,685</u>
Net change in fund balances	50,687	3,175,397	3,226,084
Fund balance - beginning	<u>22,190,771</u>	<u>2,498,713</u>	<u>24,689,484</u>
Fund balance - ending	<u>\$ 22,241,458</u>	<u>\$ 5,674,110</u>	<u>\$ 27,915,568</u>

**CITY OF WINCHESTER, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 3,226,084
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$6,084,623 exceeded depreciation \$4,095,722 in the current period.	1,988,901
In the Statement of Activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.	(13,991)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	4,191,477
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(170,432)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(19,859,499)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(403,888)
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	267,697
Change in net position of governmental activities	<u>\$ (10,773,651)</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 37,033,000	\$ 37,033,000	\$ 37,746,991	\$ 713,991
Other local taxes	26,875,000	26,875,000	27,493,553	618,553
Permits, privilege fees, and regulatory licenses	297,100	297,100	300,089	2,989
Fines and forfeitures	303,000	303,000	149,170	(153,830)
Revenues from use of money and property	275,000	275,000	179,791	(95,209)
Charges for services	1,024,000	1,024,000	813,950	(210,050)
Miscellaneous	1,115,000	1,123,400	1,087,800	(35,600)
Recovered costs	758,000	758,000	550,051	(207,949)
Intergovernmental:				
Commonwealth	5,758,400	5,806,671	6,017,840	211,169
Federal	338,000	440,787	562,862	122,075
Total revenues	<u>73,776,500</u>	<u>73,935,958</u>	<u>74,902,097</u>	<u>966,139</u>
EXPENDITURES				
Current:				
General government administration:				
Legislative	159,000	166,300	172,648	(6,348)
General and financial administration	5,068,444	5,021,344	4,720,033	301,311
Board of elections	191,600	181,600	154,161	27,439
Total general government administration	<u>5,419,044</u>	<u>5,369,244</u>	<u>5,046,842</u>	<u>322,402</u>
Judicial administration:				
Courts	2,037,100	2,131,500	2,100,434	31,066
Commonwealth attorney	1,085,100	1,083,175	1,064,164	19,011
Total judicial administration	<u>3,122,200</u>	<u>3,214,675</u>	<u>3,164,598</u>	<u>50,077</u>
Public safety:				
Law enforcement and traffic control	7,547,400	7,634,062	7,528,292	105,770
Fire and rescue services	5,047,006	5,054,206	5,080,409	(26,203)
Correction and detention	3,852,458	3,852,458	3,851,193	1,265
Inspections	466,000	485,459	477,671	7,788
Other protection	1,387,600	1,445,371	1,412,781	32,590
Total public safety	<u>18,300,464</u>	<u>18,471,556</u>	<u>18,350,346</u>	<u>121,210</u>
Public Works:				
Maintenance of highways, streets, bridges and sidewalks	78,600	71,700	71,272	428
Sanitation and waste removal	1,388,300	1,388,300	1,352,411	35,889
Maintenance of buildings and grounds	1,893,500	1,922,300	1,668,539	253,761
Contributions to Parking Authority	1,000,000	1,000,000	1,000,000	-
Total public works	<u>4,360,400</u>	<u>4,382,300</u>	<u>4,092,222</u>	<u>290,078</u>
Health and welfare:				
Health	286,889	286,889	286,889	-
Chapter X board	183,307	183,307	183,307	-
Welfare/Social Services	593,000	593,000	431,334	161,666
Total Health and Welfare	<u>1,063,196</u>	<u>1,063,196</u>	<u>901,530</u>	<u>161,666</u>
Education:				
Contributions to community college	37,391	37,391	37,391	-
Contributions to School Board - Construction fund	-	20,000,000	20,000,000	-
Contributions to School Board	26,301,702	26,301,702	25,659,975	641,727
Total Education	<u>26,339,093</u>	<u>46,339,093</u>	<u>45,697,366</u>	<u>641,727</u>
Parks, recreation, and cultural:				
Parks and recreation	2,710,280	2,692,280	2,603,556	88,724
Cultural enrichment	219,025	238,825	238,542	283
Contribution to Regional Library	390,334	390,334	390,334	-
Total parks, recreation, and cultural	<u>3,319,639</u>	<u>3,321,439</u>	<u>3,232,432</u>	<u>89,007</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

			Exhibit 6 (Continued)	
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
EXPENDITURES (continued)				
Current: (continued)				
Community development:				
Planning and community development	\$ 2,082,544	\$ 2,218,633	\$ 1,566,564	\$ 652,069
Total community development	<u>2,082,544</u>	<u>2,218,633</u>	<u>1,566,564</u>	<u>652,069</u>
Debt service:				
Principal retirement	5,939,220	6,048,220	6,047,562	658
Interest and fiscal charges	3,316,200	3,673,300	3,672,839	461
Bond issuance costs	-	183,649	183,567	82
Total debt service	<u>9,255,420</u>	<u>9,905,169</u>	<u>9,903,968</u>	<u>1,201</u>
Total expenditures	<u>73,262,000</u>	<u>94,285,305</u>	<u>91,955,868</u>	<u>2,329,437</u>
Excess of revenues over expenditures	<u>514,500</u>	<u>(20,349,347)</u>	<u>(17,053,771)</u>	<u>3,295,576</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	33,437	33,437
Proceeds from bond issuance	-	18,709,519	18,701,837	(7,682)
Proceeds from premium on bond issuance	-	1,481,730	1,481,730	-
Transfers in	5,000,000	5,000,000	1,600,000	(3,400,000)
Transfers out	<u>(6,688,000)</u>	<u>(6,229,500)</u>	<u>(4,712,546)</u>	<u>1,516,954</u>
Total other financing sources (uses)	<u>(1,688,000)</u>	<u>18,961,749</u>	<u>17,104,458</u>	<u>(1,857,291)</u>
Net change in fund balances	\$ (1,173,500)	\$ (1,387,598)	\$ 50,687	\$ 1,438,285

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Exhibit 7

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 928,913	\$ 3,656,305
Investments	169,558	607,923
Accounts receivable, net	3,911,007	93,928
Prepays	-	336,532
Inventories	100,468	119,642
Total current assets	<u>5,109,946</u>	<u>4,814,330</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	1,317,273	-
Depreciable, net	151,808,842	41,008
Total capital assets, net	<u>153,126,115</u>	<u>41,008</u>
Total noncurrent assets	<u>153,126,115</u>	<u>41,008</u>
Total assets	<u>158,236,061</u>	<u>4,855,338</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,076,556	-
Total deferred outflows of resources	<u>1,076,556</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	719,393	748,775
Customer deposits	390,298	-
Accrued payroll	175,914	12,259
Accrued interest	1,082,990	-
Due to other funds	654,000	-
Compensated absences	20,000	-
Bonds payable and other obligations - current	6,410,060	-
Total current liabilities	<u>9,452,655</u>	<u>761,034</u>
Noncurrent liabilities:		
Compensated absences	189,698	27,408
Net OPEB obligation	-	1,785,077
Bonds payable and other obligations	96,596,027	-
Total noncurrent liabilities	<u>96,785,725</u>	<u>1,812,485</u>
Total liabilities	<u>106,238,380</u>	<u>2,573,519</u>
NET POSITION		
Net investment in capital assets	51,196,584	41,008
Unrestricted	1,877,653	2,240,811
Total net position	<u>53,074,237</u>	<u>\$ 2,281,819</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds and shown as an internal balance on the Statement of Net Position.	<u>(66,584)</u>	
Net position of business-type activities	<u>\$ 53,007,653</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 8

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Revenue from use of property	\$ 4,830	\$ -
Charges for services	20,653,445	2,654,566
Miscellaneous	6,694	-
Recovered costs	4,156,472	-
Total operating revenues	<u>24,821,441</u>	<u>2,654,566</u>
OPERATING EXPENSES		
Personal services	4,066,869	795,147
Contractual services	4,443,790	200,037
Other supplies and expenses	3,903,127	931,978
Insurance claims and expenses	-	428,158
Depreciation	4,235,354	3,910
Total operating expenses	<u>16,649,140</u>	<u>2,359,230</u>
Operating income	<u>8,172,301</u>	<u>295,336</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	426	5,180
Interest and fiscal charges	(4,020,190)	-
Total nonoperating revenues (expenses)	<u>(4,019,764)</u>	<u>5,180</u>
Income before contributions and transfers	4,152,537	300,516
CAPITAL CONTRIBUTIONS	1,400,500	-
TRANSFERS OUT	<u>(1,600,000)</u>	<u>-</u>
Change in net position	3,953,037	300,516
Total net position - beginning, as restated (Note 18)	<u>49,121,200</u>	<u>1,981,303</u>
Total net position - ending	<u>\$ 53,074,237</u>	<u>\$ 2,281,819</u>
Change in net position	\$ 3,953,037	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>32,819</u>	
Change in net position of business-type activities	<u>\$ 3,985,856</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 9

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 20,415,371	\$ 2,599,240
Cash paid to suppliers	(8,222,483)	(1,114,205)
Cash paid to employees	(4,040,353)	(320,057)
Premiums paid	-	(1,366,824)
Other receipts	4,167,996	-
Net cash provided by (used in) operating activities	12,320,531	(201,846)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund borrowing	(231,000)	-
Transfer to other funds	(1,600,000)	-
Net cash used in noncapital financing activities	(1,831,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	440,293	-
Acquisition and construction of capital assets	(239,845)	(26,940)
Principal paid on capital debt	(5,541,483)	-
Interest paid on capital debt	(4,382,527)	-
Net cash used in capital and related financing activities	(9,723,562)	(26,940)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	426	5,180
Net cash provided by investing activities	426	5,180
Net increase (decrease) in cash and cash equivalents	766,395	(223,606)
Cash and cash equivalents - beginning of year	332,076	4,487,834
Cash and cash equivalents - end of year	\$ 1,098,471	\$ 4,264,228
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash	\$ 928,913	\$ 3,656,305
Cash equivalents - investments	169,558	607,923
Total	\$ 1,098,471	\$ 4,264,228

Continued

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit 9 (Continued)

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 8,172,301	\$ 295,336
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,235,354	3,910
(Increase) decrease in:		
Accounts receivable	(345,274)	(55,326)
Prepays	-	(321,532)
Inventories	3,518	13,737
Increase (decrease) in:		
Accounts payable	120,916	(613,061)
Accrued payroll	20,466	(920)
Net OPEB obligation	-	477,000
Compensated absences	107,200	(990)
Customer deposits	6,050	-
Total adjustments	4,148,230	(497,182)
Net cash provided by (used in) operating activities	<u>\$ 12,320,531</u>	<u>\$ (201,846)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions of water and sewer lines from developers	<u>\$ 1,400,500</u>	<u>\$ -</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

Exhibit 10

	Total Agency Funds
<hr/>	
ASSETS	
Cash	\$ 784,316
Investments	1,683,945
Accounts receivable	178,307
Prepays	2,001
Total assets	<u>\$ 2,648,569</u>
 LIABILITIES	
Accounts payable	\$ 50,391
Accrued payroll	95,430
Amounts held for social services clients	8,775
Amounts held for NRJA	1,517,376
Amounts held for NRJDC	976,597
Total liabilities	<u>\$ 2,648,569</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The City of Winchester, Virginia (the “City”) was incorporated in 1752 and organized under the Council-Manager form of government. The City is governed by an elected mayor and an eight-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units:

The City of Winchester School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. All members of the School Board are appointed by City Council, and the City has the ability to impose its will upon the Board. In addition, because the School Board does not have taxing powers, the School Board is fiscally dependent upon the City to provide significant funding to operate the public schools. The School Board must also obtain the City’s approval for debt issuances. The School Board has one discretely presented component unit, the Winchester Education Foundation. The Winchester Education Foundation was created for the purpose of enhancing the funding resources of the Winchester Public Schools above and beyond local and state funding. Funds raised by the Foundation benefit all schools in the City of Winchester. The City of Winchester School Board is also responsible for appointing two members to the Foundation’s Board of Directors. The Winchester Education Foundation is shown as a discretely presented component unit as it is legally separate from the School Board.

The Winchester Parking Authority was created by the City for the purpose of planning and fostering the development of off-street parking facilities. The City appoints all members of the Authority and is able to impose its will on the Authority. The City is financially accountable for the Authority because the City approves the Authority’s budget, levies taxes (if necessary) and must approve any debt issuances.

Separate financial statements of these component units are not available.

Jointly Governed Organizations:

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning, and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services. The City has certain long-term obligations with the Authority that are described further in Note 10. Separate financial statements for this joint venture may be obtained at the entity’s administrative offices at P.O. Box 43, Winchester, Virginia 22604.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Jointly Governed Organizations (Continued):

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During 2014, the City provided total support of \$188,818. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 491 Airport Road, Winchester, Virginia 22602.

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants must subsidize operations and capital needs. During 2014, the City provided total support of \$299,751. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 145 Fort Collier Road, Winchester, Virginia 22603.

The Northwestern Regional Jail Authority was created by the City of Winchester and the Counties of Clarke, Frederick, and Fauquier to govern the operations of the Northwestern Regional Adult Detention Center. Each participating jurisdiction appoints three members to the Authority's board. The participants must subsidize operations and capital needs. During 2014, the City provided total support of \$3,549,207. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 141 Fort Collier Road, Winchester, Virginia 22603.

Other Related Organizations:

The Economic Development Authority of the City of Winchester was created by Council resolution to promote industry and trade within the City. A board of seven directors appointed by the City Council governs the Authority; however, the City's accountability does not extend beyond making the appointments. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 15 North Cameron Street, Winchester, Virginia 22601.

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided \$390,334 to the Board for operating support for 2014. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *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 certain 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 financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

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

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

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Social Services Fund, Highway Maintenance Fund, Emergency Medical Services Fund, Winchester-Frederick County Convention and Visitors Bureau Fund, Law Library Fund, and Transit Fund.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Enterprise funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water and Sewer Fund, which accounts for the operation of the City's water distribution system and sewage collection system and is considered a major fund for financial reporting purposes.

Internal service funds account for employee fringes, equipment inventory, and other post-employment benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Employee Benefits Fund, Equipment Operating Fund and Other Post-Employment Benefits Fund.

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include agency funds. Fiduciary funds utilize the accrual basis of accounting as described in the proprietary funds presentation. Agency funds reported by the City include the Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and the Northwestern Regional Juvenile Detention Center Fund. These funds account for assets held by the City for social services clients, regional jail construction, and a regional juvenile detention center.

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, transit service fund, and internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the operating definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

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

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

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

Receivables and Payables

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

Notes Receivable

The City participates in a "Private Property Rehabilitation Program" funded under a Community Development Block Grant by the Department of Housing and Urban Development. The majority of the funding represents deferred loans payable at maturity date or on change of home ownership, whichever occurs first. The City maintains a security interest in the property. Interest rates on the loans range from non-interest bearing to eight percent.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Notes Receivable (Continued)

During 2012, the City loaned \$150,000 to the South End Fire Company through the Emergency Medical Services Fund to assist with volunteer firefighting and emergency response needs. The loan is to be repaid in equal monthly installments of \$1,250 beginning January 1, 2013 until maturity on December 1, 2022. The balance of the loan was \$127,500 at June 30, 2014. The note does not bear any interest.

Inventories and Prepaid Items

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

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.

Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5 and December 5. The City bills and collects its own taxes. The City's real estate and business-related personal property taxes are levied each calendar year on all taxable property located in the City, and are accounted for in the General fund. Therefore, real estate and business-related personal property taxes that are due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Levy Date
Due Date

January 1
June 5/December 5

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Motor Vehicles

The City employs an innovative system providing for both proration and monthly billing/assessment for personal property taxes on motor vehicles. Property is assessed on the date which a vehicle gains situs in the City, using its value as of the immediately preceding January 1. Taxes attach as a lien on the property as of the date assessed, and are due thirty days after assessment. The City bills and collects its own taxes. These taxes are levied on each vehicle each year in the month in which the property first became taxable in the City. Vehicles already in the City at the adoption of this system were grandfathered in using the same system as for real estate, except that taxes were due in one installment on December 5. Replacement vehicles are taxed using the new system. These taxes are accounted for in the General Fund. Accordingly, such taxes due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, consisted of the following:

General Fund (property taxes, penalties, and interest)	\$ 1,755,138
Emergency Medical Service Fund	121,068
Water and Sewer Fund	<u>206,627</u>
	<u><u>\$ 2,082,833</u></u>

Use of Estimates

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Property, plant, and equipment, is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	25-50
Improvements other than buildings	10-65
Infrastructure	10-65
Machinery and equipment	5-30

Compensated Absences

City employees earn vacation at a rate of 8 to 14 hours per month, depending on years of service. Sick leave is earned at the rate of one day per month. Benefits or pay is received for unused sick leave upon termination at 25% of its carrying value to a maximum of \$5,000 per employee after five years of credited service. Accumulated vacation up to forty-two days is paid upon termination.

Employees of the School Board, who retire under the Virginia Retirement System, and have been employed by the School Board for the immediately preceding ten consecutive years prior to retirement in a full-time position receive \$50 a day for any unused sick leave up to a maximum of 90 days. All employees who are classified as full-time twelve-month employees are entitled to annual leave and shall be paid per diem upon retirement or termination (based on their final annual salary) for their unused annual leave.

All vacation and sick pay currently payable is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Long-term Obligations

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

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

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. Only City Council may modify or rescind the commitment.
- **Assigned** - Amounts are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on governing body direction through adoption or amendment of the budget or through ordinance or resolution.
- **Unassigned** –Amounts that are available for any purpose; positive amounts are reported only in the general fund.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Restricted Amounts

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

The General Fund reserve target is 20% of the fund's current year budgeted appropriations. For the purpose of determining if the target has been met, the unassigned fund balance of the General Fund is compared with the annual appropriations budget.

Other governmental funds of the City do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by Council.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2014 total \$219,142 in the School Capital Improvements Fund, \$9,808 in the School Federal Grants Fund, and \$97,559 in the School Operating Fund.

Net Position

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflows of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported on both the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements that present net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item which occurs under a modified accrual basis of accounting. The item, unavailable revenue, is reported in 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 and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period they become available. In addition, the Statement of Net Position reports property taxes received in advance under this section.

School Board Debt/Capital Asset Reporting

The City issues debt to finance the construction of school facilities because the School Board does not have borrowing or taxing authority. The City reports this debt, whereas the School Board reports the related capital assets. As a result, in the Statement of Net Position (Exhibit 1), the school related debt reduces *unrestricted net position* for the primary government, while the capital assets are reported in *net investment in capital assets* for the School Board.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statements of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of these differences for the primary government and school board are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ 96,637,572	\$ -
Plus: Issuance premium	9,487,758	-
Accrued interest payable	1,308,167	-
Compensated absences	2,310,368	1,323,004
	<u>\$ 109,743,865</u>	<u>\$ 1,323,004</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.” The details of this difference in the primary government are as follows:

Net position of the internal service funds	\$ 2,281,819
Add: Internal receivable representing costs in excess of charges to business-type activities – prior years	33,765
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	32,819
	<u>\$ 2,348,403</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

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

	<u>Primary Government</u>
Principal repayments	\$ 6,047,562
Proceeds from bond issuance	(24,265,000)
Proceeds from premium on bond issuance	(1,926,248)
Amortization of issuance premium	828,165
Amortization of deferred charge on refunding	<u>(543,978)</u>
	<u>\$ (19,859,499)</u>

Another element of that reconciliation states that “Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these differences for the primary government and school board, respectively, is as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Compensated absences	\$ (110,297)	\$ 4,046
Accrued interest	<u>(293,591)</u>	<u>-</u>
	<u>\$ (403,888)</u>	<u>\$ 4,046</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.” The details of this difference in the primary government are as follows:

Changes in net position of the internal service funds	\$ 300,516
Add: Loss from costs in excess of charges to business-type activities	<u>(32,819)</u>
	<u><u>\$ 267,697</u></u>

Explanation of certain differences between the proprietary fund Statement of Net Position and the government-wide Statement of Net Position

The proprietary fund statement of net position includes a reconciliation between *net position-total enterprise funds* and *net position of business-type activities* as reported in the government-wide statements of net position. The description of the sole element of that reconciliation is “Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.” The details of this difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities – prior years	\$ (99,403)
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>32,819</u>
	<u><u>\$ (66,584)</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the City Manager submits to 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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated annual budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and School Board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital projects funds. The Discretely Presented Component Unit - School Board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City and Schools required budget amendments during the year, representing a net increase of \$1,438,285 in the General Fund, and a net decrease of \$3,138 in the School Operating Fund.

Note 4. Deposits and Investments

Deposits

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 4. Deposits and Investments (Continued)

Investments

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

Credit Risk - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP). The City has no investment policy that would further limit its investment choices.

Interest Rate Risk - The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The City may reject an investment with a higher yield when it is felt it carries an element of risk. Speculative investments will not be allowed. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments, which meet the maturity requirement. If no specific maturity is required, a yield curve analysis will be conducted to determine which maturities would be most advantageous.

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

Investment Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
Federal Agency Bonds and Notes	\$ 4,991,280	AA+	1.39
Mutual Funds	741,828	AA- to AA	N/A
LGIP	316,518	AAAm	0.13
SNAP	26,633,792	AAAm	N/A
Total investments	<u>\$ 32,683,418</u>		

* - Average Maturity in Years

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 4. Deposits and Investments (Continued)

Investments (Continued)

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Percent of Total Portfolio</u>
SNAP	81.49%
Federal National Mortgage Association	12.21%

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

	<u>Component Units</u>		
	<u>Primary Government</u>	<u>School Board</u>	<u>Winchester Parking Authority</u>
Deposits and investments:			
Cash on hand	\$ 4,275	\$ 1,380	\$ 7,690
Deposits	23,586,395	7,378,638	1,087,774
Investments	<u>10,561,270</u>	<u>21,923,464</u>	<u>198,684</u>
	<u><u>\$ 34,151,940</u></u>	<u><u>\$ 29,303,482</u></u>	<u><u>\$ 1,294,148</u></u>
Statement of Net Position:			
Cash	\$ 22,806,354	\$ 6,813,811	\$ 1,095,464
Investments	8,877,325	1,258,783	198,684
Investments - restricted	-	20,018,600	-
Fiduciary:			
Cash and cash equivalents	784,316	566,207	-
Investments	<u>1,683,945</u>	<u>646,081</u>	<u>-</u>
	<u><u>\$ 34,151,940</u></u>	<u><u>\$ 29,303,482</u></u>	<u><u>\$ 1,294,148</u></u>

Investments - Restricted:

Restricted investments consist of unspent bond proceeds related to the Series 2013 bond issuance.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5. Due from Other Governments

The following amounts represent amounts due from other governments at June 30:

	Primary Government	Component Unit – School Board
Federal and Commonwealth of Virginia:		
State sales tax	\$ -	\$ 689,758
Title VI-B	-	224,922
Title I	-	229,736
Other federal and state school funds	-	386,048
Local sales tax	1,465,124	-
Transit grants	564,438	-
Highway construction funds	577,273	-
Welfare grants	355,345	-
Communication tax	180,245	-
Other federal and state funds	465,858	-
	<u>3,608,283</u>	<u>1,530,464</u>
Total due from federal and state sources		
	<u>3,608,283</u>	<u>1,530,464</u>
Frederick County:		
Joint Judicial Center – debt service	140,725	-
Joint Judicial Center – operating expenses	78,098	-
Other receivables	72,121	-
	<u>290,944</u>	<u>-</u>
Total due from other governments	<u>\$ 3,899,227</u>	<u>\$ 1,530,464</u>

Note 6. Promises to Give

Unconditional promises to give reported by the School Board for the Handley Capital Project, scholarships and other educational programs, and the Winchester Education Foundation at June 30, are as follows:

Receivable in less than one year	\$ 298,841
Receivable in one to five years	915,847
Receivable in five to ten years	441,053
Receivable in ten to fifteen years	151,590
Receivable in fifteen to twenty years	8,000
	<u>1,815,331</u>
Total unconditional promises to give	1,815,331
Less discounts to present value	(380,823)
Less allowance for uncollectible pledges	(30,024)
	<u>(410,847)</u>
Net unconditional promises to give	<u>\$ 1,404,484</u>

The discount rate used on long-term promises to give is 5%.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 7. Interfund Receivables, Payables, and Transfers

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

Primary Government

Due to general fund from:

Non-major governmental funds	\$ 405,000
Water and sewer fund	<u>654,000</u>

Total due to general fund from other funds for
cash advances

\$ 1,059,000

Component Unit – School Board

Due to school operating fund from:

Federal grants fund	<u>\$ 391,030</u>
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Inter-fund transfers for the year ended June 30, consisted of the following:

Primary Government

Transfers to general fund from:

Water and sewer fund	<u>\$ 1,600,000</u>
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Transfers to non-major governmental funds from:

General fund	<u>\$ 4,712,546</u>
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Component Unit – School Board

Transfers to non-major governmental funds from:

School operating fund	<u>\$ 129,235</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (3) close the residual balances of certain funds into other funds.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Capital Assets

Primary Government

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land	\$ 5,437,240	\$ 300,961	\$ -	\$ 5,738,201
Construction in progress	956,141	4,185,572	(70,474)	5,071,239
	<u>6,393,381</u>	<u>4,486,533</u>	<u>(70,474)</u>	<u>10,809,440</u>
Total capital assets not being depreciated				
	<u>6,393,381</u>	<u>4,486,533</u>	<u>(70,474)</u>	<u>10,809,440</u>
Capital assets, being depreciated:				
Buildings	31,041,890	-	-	31,041,890
Improvements other than buildings	7,269,014	3,702,208	-	10,971,222
Infrastructure	61,691,269	168,480	-	61,859,749
Equipment	12,721,278	2,016,292	(311,529)	14,426,041
	<u>112,723,451</u>	<u>5,886,980</u>	<u>(311,529)</u>	<u>118,298,902</u>
Total capital assets being depreciated				
	<u>112,723,451</u>	<u>5,886,980</u>	<u>(311,529)</u>	<u>118,298,902</u>
Less accumulated depreciation for:				
Buildings	(9,580,452)	(634,463)	-	(10,214,915)
Improvements other than buildings	(3,352,006)	(354,039)	-	(3,706,045)
Infrastructure	(20,018,881)	(2,389,096)	-	(22,407,977)
Equipment	(9,031,866)	(722,034)	297,538	(9,456,362)
	<u>(41,983,205)</u>	<u>(4,099,632)</u>	<u>297,538</u>	<u>(45,785,299)</u>
Total accumulated depreciation				
	<u>(41,983,205)</u>	<u>(4,099,632)</u>	<u>297,538</u>	<u>(45,785,299)</u>
Total capital assets being depreciated, net				
	<u>70,740,246</u>	<u>1,787,348</u>	<u>(13,991)</u>	<u>72,513,603</u>
Governmental activities capital assets, net				
	<u>\$ 77,133,627</u>	<u>\$ 6,273,881</u>	<u>\$ (84,465)</u>	<u>\$ 83,323,043</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Capital Assets (Continued)

Primary Government (Continued)

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

Governmental activities:	
General government	\$ 129,811
Judicial administration	173,249
Public safety	401,042
Public works	2,956,002
Health and welfare	17,783
Parks, recreation, and cultural	416,385
Community development	<u>5,360</u>
Total depreciation expense – governmental activities	<u><u>\$ 4,099,632</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Capital Assets (Continued)

Primary Government (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset, not being depreciated:				
Land	\$ 1,201,485	\$ -	\$ -	\$ 1,201,485
Construction in progress	-	115,788	-	115,788
Total capital assets not being depreciated	1,201,485	115,788	-	1,317,273
Capital assets, being depreciated:				
Treatment plants	45,043,669	-	-	45,043,669
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	115,735,895	1,400,500	-	117,136,395
Equipment	2,684,035	-	-	2,684,035
FWSA purchased capacity	27,403,547	-	-	27,403,547
Total capital assets being depreciated	190,985,983	1,400,500	-	192,386,483
Less accumulated depreciation for:				
Treatment plants	(3,382,183)	(900,805)	-	(4,282,988)
Improvements other than buildings	(114,306)	(455)	-	(114,761)
Infrastructure	(23,242,194)	(1,780,655)	-	(25,022,849)
Equipment	(1,517,651)	(183,262)	-	(1,700,913)
FWSA purchased capacity	(8,085,953)	(1,370,177)	-	(9,456,130)
Total accumulated depreciation	(36,342,287)	(4,235,354)	-	(40,577,641)
Total capital assets being depreciated, net	154,643,696	(2,834,854)	-	151,808,842
Business-type activities capital assets, net	\$ 155,845,181	\$ (2,719,066)	\$ -	\$ 153,126,115

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Capital Assets (Continued)

Primary Government (Continued)

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

Business-type activities:	
Water and sewer fund	\$ <u>4,235,354</u>

Frederick-Winchester Service Authority (FWSA) treatment plant rights:

The City and the FWSA have entered into agreements for the City to benefit from a certain wastewater treatment plant of the FWSA. The City is not authorized to hold legal title to the plant; thus FWSA holds title to these assets. Through long-term contracts, the risks and benefits of operating and maintaining the assets has been transferred to the City, and thus represent intangible capital assets. The City is responsible for a portion of the debt incurred for these facilities.

Construction Commitments:

The City has active construction projects related to various items. At year end, the City's commitments with contractors on the projects are as follows:

	<u>Total Contracts</u>	<u>Total Payments</u>	<u>Future Amounts to be Expended</u>
General Fund:			
S. Loudon Drainage Improvements	\$ <u>2,343,482</u>	\$ <u>2,049,087</u>	\$ <u>294,395</u>
Sidewalk Replacements	\$ <u>974,840</u>	\$ <u>740,865</u>	\$ <u>233,975</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Capital Assets (Continued)

Summaries of the changes in the Discretely Presented Component Unit School Board and Parking Authority's capital assets are as follows:

Component Unit – School Board

	<u>Beginning Balance *</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land *	\$ 2,307,970	\$ -	\$ -	\$ 2,307,970
Construction in progress	765,456	446,107	(664,448)	547,115
	<u>3,073,426</u>	<u>446,107</u>	<u>(664,448)</u>	<u>2,855,085</u>
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Buildings	129,856,835	282,912	-	130,139,747
Improvements other than buildings	2,748,931	889,344	-	3,638,275
Equipment	6,095,772	620,728	(355,185)	6,361,315
	<u>138,701,538</u>	<u>1,792,984</u>	<u>(355,185)</u>	<u>140,139,337</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(24,271,593)	(2,529,761)	-	(26,801,354)
Improvements other than buildings	(1,844,923)	(95,061)	-	(1,939,984)
Equipment	(4,169,628)	(403,911)	280,519	(4,293,020)
	<u>(30,286,144)</u>	<u>(3,028,733)</u>	<u>280,519</u>	<u>(33,034,358)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>108,415,394</u>	<u>(1,235,749)</u>	<u>(74,666)</u>	<u>107,104,979</u>
School board capital assets, net	<u>\$ 111,488,820</u>	<u>\$ (789,642)</u>	<u>\$ (739,114)</u>	<u>\$ 109,960,064</u>

* Land held for sale for \$15,000 in the Winchester Education Foundation Fund was previously shown under this classification and has been separated for presentation purposes as of June 30, 2014 on Exhibit 1.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Capital Assets (Continued)

Component Unit – Parking Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Total capital assets not being depreciated	<u>11,685</u>	<u>-</u>	<u>-</u>	<u>11,685</u>
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	751,143	-	-	751,143
Total capital assets being depreciated	<u>10,558,721</u>	<u>-</u>	<u>-</u>	<u>10,558,721</u>
Less accumulated depreciation for:				
Buildings	(1,670,651)	(194,850)	-	(1,865,501)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	(276,853)	(63,277)	-	(340,130)
Total accumulated depreciation	<u>(2,003,683)</u>	<u>(258,127)</u>	<u>-</u>	<u>(2,261,810)</u>
Total capital assets being depreciated, net	<u>8,555,038</u>	<u>(258,127)</u>	<u>-</u>	<u>8,296,911</u>
Parking Authority capital assets, net	<u>\$ 8,566,723</u>	<u>\$ (258,127)</u>	<u>-</u>	<u>8,308,596</u>

Depreciation expense was charged to functions/programs of the respective Component Unit – School Board’s governmental activities and Component Unit – Parking Authority’s business-type activities as follows:

Governmental activities:

School Board – Education \$ 3,028,733

Business-type activities:

Parking Authority – Public works \$ 258,127

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Unavailable/Unearned Revenue and Deferred Inflows of Resources

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also include unearned revenue amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. At year end, the various components of deferred inflows of resources and deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 1,683,077	\$ -	\$ 1,683,077
Deferred joint judicial commission, representing uncollected debt service billings (General Fund)	140,725	-	140,725
Property taxes paid in advance, representing property taxes not yet due (General Fund)	<u>-</u>	<u>869,924</u>	<u>869,924</u>
Total deferred inflows of resources for the general fund	<u>1,823,802</u>	<u>869,924</u>	<u>2,693,726</u>
Deferred EMS transportation charges, representing uncollected EMS billings (Special Revenue Fund)	<u>167,309</u>	<u>-</u>	<u>167,309</u>
Total deferred revenues for special revenue funds	<u>\$ 1,991,111</u>	<u>\$ 869,924</u>	<u>\$ 2,861,035</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Long-Term Debt

Primary Government

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the City for the year ended June 30:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 77,520,134	\$24,265,000	\$ 5,747,562	\$ 96,037,572	\$ 5,742,139
Obligations payable	900,000	-	300,000	600,000	100,000
Unamortized bond premium	8,389,675	1,926,248	828,165	9,487,758	824,456
Compensated absences	2,228,470	186,305	77,000	2,337,775	77,000
Net OPEB obligation	1,308,077	477,000	-	1,785,077	-
Governmental activities long-term liabilities	<u>\$ 90,346,356</u>	<u>\$26,854,553</u>	<u>\$ 6,952,727</u>	<u>\$ 110,248,182</u>	<u>\$ 6,743,595</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities:					
General obligation bonds	\$ 19,784,803	\$ -	\$ 1,597,739	\$ 18,187,064	\$ 1,780,631
Revenue bonds	65,620,000	-	2,436,878	63,183,122	2,538,194
Obligations payable FWSA	17,709,408	-	1,506,866	16,202,542	1,654,560
Unamortized bond premium	5,878,034	-	444,675	5,433,359	436,675
Compensated absences	203,648	21,050	15,000	209,698	20,000
Business-type activities long-term liabilities	<u>\$ 109,195,893</u>	<u>\$ 21,050</u>	<u>\$ 6,001,158</u>	<u>\$ 103,215,785</u>	<u>\$ 6,430,060</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, \$27,408 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, the net other postemployment benefit obligation and compensated absences are generally liquidated by the general fund and special revenue funds.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness</u>		
General Obligation Bonds:		
\$10,000,000 General Obligation Public Improvement Bonds, Series of 1999A, issued June 16, 1999, maturing annually beginning June 1, 2000 through June 3, 2019, interest payable semi-annually at 4.86% Purpose: General and Utilities capital projects	\$ 1,719,818	\$ 1,719,818
\$9,595,000 General Obligation Public Improvement Bonds, Series of 2003, issued December 18, 2003, maturing annually beginning September 1, 2004 through September 1, 2015, interest payable semi-annually at 3.79% Purpose: General, Utilities and School capital projects	332,168	142,833
\$35,020,000 General Obligation Public Improvement and Refunding Bonds, Series of 2004, issued October 21, 2004, maturing annually beginning January 15, 2005 through January 15, 2020, interest payable semi-annually at 3.77%. Purpose: General, Utilities, and School capital projects	3,709,416	3,165,583
\$45,000,000 General Obligation Public Improvement, Series of 2005, issued November 1, 2005, maturing annually beginning November 1, 2006 through November 1, 2025, interest payable semi-annually at 4.1861% Purpose: General, Utilities, and School capital projects	5,750,370	914,630
\$23,660,000 General Obligation Public Improvement, Series of 2006, issued December 21, 2006, maturing annually beginning December 1, 2007 through December 1, 2026, interest payable semi-annually at 3.84%. Purpose: Utilities and School capital projects	5,640,475	1,284,525

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
\$7,200,000 General Obligation Public Improvement, Series of 2007, issued September 12, 2007, maturing annually beginning September 1, 2008 through September 1, 2027, interest payable semi-annually at rates of 4.0-5.0%. Purpose: General and School capital projects	\$ 5,625,000	\$ -
\$31,705,000 General Obligation Public Improvement and Refunding Bond, Series 2011, issued September 8, 2011, maturing annually beginning September 1, 2012 through September 1, 2023, interest payable semi-annually at rates of 2.0-4.0%. Purpose: General, Utilities, and School capital projects	26,870,040	4,449,960
\$28,635,000 General Obligation Public Improvement and Refunding Bond, Series 2012, issued August 2, 2012, maturing annually beginning September 1, 2012 through September 1, 2026, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General, Utilities, and School capital projects	22,125,285	6,509,715
\$24,265,000 General Obligation Public Improvement, Series 2013, issued October 30, 2013, maturing annually beginning September 1, 2014 through September 1, 2033, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General and School capital projects	24,265,000	-
Total General Obligation Bonds	<u>\$ 96,037,572</u>	<u>\$ 18,187,064</u>

Revenue Bonds:

\$12,100,000 Virginia Resources Authority Revenue Bond, Series of 2008, issued November 21, 2008, maturing annually beginning October 1, 2010 through October 1, 2028 interest payable semi-annually at rates of 3.125-5.375%. Purpose: Utilities capital projects	\$ -	\$ 10,320,000
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\$11,820,000 Virginia Resources Authority Revenue Bond, Series of 2009A, issued June 1, 2009, maturing annually beginning October 1, 2010 through October 1, 2029 interest payable semi-annually at rates of 4.125-5.125% Purpose: Utilities capital projects	-	10,295,000
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(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
\$12,295,000 Virginia Resources Authority Revenue Bond, Series of 2009B, issued November 1, 2009, maturing annually beginning October 1, 2011 through October 2, 2029, interest payable semi-annually at rates of 3.041%-5.916%. Purpose: Utilities capital projects	-	10,925,000
\$12,165,000 Virginia Resources Authority Revenue Bond, Series of 2010C, issued November 1, 2010, maturing annually beginning October 1, 2012 through October 1, 2031 interest payable semi-annually at rates of 4.200%-6.041%. Purpose: Utilities capital projects	-	11,310,000
\$1,500,000 Virginia Resources Authority Revenue Bond, Series 2011A, issued October 25, 2011, maturing semi-annually beginning September 1, 2013 through September 1, 2042, interest payable semi-annually at 3.00%. Balance of bond is based on principal advances made by the City not to exceed \$1,500,000.	-	1,468,122
\$19,470,000 Virginia Resources Authority Revenue Bond, Series 2011B, issued October 16, 2011, maturing annually beginning October 1, 2013 through October 1, 2032, interest payable semi-annually at rates of 3.44%-5.125%. Purpose: Utilities capital projects.	-	18,865,000
Total Revenue Bonds	<u>\$ -</u>	<u>\$ 63,183,122</u>
Obligations Payable:		
\$26,452,442 FWSA Opequen Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2038 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects.	\$ -	\$ 16,202,542
\$1,000,000 HUD 108 loan, commencing August 1, 2013, maturing annually through August 1, 2022, no stated interest rate. Purpose: Community development capital projects.	600,000	-
Total Obligations Payable	<u>\$ 600,000</u>	<u>\$ 16,202,542</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

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

	Governmental Activities			
	General Obligation Bonds		Obligations Payable	
	Principal	Interest	Principal	Interest
2015	\$ 5,742,139	\$ 4,136,789	\$ 100,000	\$ -
2016	6,119,619	3,876,421	100,000	-
2017	6,440,530	3,613,190	100,000	-
2018	6,726,284	3,327,184	100,000	-
2019	6,930,501	3,006,432	100,000	-
2020-2024	36,024,374	10,338,775	100,000	-
2025-2029	19,509,125	3,431,795	-	-
2030-2034	8,545,000	963,688	-	-
	<u>\$ 96,037,572</u>	<u>\$ 32,694,274</u>	<u>\$ 600,000</u>	<u>\$ -</u>

	Business-type Activities					
	General Obligation Bonds		Revenue Bonds		Obligations Payable FWSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,780,631	\$ 777,922	\$ 2,538,194	\$ 3,102,309	\$ 1,654,560	\$ 630,875
2016	1,829,696	702,143	2,649,197	2,988,803	1,586,996	568,043
2017	1,975,308	611,779	2,775,231	2,861,204	685,317	520,226
2018	2,077,605	525,238	2,901,296	2,724,124	710,848	494,567
2019	2,174,638	431,662	3,047,393	2,585,582	737,010	468,693
2020-2024	6,483,681	1,062,438	17,479,616	10,526,755	3,027,032	1,973,496
2025-2029	1,865,505	114,356	21,842,467	5,499,910	3,362,164	1,374,938
2030-2034	-	-	9,375,589	815,490	2,509,395	715,423
2035-2039	-	-	319,832	65,070	1,929,220	248,570
2040-2044	-	-	254,307	15,465	-	-
	<u>\$ 18,187,064</u>	<u>\$ 4,225,538</u>	<u>\$ 63,183,122</u>	<u>\$ 31,184,712</u>	<u>\$ 16,202,542</u>	<u>\$ 6,994,831</u>

Frederick-Winchester Service Authority (FWSA) treatment plant rights

During 2008 and 2009, the FWSA in conjunction with the participating entities decided to expand the Opequon Water Reclamation Facility. The FWSA has issued debt to finance this project. During 2011, this project was completed and the City assumed responsibility for partial debt service of this plant.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

Prior Year Refunding of Debt

In August 2012, the City issued \$28,635,000 in general obligation bonds with an average interest rate of 4.00%. These bonds were issued to refund approximately \$30,465,000 in outstanding bonds including bond issuances in 2001, and partial refunding of bonds issued in 2004, 2005, and 2006. The net proceeds of the refunding were \$34,669,687 (including \$6,034,687 in bond premium and payment of \$297,844 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from the new debt with the difference between the reacquisition price and the net carrying amount of the old debt being deferred and amortized over the life of the new debt in proportion to the stated interest due on the new debt. Approximately \$24,855,000 remains outstanding at June 30, 2014 related to the partially defeased bonds described above.

In September 2011, the City issued \$31,705,000 in general obligation bonds with an average interest rate of 4.00%. These bonds were issued to advance refund \$31,410,000 in outstanding bonds including bond issuances in 2002, and partial refunding of bonds issued in 2003, 2004, and 2005. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$1,397,126 and to obtain an economic gain of \$1,221,025. Approximately \$23,510,000 remains outstanding at June 30, 2014 related to the partially defeased bonds described above.

School Board

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities - School Board					
Compensated absences	\$ 1,327,050	\$ 227,954	\$ 232,000	\$ 1,323,004	\$ 232,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Long-Term Debt (Continued)

Parking Authority

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Parking Authority for the year ended June 30:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities – Component Unit Parking Authority					
Revenue bond	\$ 8,235,000	\$ -	\$ 175,000	\$ 8,060,000	\$ 180,000
Unamortized bond premium	234,308	-	15,469	218,839	15,149
Compensated absences	42,711	4,396	-	47,107	-
Parking authority long-term liabilities	<u>\$ 8,512,019</u>	<u>\$ 4,396</u>	<u>\$ 190,469</u>	<u>\$ 8,325,946</u>	<u>\$ 195,149</u>

Details of Long-Term Indebtedness

\$9,000,000 Revenue Bonds, Series of 2007, issued August 8, 2007, maturing annually beginning August 1, 2008 through August 1, 2037, interest payable semi-annually at rates of 4.25 - 5.00%. Purpose: Parking Facility project

\$ 8,060,000

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

	<u>Parking Authority</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 180,000	\$ 398,500
2016	190,000	389,250
2017	200,000	379,500
2018	210,000	369,250
2019	220,000	358,500
2020-2024	1,280,000	1,611,250
2025-2029	1,630,000	1,249,250
2030-2034	2,080,000	788,000
2035-2038	<u>2,070,000</u>	<u>213,250</u>
	<u>\$ 8,060,000</u>	<u>\$ 5,756,750</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11. Contingent Liabilities and Commitments

Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of material noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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

Green Energy Project

In November 2013, the City, along with the Frederick-Winchester Service Authority (FWSA), the County of Frederick, and the Frederick County Sanitation Authority, approved the Green Energy Project for the purpose of implementing a series of capacity and efficiency improvements to the Opequon Water Reclamation Facility. To finance this project, the FWSA authorized the issuance of \$53,000,000 in bonds, for which the City will be liable for a yet to be determined portion. As of June 30, 2014, this project has not yet commenced, no debt amounts have been issued, and no liabilities have been recorded related to this project.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System

Plan Description

The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the “System”). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

VRS PLAN 1

About VRS Plan 1 – VRS 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 VRS 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 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 VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

Retirement Contributions – Members contribute up to 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5.00% member contribution; all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

VRS 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.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

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%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

VRS PLAN 1 (Continued)

Cost-of-Living Adjustment (COLA) in Retirement – (Continued)

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS PLAN 2

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Employees are eligible for VRS 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.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

VRS PLAN 2 (Continued)

Service Retirement Multiplier – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

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 – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

HYBRID RETIREMENT PLAN

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

About the 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 VRS Plan 1 and VRS 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Eligible Members – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees.*
- School division employees.
- Political subdivision employees.*
- Judges appointed or elected to an original term on or after January 1, 2014.
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

***Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS).
- Members of the Virginia Law Officers' Retirement System (VaLORS).
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Creditable Service

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

Defined Contribution Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution 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 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 VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Calculating the Benefit (Continued)

Service Retirement Multiplier – The retirement multiplier is 1.00%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

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 VRS Plan 2.

Defined Contribution Component: Not applicable.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

Disability Coverage – Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2014 was 11.90% of the annual covered payroll.

The School Board non-professional employees' contribution rate for the fiscal year ended 2014 was 10.15% of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for fiscal year ended 2014 was 11.66% of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2014, 2013, and 2012 were \$3,522,967, \$2,658,826, and \$1,528,934, respectively, and were equal to the required contributions for each year.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Plan Description (Continued)

Annual Pension Cost

For 2014, the City and School Board's annual pension cost was equal to the required and actual contributions.

Three-Year Trend Information
City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 2,771,720	100%	\$ -
June 30, 2013	\$ 2,035,368	100%	\$ -
June 30, 2012	\$ 1,924,048	100%	\$ -

Three-Year Trend Information
School Board (non-professional employees)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 213,956	100%	\$ -
June 30, 2013	\$ 196,813	100%	\$ -
June 30, 2012	\$ 149,625	100%	\$ -

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the City assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

Funded Status and Funding Progress

For the City employees, as of June 30, 2013, the most recent actuarial valuation date, the plan was 74.5% funded. The actuarial accrued liability for benefits was \$86,377,965, and the actuarial value of assets was \$64,336,428, resulting in a net underfunding – on actuarial accrued liability of \$22,041,537. The covered payroll (annual payroll of active employees covered by the plan) was \$21,516,041, and the ratio of the UAAL to the covered payroll was 102.4%.

For the School Board non-professional employees as of June 30, 2013, the most recent actuarial valuation date, the plan was 84.2% funded. The actuarial accrued liability for benefits was \$6,282,464, and the actuarial value of assets was \$5,291,868, resulting in an unfunded actuarial accrued liability (UAAL) of \$990,596. The covered payroll (annual payroll of active employees covered by the plan) was \$1,991,689, and the ratio of the UAAL to the covered payroll was 49.7%.

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

VRS Health Insurance Credit

Plan Description

Retirees who have 15 or more years of creditable VRS service are granted the option to participate in the VRS Health Insurance Credit Program by paying 100% of their monthly health insurance premium less a \$1.50 per month per year of service for a maximum health insurance credit of \$45.00 from VRS. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend the benefit provisions to the General Assembly of Virginia. The health insurance credit program is financed by payments from the City and the School Board (non-professional employees) for all active employees to VRS and is an agent and cost-sharing multiple-employer defined benefit pension plan. The surplus funds are not considered advance funded because the City, the School Board, its employees, and retirees have no vested rights to access the excess funds. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500 or by download from their website at <http://www.varetire.org>.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement Systems (Continued)

VRS Health Insurance Credit (Continued)

Funding Policy and Annual Benefit Contribution

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute actuarial percentage of their annual reported compensation of the VRS for the retiree health insurance credit. The City and the School Board (non-professional employees) have assumed this contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2014 was 0.18% of annual covered payroll. The School Board contribution rate for 2014 was 0.32% of annual covered payroll of non-professional employees.

Actuarial Methods and Assumptions

The required contributions for the City and the School Board (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2011 using the entry age normal cost method. The actuarial assumptions at June 30, 2011 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City and the School Board (non-professional) assets are equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 30 years.

Three-Year Trend Information
City

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 26,455	100%	\$ -
June 30, 2013	\$ 32,688	100%	\$ -
June 30, 2012	\$ 30,900	100%	\$ -

Three-Year Trend Information
School Board (non-professional employees)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 6,750	100%	\$ -
June 30, 2013	\$ 5,993	100%	\$ -
June 30, 2012	\$ 6,231	100%	\$ -

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Virginia Retirement System (Continued)

VRS Health Insurance Credit (Continued)

Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the VRS health insurance credit program was 55.01% and 60.35% funded. The actuarial liability for the City and School Board (non-professional employees) benefits were \$531,888 and \$88,111 respectively, and the actuarial value of assets was \$292,566 and \$53,171, resulting in an unfunded actuarial liability (UAAL) of \$239,322 and \$34,940 for the City and the School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$17,976,458 and \$1,991,689 and ratio of the UAAL to the covered payroll was 1.33% and 1.75% for the City and the School Board (non-professional employees).

The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 has joined together with other cities and counties in the Virginia Liability Risk Management Plan (VARISK2), a Commonwealth of Virginia risk pool currently operating as a risk management program for public body members in Virginia. The City pays an annual premium to VARISK2 for its public officials general law enforcement and medical malpractice liability insurance coverage. The Department of Treasury obtains its authority to act from the statutory provisions of the Code and will limit liability up to \$1 million for each insured event.

Through the Virginia Municipal League, the City has joined together with other Virginia public bodies in the Virginia Municipal League Insurance Programs pools currently operating as common risk management and insurance programs for members in Virginia. The City pays 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 13. Risk Management (Continued)

Through the Virginia School Board Association, the School Board has joined together with other localities in the VSBA Insurance Program and School Systems of VA Group Self-Insurance Association, public entity risk pools currently operating as an insurance program and common risk management for several member city and county school boards in Virginia. The school board pays annual premiums to VSBA Insurance Program and School Systems of VA Group Self-Insurance Association for its employer liability insurance coverage and worker's compensation insurance coverage. The agreement for formation of VSBA Insurance Program and School Systems of VA Group Self-Insurance Association provides that it will be self-sustaining through member premiums. The Workers' compensation coverage provides the benefits set forth in the Virginia Workers' Compensation Act.

Prior to July 1, 2013, the City was partially self-insured for health and dental insurance coverage for its employees, and accounts for the uninsured risks of loss within Internal Service Funds. From the Internal Service Funds, the City paid up to the annual stop loss limit of \$75,000 and \$90,000 per person, respectively, and purchase commercial insurance for claims in excess of such limits. The City made payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. As of July 1, 2013, the City was no longer self-insured for health insurance claims.

Changes in the City claims liability amount for the last three years is shown below.

Three-Year Trend Information - City				
Fiscal Year Ending	Beginning Liability	Current Year Claims	Claim Payments	Ending Liability
June 30, 2014	\$586,148	\$ -	\$ 586,148	\$ -
June 30, 2013	\$288,315	\$2,712,713	\$3,587,176	\$586,148
June 30, 2012	275,715	2,645,823	3,209,853	288,315

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 14. Related Party Transactions

During 2014, the City paid \$161,234 to Buettner Tire Distributors, Inc. for automobile repair services. One member of the City's Common Council had economic interests in this business.

The Social Services department has a 15 year lease for property that commenced during 2009 and the Housing department has a 15 year lease for property that commenced during 2011 with a company in which a Council member is a partial owner. The City paid \$503,090 during 2014. The leases call for monthly lease payments of \$41,923 per month and an initial deposit of \$40,000 is being held by the company. Two members of the City's Common Council had economic interests in these businesses.

Additionally, the School Board's component unit Winchester Education Foundation paid \$65,000 to Russ Potts Productions for marketing as well as soliciting donations and pledges on behalf of the Foundation. This company is owned by the Foundation's Executive Director.

Note 15. Other Post-employment Benefits

Plan Description

The City of Winchester administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees under age 65 have the option of choosing three medical plans including a prescription program for retail and a mail order program. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. There are five grandfathered retirees over age 65 where their entire individual premium is subsidized for life. The plan was established under the authority of the City of Winchester's Council.

Funding Policy

The City pays a certain dollar amount for the retiree, which covers the entire cost of the cheapest plan. The retiree pays 100% for the dependent coverage. Employees must meet the unreduced retirement eligibility as described in the pension plan to be eligible for post-retirement health coverage.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$282,000 for 2014.

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 15. Other Post-employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution	\$ 769,000
Interest on net OPEB obligation	52,000
Adjustment to annual required contribution	<u>(62,000)</u>
Annual OPEB cost	759,000
Contributions made	<u>(282,000)</u>
Increase in net OPEB obligation	477,000
Net OPEB obligation – beginning of year	<u>1,308,077</u>
Net OPEB obligation – end of year	<u><u>\$ 1,785,077</u></u>

Trend Information

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 759,000	37.2%	\$ 1,785,077
June 30, 2013	\$ 715,000	36.1%	\$ 1,308,077
June 30, 2012	\$ 468,000	44.9%	\$ 849,077

Funding Status and Funding Progress

The funding status of the plan as of September 1, 2011 was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,959,000
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,959,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%
Covered Payroll (Active Plan Members)	\$ 20,700,320
UAAL as a Percentage of Covered Payroll	31.6%

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 15. Other Post-employment Benefits (Continued)

Funding Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the September 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The closed amortization method and a 30-year amortization period are being used. The remaining amortization period at September 1, 2011 was 27 years.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse – Actual coverage status is used; females assumed 3 years younger than male spouse. Employees with individual coverage are assumed to elect individual coverage in retirement, those with spouse/family coverage assumed to continue this coverage at retirement.

90% of actives currently enrolled in the City's health care plan, or will continue in the plan upon retiring or becoming disabled.

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

Economic Assumptions – Medical claims are assumed to decrease from 7.5% to 4.6% per year. While medical costs have increased by a rate well in excess of 7.5% in recent years, prevailing practice is to assume that these increases will slow in the future. This is based on the macroeconomic assumption that if they do not moderate, medical expenses will consume an unacceptable percentage of the gross national product. The long-term assumption selected is consistent with the Centers for Medicare and Medicaid Services office of the actuary's assumption for per-capita increases in medical costs.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 15. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Payroll is assumed to increase at 2.5% per annum. This assumption is used to determine the level percentage of payroll amortization factor. Inflation is assumed to be 2.9% per annum.

Note 16. Net Position/Fund Balances

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the general fund balance and other governmental funds balance are presented below:

	General Fund	Other Governmental Funds
Nonspendable:		
Prepays	\$ -	\$ 40,000
Long-term portion of notes receivable	-	127,500
Inventories	11,916	-
Total nonspendable	11,916	167,500
Restricted for:		
Public safety	475,790	4,013,360
Community development	20,000	-
Total restricted	495,790	4,013,360
Committed to:		
Community development	1,418,750	-
Other capital projects	508,238	-
Total committed	1,926,988	-
Assigned to:		
Judicial administration	15,303	119,403
Public safety	42,301	396,214
Public works	-	799,076
Health and welfare	-	79,147
Parks, recreation and cultural	-	45,410
Community development	-	-
Subsequent year appropriation	3,665,000	54,000
Total assigned	3,722,604	1,493,250
Unassigned	16,084,160	-
Total fund balance	\$ 22,241,458	\$ 5,674,110

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 16. Net Position/Fund Balances (Continued)

Restricted net position at June 30, 2014 for the component unit - School Board of \$20,371,300 is made up of cash and pledges receivable held by the Schools Board's discretely presented component unit – Winchester Education Foundation, for which the purpose restrictions have not yet been met. In addition, the amount includes bond proceeds for capital projects not yet spent.

Note 17. Subsequent Events

In October 2014, the City issued \$14,685,000 in General Obligation Public Improvement Refunding Bonds, Series 2014. The bonds are being issued for the refunding of previously issued debt. Interest will be due semi-annually beginning March, 2015 at rates ranging from 1.5% to 5%. Payments of principal will begin in September, 2015 and will be due annually until maturity in September, 2027.

Note 18. Prior Period Adjustment

Beginning net position has been restated to properly reflect amounts in accordance with implementing **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***. This standard requires the reclassification of items as deferred outflows and inflows that were previously reported as assets and liabilities. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred, except any portion related to prepaid insurance costs. Bond issuance costs that were capitalized as a part of various debt issuances in prior years were required to be retroactively expensed as reflected below.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water and Sewer Fund</u>	<u>Winchester Parking Authority</u>
Net Position, June 30, 2013, as previously stated	\$ 22,599,222	\$ 49,815,987	\$ 49,915,390	\$ 432,270
To retroactively expense debt issuance costs	<u>(565,102)</u>	<u>(794,190)</u>	<u>(794,190)</u>	<u>(163,409)</u>
Net Position, June 30, 2013, as restated	<u>\$ 22,034,120</u>	<u>\$ 49,021,797</u>	<u>\$ 49,121,200</u>	<u>\$ 268,861</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 19. New Accounting Standards

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. This Statement amends *GASB Statement No. 68* to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.

Management has not yet evaluated the effects, if any, of adopting these standards.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WINCHESTER, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

CITY - DEFINED BENEFIT PENSION PLAN						Exhibit 11
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	61,204,572	80,339,762	19,135,190	76.2%	20,700,320	92.4%
June 30, 2012	61,385,991	86,880,317	25,494,326	70.7%	21,864,022	116.6%
June 30, 2013	64,336,428	86,377,965	22,041,537	74.5%	21,516,041	102.4%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - DEFINED BENEFIT PENSION PLAN						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	4,898,052	5,978,413	1,080,361	81.9%	1,840,586	58.7%
June 30, 2012	5,017,645	6,343,660	1,326,015	79.1%	1,829,064	72.5%
June 30, 2013	5,291,868	6,282,464	990,596	84.2%	1,991,689	49.7%

CITY - VRS HEALTH INSURANCE CREDIT PROGRAM						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	259,346	493,667	234,321	52.5%	16,747,717	1.4%
June 30, 2012	264,399	530,324	265,925	49.9%	17,932,929	1.5%
June 30, 2013	292,566	531,888	239,322	55.0%	17,976,458	1.3%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - VRS HEALTH INSURANCE CREDIT PROGRAM						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	42,446	75,474	33,028	56.2%	1,840,586	1.8%
June 30, 2012	46,005	82,911	36,906	55.5%	1,829,064	2.0%
June 30, 2013	53,171	88,111	34,940	60.3%	1,991,689	1.8%

CITY - RETIREE HEALTH PLAN						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 1, 2009	-	4,417,000	4,417,000	0.0%	16,282,810	27.1%
September 1, 2011	-	6,959,000	6,959,000	0.0%	20,700,320	33.6%
July 1, 2013	-	6,329,000	6,329,000	0.0%	20,700,320	30.6%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Highway Maintenance Fund – to account for the proceeds of state street and highway maintenance grants, and the related expenditure which is to be used for this purpose. This fund is only used for maintenance related expenditures, capital expenditures are recorded in other applicable funds.

Emergency Medical Services Fund – to account for the provision of emergency medical transportation services. Financing is provided by fees charged to customers and insurance providers.

Winchester-Frederick County Convention and Visitors Bureau Fund – to account for the costs of a shared visitors bureau. Financing is provided in equal amounts by the City of Winchester and Frederick County.

Law Library Fund – to account for the purchase of reference material for the law library. Financing is provided by a portion of court fines levied. Such funds are limited to expenditures for this purpose.

Transit Fund – to account for grants and monies received and used for operations of the City's public transit system.

CAPITAL PROJECTS FUND

Capital Projects Fund – to account for the financing and construction of capital projects of the general government. Financing is provided by general government revenue and bond issues.

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

Exhibit 12

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 1,231,765	\$ -	\$ 1,231,765
Investments	224,953	4,772,391	4,997,344
Accounts receivable, net	188,656	-	188,656
Notes receivable	127,500	-	127,500
Prepays	40,000	-	40,000
Due from other governments	931,907	668,273	1,600,180
	<hr/>	<hr/>	<hr/>
Total assets	\$ 2,744,781	\$ 5,440,664	\$ 8,185,445
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 960,215	\$ 759,031	\$ 1,719,246
Accrued payroll	219,780	-	219,780
Due to other funds	405,000	-	405,000
Deferred revenue	167,309	-	167,309
	<hr/>	<hr/>	<hr/>
Total liabilities	1,752,304	759,031	2,511,335
	<hr/>	<hr/>	<hr/>
Fund balances:			
Nonspendable	167,500	-	167,500
Restricted for:			
Debt proceeds not yet spent	-	4,013,360	4,013,360
Assigned	824,977	668,273	1,493,250
	<hr/>	<hr/>	<hr/>
Total fund balances	992,477	4,681,633	5,674,110
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 2,744,781	\$ 5,440,664	\$ 8,185,445
	<hr/>	<hr/>	<hr/>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Exhibit 13

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenues from use of money and property	\$ 8,366	\$ 5,868	\$ 14,234
Charges for services	1,197,936	-	1,197,936
Miscellaneous	44,786	-	44,786
Recovered costs	37,387	25,137	62,524
Intergovernmental:			
Frederick County	100,500	-	100,500
Commonwealth	5,284,348	1,004,670	6,289,018
Federal	<u>2,640,879</u>	<u>100,859</u>	<u>2,741,738</u>
Total revenues	<u>9,314,202</u>	<u>1,136,534</u>	<u>10,450,736</u>
EXPENDITURES			
Current:			
Judicial administration	37,164	-	37,164
Public safety	1,082,514	511,622	1,594,136
Public works	5,595,506	4,324,221	9,919,727
Health and welfare	5,978,613	-	5,978,613
Parks, recreation, and culture	-	223,500	223,500
Community development	<u>242,426</u>	<u>-</u>	<u>242,426</u>
Total expenditures	<u>12,936,223</u>	<u>5,059,343</u>	<u>17,995,566</u>
Excess of expenditures over revenues	<u>(3,622,021)</u>	<u>(3,922,809)</u>	<u>(7,544,830)</u>
OTHER FINANCING SOURCES			
Proceeds from bond issuance	-	5,563,163	5,563,163
Proceeds from premium on bond issuance	-	444,518	444,518
Transfers in	<u>3,307,546</u>	<u>1,405,000</u>	<u>4,712,546</u>
Total other financing sources	<u>3,307,546</u>	<u>7,412,681</u>	<u>10,720,227</u>
Net change in fund balances	(314,475)	3,489,872	3,175,397
Fund balance - beginning	<u>1,306,952</u>	<u>1,191,761</u>	<u>2,498,713</u>
Fund balance - ending	<u>\$ 992,477</u>	<u>\$ 4,681,633</u>	<u>\$ 5,674,110</u>

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014**

Exhibit 14

	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	Total
ASSETS							
Cash	\$ 174,101	\$ 422,911	\$ 492,972	\$ 43,976	\$ 97,089	\$ 716	\$ 1,231,765
Investments	31,800	77,245	90,042	8,032	17,734	100	224,953
Accounts receivable, net	-	-	176,835	-	10,847	974	188,656
Notes receivable	-	-	127,500	-	-	-	127,500
Prepays	40,000	-	-	-	-	-	40,000
Due from other governments	<u>355,345</u>	<u>103,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,438</u>	<u>931,907</u>
Total assets	<u>\$ 601,246</u>	<u>\$ 603,280</u>	<u>\$ 887,349</u>	<u>\$ 52,008</u>	<u>\$ 125,670</u>	<u>\$ 475,228</u>	<u>\$ 2,744,781</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 373,395	\$ 459,853	\$ 119,318	\$ 638	\$ 5,767	\$ 1,244	\$ 960,215
Accrued payroll	108,704	55,348	23,008	5,960	500	26,260	219,780
Due to other funds	-	-	-	-	-	405,000	405,000
Deferred revenue	<u>-</u>	<u>-</u>	<u>167,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,309</u>
Total liabilities	<u>482,099</u>	<u>515,201</u>	<u>309,635</u>	<u>6,598</u>	<u>6,267</u>	<u>432,504</u>	<u>1,752,304</u>
Fund balances:							
Nonspendable	40,000	-	127,500	-	-	-	167,500
Assigned	<u>79,147</u>	<u>88,079</u>	<u>450,214</u>	<u>45,410</u>	<u>119,403</u>	<u>42,724</u>	<u>824,977</u>
Total fund balances	<u>119,147</u>	<u>88,079</u>	<u>577,714</u>	<u>45,410</u>	<u>119,403</u>	<u>42,724</u>	<u>992,477</u>
Total liabilities and fund balances	<u>\$ 601,246</u>	<u>\$ 603,280</u>	<u>\$ 887,349</u>	<u>\$ 52,008</u>	<u>\$ 125,670</u>	<u>\$ 475,228</u>	<u>\$ 2,744,781</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

Exhibit 15

	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	Total
REVENUES							
Revenues from use of money and property	\$ 2	\$ 6,636	\$ 1,354	\$ 104	\$ 270	\$ -	\$ 8,366
Charges for services	-	-	1,066,452	-	48,535	82,949	1,197,936
Miscellaneous	59	2,996	-	41,731	-	-	44,786
Recovered costs	-	31,509	-	-	-	5,878	37,387
Intergovernmental:							
Frederick County	-	-	-	100,500	-	-	100,500
Commonwealth	2,120,031	2,957,569	-	-	-	206,748	5,284,348
Federal	2,144,246	-	-	-	-	496,633	2,640,879
Total revenues	<u>4,264,338</u>	<u>2,998,710</u>	<u>1,067,806</u>	<u>142,335</u>	<u>48,805</u>	<u>792,208</u>	<u>9,314,202</u>
EXPENDITURES							
Current:							
Judicial administration	-	-	-	-	37,164	-	37,164
Public safety	-	-	1,082,514	-	-	-	1,082,514
Public works	-	4,622,412	-	-	-	973,094	5,595,506
Health and welfare	5,978,613	-	-	-	-	-	5,978,613
Community development	-	-	-	242,426	-	-	242,426
Total expenditures	<u>5,978,613</u>	<u>4,622,412</u>	<u>1,082,514</u>	<u>242,426</u>	<u>37,164</u>	<u>973,094</u>	<u>12,936,223</u>
Excess (deficiency) of revenues over expenditures	<u>(1,714,275)</u>	<u>(1,623,702)</u>	<u>(14,708)</u>	<u>(100,091)</u>	<u>11,641</u>	<u>(180,886)</u>	<u>(3,622,021)</u>
OTHER FINANCING SOURCES							
Transfers in	1,671,046	1,360,000	-	100,500	-	176,000	3,307,546
Total other financing sources	<u>1,671,046</u>	<u>1,360,000</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>176,000</u>	<u>3,307,546</u>
Net change in fund balances	(43,229)	(263,702)	(14,708)	409	11,641	(4,886)	(314,475)
Fund balance - beginning	<u>162,376</u>	<u>351,781</u>	<u>592,422</u>	<u>45,001</u>	<u>107,762</u>	<u>47,610</u>	<u>1,306,952</u>
Fund balance - ending	<u>\$ 119,147</u>	<u>\$ 88,079</u>	<u>\$ 577,714</u>	<u>\$ 45,410</u>	<u>\$ 119,403</u>	<u>\$ 42,724</u>	<u>\$ 992,477</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

Social Services Fund				
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 2	\$ 2
Charges for services	-	-	-	-
Miscellaneous	-	-	59	59
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	3,088,912	3,088,912	2,120,031	(968,881)
Federal	2,025,088	2,025,088	2,144,246	119,158
Total revenues	<u>5,114,000</u>	<u>5,114,000</u>	<u>4,264,338</u>	<u>(849,662)</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	7,242,000	7,242,000	5,978,613	1,263,387
Total expenditures	<u>7,242,000</u>	<u>7,242,000</u>	<u>5,978,613</u>	<u>1,263,387</u>
Excess (deficiency) of revenues over expenditures	<u>(2,128,000)</u>	<u>(2,128,000)</u>	<u>(1,714,275)</u>	<u>413,725</u>
OTHER FINANCING SOURCES				
Transfers in	2,100,000	2,100,000	1,671,046	(428,954)
Total other financing sources	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,671,046</u>	<u>(428,954)</u>
Net change in fund balances	<u>\$ (28,000)</u>	<u>\$ (28,000)</u>	<u>\$ (43,229)</u>	<u>\$ (15,229)</u>

Win-Fred Convention and Visitors Bureau Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 104	\$ 104
Charges for services	-	-	-	-
Miscellaneous	38,000	38,000	41,731	3,731
Recovered costs	-	-	-	-
Intergovernmental:				
Frederick County	100,500	100,500	100,500	-
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>138,500</u>	<u>138,500</u>	<u>142,335</u>	<u>3,835</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	252,000	252,000	242,426	9,574
Total expenditures	<u>252,000</u>	<u>252,000</u>	<u>242,426</u>	<u>9,574</u>
Excess (deficiency) of revenues over expenditures	<u>(113,500)</u>	<u>(113,500)</u>	<u>(100,091)</u>	<u>13,409</u>
OTHER FINANCING SOURCES				
Transfers in	113,500	113,500	100,500	(13,000)
Total other financing sources	<u>113,500</u>	<u>113,500</u>	<u>100,500</u>	<u>(13,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409</u>	<u>\$ 409</u>

Highway Maintenance Fund				Emergency Medical Services Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 6,600	\$ 6,600	\$ 6,636	\$ 36	\$ 5,000	\$ 5,000	\$ 1,354	\$ (3,646)
-	-	-	-	940,000	940,000	1,066,452	126,452
-	-	2,996	2,996	-	-	-	-
-	-	31,509	31,509	-	-	-	-
2,853,400	2,932,800	2,957,569	24,769	-	-	-	-
-	-	-	-	-	-	-	-
2,860,000	2,939,400	2,998,710	59,310	945,000	945,000	1,067,806	122,806
-	-	-	-	970,000	970,000	1,082,514	(112,514)
4,570,000	4,649,400	4,622,412	26,988	-	-	-	-
-	-	-	-	-	-	-	-
4,570,000	4,649,400	4,622,412	26,988	970,000	970,000	1,082,514	(112,514)
(1,710,000)	(1,710,000)	(1,623,702)	86,298	(25,000)	(25,000)	(14,708)	10,292
1,710,000	1,710,000	1,360,000	350,000	25,000	25,000	-	(25,000)
1,710,000	1,710,000	1,360,000	350,000	25,000	25,000	-	(25,000)
\$ -	\$ -	\$ (263,702)	\$ 436,298	\$ -	\$ -	\$ (14,708)	\$ (14,708)
Law Library Fund				Transit Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 270	\$ 270	\$ -	\$ -	\$ -	\$ -
50,000	50,000	48,535	(1,465)	100,700	100,700	82,949	(17,751)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,878	5,878
-	-	-	-	-	-	-	-
-	-	-	-	254,000	254,000	206,748	(47,252)
-	-	-	-	962,800	962,800	496,633	(466,167)
50,000	50,000	48,805	(1,195)	1,317,500	1,317,500	792,208	(525,292)
50,000	50,000	37,164	12,836	-	-	-	-
-	-	-	-	1,640,000	1,640,000	973,094	(666,906)
-	-	-	-	-	-	-	-
50,000	50,000	37,164	12,836	1,640,000	1,640,000	973,094	(666,906)
-	-	11,641	11,641	(322,500)	(322,500)	(180,886)	141,614
-	-	-	-	322,500	322,500	176,000	(146,500)
-	-	-	-	322,500	322,500	176,000	(146,500)
\$ -	\$ -	\$ 11,641	\$ 11,641	\$ -	\$ -	\$ (4,886)	\$ (4,886)

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2014

Exhibit 17

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 5,868	\$ 5,868
Recovered costs	950,000	950,000	25,137	(924,863)
Intergovernmental:				
Commonwealth	7,845,000	7,845,000	1,004,670	(6,840,330)
Federal	880,000	880,000	100,859	(779,141)
Total revenues	<u>9,675,000</u>	<u>9,675,000</u>	<u>1,136,534</u>	<u>(8,538,466)</u>
EXPENDITURES				
Current:				
Public safety	3,360,000	3,360,000	511,622	2,848,378
Public works	14,980,000	14,980,000	4,324,221	10,655,779
Parks, recreation and culture	<u>1,350,000</u>	<u>1,350,000</u>	<u>223,500</u>	<u>1,126,500</u>
Total expenditures	<u>19,690,000</u>	<u>19,690,000</u>	<u>5,059,343</u>	<u>14,630,657</u>
Excess (deficiency) of revenues over expenditures	<u>(10,015,000)</u>	<u>(10,015,000)</u>	<u>(3,922,809)</u>	<u>6,092,191</u>
OTHER FINANCING SOURCES				
Proceeds from bond issuance	6,000,000	6,000,000	5,563,163	(436,837)
Proceeds from premium on bond issuance	-	-	444,518	444,518
Transfers in	<u>4,015,000</u>	<u>4,015,000</u>	<u>1,405,000</u>	<u>(2,610,000)</u>
Total other financing sources	<u>10,015,000</u>	<u>10,015,000</u>	<u>7,412,681</u>	<u>(2,602,319)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,489,872</u>	<u>\$ 3,489,872</u>

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INTERNAL SERVICE FUNDS

Employee Benefits Fund – to account for the receipt and payment of funds for City employee fringe benefits, including health insurance and workers' compensation. Cost reimbursement revenues paid by departments and agencies of the City, as well as participating employees, are used to provide the employee fringe benefits.

Equipment Operating Fund – to account for the purchase and use of equipment inventory, which is provided to departments and agencies of the City on a cost reimbursement basis.

Other Post-Employment Benefits Fund – to account for the costs associated with providing healthcare benefits to current and future eligible retirees of the City.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014

Exhibit 18

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
ASSETS				
Current assets:				
Cash	\$ 2,023,340	\$ 123,580	\$ 1,509,385	\$ 3,656,305
Investments	309,659	22,572	275,692	607,923
Accounts receivable, net	92,554	1,374	-	93,928
Prepays	336,532	-	-	336,532
Inventories	-	119,642	-	119,642
Total current assets	<u>2,762,085</u>	<u>267,168</u>	<u>1,785,077</u>	<u>4,814,330</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	-	41,008	-	41,008
Total assets	<u>2,762,085</u>	<u>308,176</u>	<u>1,785,077</u>	<u>4,855,338</u>
LIABILITIES				
Current liabilities:				
Accounts payable	685,236	63,539	-	748,775
Accrued payroll	-	12,259	-	12,259
Total current liabilities	<u>685,236</u>	<u>75,798</u>	<u>-</u>	<u>761,034</u>
Noncurrent liabilities:				
Compensated absences	-	27,408	-	27,408
Net OPEB obligation	-	-	1,785,077	1,785,077
Total noncurrent liabilities	<u>-</u>	<u>27,408</u>	<u>1,785,077</u>	<u>1,812,485</u>
Total liabilities	<u>685,236</u>	<u>103,206</u>	<u>1,785,077</u>	<u>2,573,519</u>
NET POSITION				
Net investment in capital assets	-	41,008	-	41,008
Unrestricted	<u>2,076,849</u>	<u>163,962</u>	<u>-</u>	<u>2,240,811</u>
Total net position	<u>\$ 2,076,849</u>	<u>\$ 204,970</u>	<u>\$ -</u>	<u>\$ 2,281,819</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2014

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
OPERATING REVENUES				
Charges for services	\$ 681,786	\$ 1,495,780	\$ 477,000	\$ 2,654,566
Total operating revenues	<u>681,786</u>	<u>1,495,780</u>	<u>477,000</u>	<u>2,654,566</u>
OPERATING EXPENSES				
Personal services	24,003	294,144	477,000	795,147
Contractual services	-	200,037	-	200,037
Other supplies and expenses	-	931,978	-	931,978
Insurance claims and expenses	428,158	-	-	428,158
Depreciation	-	3,910	-	3,910
Total operating expenses	<u>452,161</u>	<u>1,430,069</u>	<u>477,000</u>	<u>2,359,230</u>
Operating income	<u>229,625</u>	<u>65,711</u>	<u>-</u>	<u>295,336</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	<u>5,036</u>	<u>144</u>	<u>-</u>	<u>5,180</u>
Change in net position	234,661	65,855	-	300,516
Total net position - beginning	<u>1,842,188</u>	<u>139,115</u>	<u>-</u>	<u>1,981,303</u>
Total net position - ending	<u>\$ 2,076,849</u>	<u>\$ 204,970</u>	<u>\$ -</u>	<u>\$ 2,281,819</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2014

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from internal services provided	\$ 626,275	\$ 1,495,965	\$ 477,000	\$ 2,599,240
Cash paid to suppliers	-	(1,114,205)	-	(1,114,205)
Cash paid to employees	(32,126)	(287,931)	-	(320,057)
Premiums paid	(1,366,824)	-	-	(1,366,824)
Net cash provided by (used in) operating activities	(772,675)	93,829	477,000	(201,846)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(26,940)	-	(26,940)
Net cash used in capital and related financing activities	-	(26,940)	-	(26,940)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	5,036	144	-	5,180
Net cash provided by investing activities	5,036	144	-	5,180
Net increase (decrease) in cash and cash equivalents	(767,639)	67,033	477,000	(223,606)
Cash and cash equivalents - beginning of year	3,100,638	79,119	1,308,077	4,487,834
Cash and cash equivalents - end of year	\$ 2,332,999	\$ 146,152	\$ 1,785,077	\$ 4,264,228
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 2,023,340	\$ 123,580	\$ 1,509,385	\$ 3,656,305
Cash equivalents - Investments	309,659	22,572	275,692	607,923
Total	\$ 2,332,999	\$ 146,152	\$ 1,785,077	\$ 4,264,228
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 229,625	\$ 65,711	\$ -	\$ 295,336
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	-	3,910	-	3,910
(Increase) decrease in accounts receivable	(55,511)	185	-	(55,326)
(Increase) decrease in prepaids	(321,532)	-	-	(321,532)
(Increase) decrease in inventory	-	13,737	-	13,737
Increase (decrease) in accounts payable	(617,134)	4,073	-	(613,061)
Increase (decrease) in accrued payroll	(2,428)	1,508	-	(920)
Increase (decrease) in net OPEB obligation	-	-	477,000	477,000
Increase (decrease) in compensated absences	(5,695)	4,705	-	(990)
Total adjustments	(1,002,300)	28,118	477,000	(497,182)
Net cash provided by (used in) operating activities	\$ (772,675)	\$ 93,829	\$ 477,000	\$ (201,846)

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FIDUCIARY FUNDS

AGENCY FUNDS

Special Welfare Fund – to account for the receipt and payment of funds collected by the City on the behalf of certain social services clients.

Northwestern Regional Jail Authority Construction Fund – to account for bond proceeds for purposes of constructing a new regional jail.

Northwestern Regional Juvenile Detention Center Fund – to account for state grants, member locality contributions and reimbursements, and other revenues for the purpose of operating a joint juvenile detention center.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2014

Exhibit 21

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS				
Cash	\$ 8,775	\$ -	\$ 775,541	\$ 784,316
Investments	-	1,542,291	141,654	1,683,945
Accounts receivable	-	-	178,307	178,307
Prepays	-	2,001	-	2,001
Total assets	<u>\$ 8,775</u>	<u>\$ 1,544,292</u>	<u>\$ 1,095,502</u>	<u>\$ 2,648,569</u>
LIABILITIES				
Accounts payable	\$ -	\$ 26,916	\$ 23,475	\$ 50,391
Accrued payroll	-	-	95,430	95,430
Amounts held for social services clients	8,775	-	-	8,775
Amounts held for NRJA	-	1,517,376	-	1,517,376
Amounts held for NRJDC	-	-	976,597	976,597
Total liabilities	<u>\$ 8,775</u>	<u>\$ 1,544,292</u>	<u>\$ 1,095,502</u>	<u>\$ 2,648,569</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2014

Exhibit 22

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Special Welfare Fund				
Assets:				
Cash	\$ 8,450	\$ 325	\$ -	\$ 8,775
Total Assets	<u>\$ 8,450</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ 8,775</u>
Liabilities:				
Amounts held for social services clients	\$ 8,450	\$ 325	\$ -	\$ 8,775
Total Liabilities	<u>\$ 8,450</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ 8,775</u>
Northwestern Regional Jail Authority Construction Fund				
Assets:				
Investments	\$ 2,461,046	\$ 1,062,628	\$ 1,981,383	\$ 1,542,291
Prepays	14,501	-	12,500	2,001
Total Assets	<u>\$ 2,475,547</u>	<u>\$ 1,062,628</u>	<u>\$ 1,993,883</u>	<u>\$ 1,544,292</u>
Liabilities:				
Accounts payable	\$ 319,304	\$ -	\$ 292,388	\$ 26,916
Amounts held for NRJA	2,156,243	1,062,628	1,701,495	1,517,376
Total Liabilities	<u>\$ 2,475,547</u>	<u>\$ 1,062,628</u>	<u>\$ 1,993,883</u>	<u>\$ 1,544,292</u>
Northwestern Regional Juvenile Detention Center Fund				
Assets:				
Cash	\$ 755,955	\$ 2,607,200	\$ 2,587,614	\$ 775,541
Investments	218,869	-	77,215	141,654
Accounts receivable	123,532	1,733,667	1,678,892	178,307
Total Assets	<u>\$ 1,098,356</u>	<u>\$ 4,340,867</u>	<u>\$ 4,343,721</u>	<u>\$ 1,095,502</u>
Liabilities:				
Accounts payable	\$ 21,080	\$ 2,617,833	\$ 2,615,438	\$ 23,475
Accrued payroll	90,046	5,384	-	95,430
Amounts held for NRJDC	987,230	1,717,650	1,728,283	976,597
Total Liabilities	<u>\$ 1,098,356</u>	<u>\$ 4,340,867</u>	<u>\$ 4,343,721</u>	<u>\$ 1,095,502</u>
Total All Agency Funds				
Assets:				
Cash	\$ 764,405	\$ 2,607,525	\$ 2,587,614	\$ 784,316
Investments	2,679,915	1,062,628	2,058,598	1,683,945
Accounts receivable	123,532	1,733,667	1,678,892	178,307
Prepays	14,501	-	12,500	2,001
Total Assets	<u>\$ 3,582,353</u>	<u>\$ 5,403,820</u>	<u>\$ 6,337,604</u>	<u>\$ 2,648,569</u>
Liabilities:				
Accounts payable	\$ 340,384	\$ 2,617,833	\$ 2,907,826	\$ 50,391
Accrued payroll	90,046	5,384	-	95,430
Amounts held for social services clients	8,450	325	-	8,775
Amounts held for NRJA	2,156,243	1,062,628	1,701,495	1,517,376
Amounts held for NRJDC	987,230	1,717,650	1,728,283	976,597
Total Liabilities	<u>\$ 3,582,353</u>	<u>\$ 5,403,820</u>	<u>\$ 6,337,604</u>	<u>\$ 2,648,569</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Operating Fund – to account for the operations and maintenance of the 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.

CAPITAL PROJECTS FUNDS

School Fundraising Fund – created to account fundraising revenue and expenditures for the construction of school facilities.

School Capital Improvement Fund – created to account for unexpended school funds allowed by the Common Council to be carried over to future periods for school related capital projects.

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

School Federal Grants Fund – to account for the proceeds from federal grants. Such funds are limited to specified educational expenditures that are governed by the terms of the grant.

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

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
(Continued)**

INTERNAL SERVICE FUND

School Insurance Fund – to account for the operation of a partially self-insured employee health insurance program. Receipts from the School Board and participating employees are used to pay claims and purchase insurance for excess claims.

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

Newton B. Shingleton, M. Louise Cooper, and School Scholarship Funds – to account for donations received for the purpose of funding scholarships.

AGENCY FUNDS

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

CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
June 30, 2014

Exhibit 23

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 2,596,999	\$ 706,204	\$ 757,565	\$ -	\$ 739,191	\$ 4,799,959
Investments	474,253	128,807	138,371	-	134,854	876,285
Receivables, net:						
Accounts	-	1,251	-	-	28,071	29,322
Promises to give	-	920,934	-	-	-	920,934
Due from other funds	391,030	-	-	-	-	391,030
Due from other governments	849,727	-	42,965	-	637,772	1,530,464
Inventories	-	-	-	-	22,365	22,365
Investments - restricted	-	-	-	20,018,600	-	20,018,600
Total assets	<u>\$ 4,312,009</u>	<u>\$ 1,757,196</u>	<u>\$ 938,901</u>	<u>\$ 20,018,600</u>	<u>\$ 1,562,253</u>	<u>\$ 28,588,959</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 418,484	\$ -	\$ 480,554	\$ 295,290	\$ 13,978	\$ 1,208,306
Accrued payroll	3,859,853	-	-	-	342,411	4,202,264
Due to other funds	-	-	-	-	391,030	391,030
Total liabilities	<u>4,278,337</u>	<u>-</u>	<u>480,554</u>	<u>295,290</u>	<u>747,419</u>	<u>5,801,600</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable/unearned revenue	<u>13,510</u>	<u>920,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>934,444</u>
Total deferred inflows of resources	<u>13,510</u>	<u>920,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>934,444</u>
Fund balances:						
Restricted:						
Debt proceeds not yet spent	-	-	-	19,723,310	-	19,723,310
Nonspendable	-	-	-	-	22,365	22,365
Assigned	<u>20,162</u>	<u>836,262</u>	<u>458,347</u>	<u>-</u>	<u>792,469</u>	<u>2,107,240</u>
Total fund balances	<u>20,162</u>	<u>836,262</u>	<u>458,347</u>	<u>19,723,310</u>	<u>814,834</u>	<u>21,852,915</u>
Total liabilities and fund balances	<u>\$ 4,312,009</u>	<u>\$ 1,757,196</u>	<u>\$ 938,901</u>	<u>\$ 20,018,600</u>	<u>\$ 1,562,253</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	109,960,064
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	934,444
Internal service funds are used by management to charge the costs of maintenance and risk management, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.	1,305,640
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,323,004)
Net position of Discretely Presented Component Unit - Winchester Education Foundation	<u>965,105</u>
Net position of governmental activities	<u>\$ 133,695,164</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Exhibit 24

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Revenues from use of money and property	\$ 67,385	\$ 1,951	\$ 3,337	\$ 18,600	\$ 2,125	\$ 93,398
Charges for services	140,660	-	-	-	557,311	697,971
Miscellaneous	236,474	171,247	3,559	-	8,569	419,849
Recovered costs	144,095	-	97,746	-	-	241,841
Intergovernmental revenues:						
Local	25,659,975	-	-	20,000,000	-	45,659,975
Commonwealth	19,630,502	-	100,000	-	38,522	19,769,024
State and Federal	-	-	-	-	3,839,340	3,839,340
Total revenues	<u>45,879,091</u>	<u>173,198</u>	<u>204,642</u>	<u>20,018,600</u>	<u>4,445,867</u>	<u>70,721,398</u>
EXPENDITURES						
Current:						
Education	45,752,994	2,026	-	-	4,815,187	50,570,207
Capital projects	-	125,238	1,785,445	295,290	-	2,205,973
Total expenditures	<u>45,752,994</u>	<u>127,264</u>	<u>1,785,445</u>	<u>295,290</u>	<u>4,815,187</u>	<u>52,776,180</u>
Excess (deficiency) of revenues over expenditures	<u>126,097</u>	<u>45,934</u>	<u>(1,580,803)</u>	<u>19,723,310</u>	<u>(369,320)</u>	<u>17,945,218</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	129,235	129,235
Transfers out	(129,235)	-	-	-	-	(129,235)
Total other financing sources (uses)	<u>(129,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,235</u>	<u>-</u>
Net change in fund balances	(3,138)	45,934	(1,580,803)	19,723,310	(240,085)	17,945,218
Fund balances - beginning	<u>23,300</u>	<u>790,328</u>	<u>2,039,150</u>	<u>-</u>	<u>1,054,919</u>	
Fund balances - ending	<u>\$ 20,162</u>	<u>\$ 836,262</u>	<u>\$ 458,347</u>	<u>\$ 19,723,310</u>	<u>\$ 814,834</u>	

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,574,643) exceeded depreciation (\$3,028,733) in the current period.	(1,454,090)
In the statement of activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.	(74,666)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(171,176)
Internal service funds are used by management to charge the costs of risk management, to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities.	(94,360)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	4,046
Change in net position of Discretely Presented Component-Unit - Winchester Education Foundation	<u>(118,084)</u>
Change in net position of governmental activities	<u>\$ 16,036,888</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
For the Year Ended June 30, 2014

Exhibit 25

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 67,385	\$ 12,385
Charges for services	130,734	130,734	140,660	9,926
Miscellaneous	135,400	248,078	236,474	(11,604)
Recovered costs	80,000	116,888	144,095	27,207
Intergovernmental:				
Local	26,301,702	26,301,702	25,659,975	(641,727)
Commonwealth	19,337,727	19,619,249	19,630,502	11,253
Total revenues	46,040,563	46,471,651	45,879,091	(592,560)
EXPENDITURES				
Current:				
Education	46,040,563	46,342,416	45,752,994	589,422
Total expenditures	46,040,563	46,342,416	45,752,994	589,422
Excess (deficiency) of revenues over expenditures	-	129,235	126,097	(3,138)
OTHER FINANCING USES				
Transfers out	-	(129,235)	(129,235)	-
Total other financing uses	-	(129,235)	(129,235)	-
Net change in fund balances	\$ -	\$ -	\$ (3,138)	\$ (3,138)

CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

Exhibit 26

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 622,816	\$ -	\$ 116,375	\$ 739,191
Investments	113,598	-	21,256	134,854
Accounts receivable	28,071	-	-	28,071
Due from other governments	-	637,772	-	637,772
Inventories	22,365	-	-	22,365
Total assets	<u>\$ 786,850</u>	<u>\$ 637,772</u>	<u>\$ 137,631</u>	<u>\$ 1,562,253</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 98	\$ 13,880	\$ -	\$ 13,978
Accrued payroll	109,549	232,862	-	342,411
Due to other funds	-	391,030	-	391,030
Total liabilities	<u>109,647</u>	<u>637,772</u>	<u>-</u>	<u>747,419</u>
Fund balances:				
Nonspendable	22,365	-	-	22,365
Assigned	654,838	-	137,631	792,469
Total fund balances	<u>677,203</u>	<u>-</u>	<u>137,631</u>	<u>814,834</u>
Total liabilities and fund balances	<u>\$ 786,850</u>	<u>\$ 637,772</u>	<u>\$ 137,631</u>	<u>\$ 1,562,253</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR FUNDS
For the Year Ended June 30, 2014

Exhibit 27

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
REVENUES				
Revenues from use of money and property	\$ 1,440	\$ -	\$ 685	\$ 2,125
Charges for services	557,311	-	-	557,311
Miscellaneous	8,569	-	-	8,569
Intergovernmental revenues:				
Commonwealth	38,522	-	-	38,522
Federal	1,423,051	2,416,289	-	3,839,340
Total revenues	<u>2,028,893</u>	<u>2,416,289</u>	<u>685</u>	<u>4,445,867</u>
EXPENDITURES				
Current:				
Education	<u>1,972,293</u>	<u>2,416,289</u>	<u>426,605</u>	<u>4,815,187</u>
Total expenditures	<u>1,972,293</u>	<u>2,416,289</u>	<u>426,605</u>	<u>4,815,187</u>
Excess (deficiency) of revenues over expenditures	<u>56,600</u>	<u>-</u>	<u>(425,920)</u>	<u>(369,320)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>129,235</u>	<u>129,235</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>129,235</u>	<u>129,235</u>
Net change in fund balances	56,600	-	(296,685)	(240,085)
Fund balance - beginning	<u>620,603</u>	<u>-</u>	<u>434,316</u>	<u>1,054,919</u>
Fund balance - ending	<u>\$ 677,203</u>	<u>\$ -</u>	<u>\$ 137,631</u>	<u>\$ 814,834</u>

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014

	School Cafeteria Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ 1,500	\$ 1,500	\$ 1,440	\$ (60)
Charges for services	689,000	689,000	557,311	(131,689)
Miscellaneous	5,000	5,000	8,569	3,569
Intergovernmental:				
Commonwealth	36,950	37,040	38,522	1,482
Federal	1,219,129	1,370,174	1,423,051	52,877
Total revenues	<u>1,951,579</u>	<u>2,102,714</u>	<u>2,028,893</u>	<u>(73,821)</u>
EXPENDITURES				
Current:				
Education	<u>1,951,579</u>	<u>2,102,714</u>	<u>1,972,293</u>	<u>130,421</u>
Total expenditures	<u>1,951,579</u>	<u>2,102,714</u>	<u>1,972,293</u>	<u>130,421</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>56,600</u>	<u>56,600</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,600</u>	<u>\$ 56,600</u>

School Federal Grants Fund				School Textbook Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 685	\$ 685
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,675,444</u>	<u>2,673,879</u>	<u>2,416,289</u>	<u>(257,590)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,675,444</u>	<u>2,673,879</u>	<u>2,416,289</u>	<u>(257,590)</u>	<u>-</u>	<u>-</u>	<u>685</u>	<u>685</u>
<u>2,675,444</u>	<u>2,673,879</u>	<u>2,416,289</u>	<u>257,590</u>	<u>350,000</u>	<u>563,549</u>	<u>426,605</u>	<u>136,944</u>
<u>2,675,444</u>	<u>2,673,879</u>	<u>2,416,289</u>	<u>257,590</u>	<u>350,000</u>	<u>563,549</u>	<u>426,605</u>	<u>136,944</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>(563,549)</u>	<u>(425,920)</u>	<u>137,629</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>563,549</u>	<u>129,235</u>	<u>(434,314)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>563,549</u>	<u>129,235</u>	<u>(434,314)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (296,685)</u>	<u>\$ (296,685)</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2014

	School Fundraising Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 1,951	\$ 1,951
Miscellaneous	200,000	381,235	171,247	(209,988)
Recovered costs	-	-	-	-
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	<u>200,000</u>	<u>381,235</u>	<u>173,198</u>	<u>(208,037)</u>
EXPENDITURES				
Education	-	2,026	2,026	-
Capital projects	<u>200,000</u>	<u>379,209</u>	<u>125,238</u>	<u>253,971</u>
Total expenditures	<u>200,000</u>	<u>381,235</u>	<u>127,264</u>	<u>253,971</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>45,934</u>	<u>45,934</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ -	\$ -	\$ 45,934	\$ 45,934

School Capital Improvement Fund				School Construction Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ 3,337	\$ 3,337	\$ -	\$ 6,700	\$ 18,600	\$ 11,900
-	-	3,559	3,559	-	-	-	-
-	-	97,746	97,746	-	-	-	-
-	-	-	-	-	20,000,000	20,000,000	-
-	100,000	100,000	-	-	-	-	-
-	100,000	204,642	104,642	-	20,006,700	20,018,600	11,900
-	-	-	-	-	-	-	-
490,000	2,126,115	1,785,445	340,670	-	20,006,700	295,290	19,711,410
490,000	2,126,115	1,785,445	340,670	-	20,006,700	295,290	19,711,410
(490,000)	(2,026,115)	(1,580,803)	445,312	-	-	19,723,310	19,723,310
490,000	2,026,115	-	(2,026,115)	-	-	-	-
490,000	2,026,115	-	(2,026,115)	-	-	-	-
\$ -	\$ -	\$ (1,580,803)	\$ (1,580,803)	\$ -	\$ -	\$ 19,723,310	\$ 19,723,310

**CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
June 30, 2014**

Exhibit 30

	School Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Cash	\$ 1,102,235
Investments	201,325
Receivables, net	<u>2,080</u>
Total current assets	<u>1,305,640</u>
 NET POSITION	
Unrestricted	<u>\$ 1,305,640</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2014

Exhibit 31

	School Insurance Fund
OPERATING REVENUES	
Charges for services	\$ 4,038,919
Total operating revenues	<u>4,038,919</u>
OPERATING EXPENSES	
Insurance claims and expenses	<u>4,135,608</u>
Total operating expenses	<u>4,135,608</u>
Operating loss	<u>(96,689)</u>
NONOPERATING REVENUES	
Investment earnings	<u>2,329</u>
Total nonoperating revenues	<u>2,329</u>
TRANSFERS OUT	<u>-</u>
Change in net position	(94,360)
Total net position - beginning	<u>1,400,000</u>
Total net position - ending	<u>\$ 1,305,640</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2014

Exhibit 32

	School Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal services provided	\$ 4,136,268
Premiums paid	<u>(4,135,608)</u>
Net cash provided by operating activities	<u>660</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>2,329</u>
Net cash provided by investing activities	<u>2,329</u>
Net increase in cash and cash equivalents	2,989
Cash and cash equivalents - beginning of year	<u>1,300,571</u>
Cash and cash equivalents - end of year	<u>\$ 1,303,560</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 1,102,235
Cash equivalents - Investments	<u>201,325</u>
Total	<u>\$ 1,303,560</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (96,689)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	<u>97,349</u>
Total adjustments	<u>97,349</u>
Net cash provided by operating activities	<u>\$ 660</u>

**CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PRIVATE-PURPOSE TRUST FUNDS
 June 30, 2014**

Exhibit 33

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ASSETS				
Investments	\$ 445,572	\$ 42,407	\$ 71,676	\$ 559,655
Total assets	<u>\$ 445,572</u>	<u>\$ 42,407</u>	<u>\$ 71,676</u>	<u>\$ 559,655</u>
NET POSITION				
Held in trust for scholarships	<u>\$ 445,572</u>	<u>\$ 42,407</u>	<u>\$ 71,676</u>	<u>\$ 559,655</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2014

Exhibit 34

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	\$ 49,442	\$ 6,000	\$ 36,444	\$ 91,886
Investment earnings:				
Interest	5	-	56	61
Dividends	15,753	531	-	16,284
Realized and unrealized gains on investments	25,452	5,602	-	31,054
Total additions	<u>90,652</u>	<u>12,133</u>	<u>36,500</u>	<u>139,285</u>
DEDUCTIONS				
Administrative expenses	7,204	140	-	7,344
Scholarships awarded	39,875	8,000	31,000	78,875
Transfers out	13,464	-	-	13,464
Total deductions	<u>60,543</u>	<u>8,140</u>	<u>31,000</u>	<u>99,683</u>
Change in net position	30,109	3,993	5,500	39,602
Net position - beginning	<u>415,463</u>	<u>38,414</u>	<u>66,176</u>	<u>520,053</u>
Net position - ending	<u>\$ 445,572</u>	<u>\$ 42,407</u>	<u>\$ 71,676</u>	<u>\$ 559,655</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
For the Year Ended June 30, 2014

Exhibit 35

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2014
School Employee Benefits Fund				
Assets:				
Cash	\$ 455,002	\$ 111,205	\$ -	\$ 566,207
Investments	<u>102,769</u>	<u>-</u>	<u>17,343</u>	<u>85,426</u>
Total assets	<u>\$ 557,771</u>	<u>\$ 111,205</u>	<u>\$ 17,343</u>	<u>\$ 651,633</u>
Liabilities:				
Accounts payable	\$ 557,771	\$ 93,862	\$ -	\$ 651,633
Total liabilities	<u>\$ 557,771</u>	<u>\$ 93,862</u>	<u>\$ -</u>	<u>\$ 651,633</u>

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DISCRETELY PRESENTED COMPONENT UNIT – PARKING AUTHORITY

ENTERPRISE FUND

Parking Authority Fund – to account for the provision of parking facilities to City residents and visitors through City-owned parking lots and garages and metered on-street parking. All activities necessary to provide such services are included in the fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
June 30, 2014

	Exhibit 36
	Parking Authority Fund
ASSETS	
Current assets:	
Cash	\$ 1,095,464
Investments	198,684
Accounts receivable, net	<u>2,509</u>
Total current assets	<u>1,296,657</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	<u>8,296,911</u>
Total capital assets, net	<u>8,308,596</u>
Total noncurrent assets	<u>8,308,596</u>
Total assets	<u>9,605,253</u>
LIABILITIES	
Current liabilities:	
Accounts payable	13,666
Accrued payroll	13,712
Accrued interest payable	166,989
Revenue bonds payable	<u>195,149</u>
Total current liabilities	<u>389,516</u>
Noncurrent liabilities:	
Compensated absences	47,107
Revenue bonds payable	<u>8,083,690</u>
Total noncurrent liabilities	<u>8,130,797</u>
Total liabilities	<u>8,520,313</u>
NET POSITION	
Net investment in capital assets	29,757
Unrestricted	<u>1,055,183</u>
Total net position	<u>\$ 1,084,940</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2014

	Exhibit 37
	Parking Authority Fund
OPERATING REVENUES	
Charges for services	\$ 1,041,489
Miscellaneous	490
Total operating revenues	<u>1,041,979</u>
OPERATING EXPENSES	
Personal services	336,185
Contractual services	97,879
Other supplies and expenses	145,911
Depreciation	258,127
Total operating expenses	<u>838,102</u>
Operating income	<u>203,877</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	532
Interest and fiscal charges	(388,330)
City contribution	1,000,000
Total nonoperating revenues (expenses)	<u>612,202</u>
Change in net position	816,079
Total net position - beginning, as restated	<u>268,861</u>
Total net position - ending	<u>\$ 1,084,940</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2014

	Exhibit 38
	Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 1,046,438
Cash paid to suppliers	(236,300)
Cash paid to employees	(330,635)
Net cash provided by operating activities	<u>479,503</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
City contribution	1,000,000
Principal paid on capital debt	(175,000)
Interest paid on capital debt	(407,062)
Net cash provided by capital and related financing activities	<u>417,938</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>532</u>
Net cash provided by investing activities	<u>532</u>
Net increase in cash and cash equivalents	897,973
Cash and cash equivalents - beginning of year	<u>396,175</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,294,148</u></u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 1,095,464
Cash equivalents - Investments	198,684
Total	<u><u>\$ 1,294,148</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 203,877
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	258,127
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	4,459
Increase (decrease) in accounts payable	7,490
Increase (decrease) in accrued payroll	1,154
Increase (decrease) in compensated absences	4,396
Total adjustments	<u>275,626</u>
Net cash provided by operating activities	<u><u>\$ 479,503</u></u>

**SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT –
WINCHESTER EDUCATION FOUNDATION**

ENTERPRISE FUND

Winchester Education Foundation – to account for fundraising efforts that will benefit member organizations including, Winchester Public School Board, Handley Trust, Judges Athletic Association, and the John Handley High School Museum and Archive, as well as offering individuals and businesses, opportunities for making contributions to benefit the school children of the Winchester Public Schools. All activities necessary to carry-out these fundraising efforts are included in the fund. The Winchester Education Foundation is a discretely presented component unit of the discretely presented component unit, School Board. The amounts related to the Winchester Education Foundation have been added to the totals for the School Board as reported on Exhibits 23 and 24 to arrive at the entity-wide amounts presented on Exhibits 1 and 2.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER EDUCATION FOUNDATION
ENTERPRISE FUND
June 30, 2014

Exhibit 39

Winchester
Education
Foundation
Fund

ASSETS

Current assets:

Cash	\$ 281,617
Investments	181,173
Accounts receivable	3,300
Promises to give	153,755
Prepays	465
Total current assets	<u>620,310</u>

Noncurrent assets:

Promises to give, net	329,795
Land held for sale	15,000
Total noncurrent assets	<u>344,795</u>
Total assets	<u>965,105</u>

NET POSITION

Net investment in capital assets	15,000
Restricted	647,990
Unrestricted	302,115
Total net position	<u>\$ 965,105</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER EDUCATION FOUNDATION
ENTERPRISE FUND
For the Year Ended June 30, 2014

Exhibit 40

Winchester
Education
Foundation
Fund

OPERATING REVENUES

Contributions	\$ 111,864
Miscellaneous	1,700
Total operating revenues	<u>113,564</u>

OPERATING EXPENSES

Contractual services	70,745
Other supplies and expenses	133,296
Contributions	<u>50,000</u>
Total operating expenses	<u>254,041</u>
Operating loss	<u>(140,477)</u>

NONOPERATING REVENUES

Investment earnings	<u>22,393</u>
Total nonoperating revenues	<u>22,393</u>
Change in net position	(118,084)

Total net position - beginning	<u>1,083,189</u>
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Total net position - ending	<u><u>\$ 965,105</u></u>
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CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER EDUCATION FOUNDATION
ENTERPRISE FUND
For the Year Ended June 30, 2014

Exhibit 41

Winchester
Education
Foundation
Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from donors	\$ 173,780
Cash paid to suppliers and contributions	<u>(254,141)</u>
Net cash used in operating activities	<u>(80,361)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>22,393</u>
Net cash provided by investing activities	<u>22,393</u>

Net decrease in cash and cash equivalents	(57,968)
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Cash and cash equivalents - beginning of year	<u>520,758</u>
---	----------------

Cash and cash equivalents - end of year	<u><u>\$ 462,790</u></u>
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Cash and cash equivalents at end of year is comprised of the following:

Cash	\$ 281,617
Cash equivalents - Investments	<u>181,173</u>
Total	<u><u>\$ 462,790</u></u>

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

Operating loss	\$ (140,477)
Adjustments to reconcile operating income to net cash used in operating activities:	
Change in assets and liabilities:	
Decrease in pledges receivable	60,216
Decrease in accounts payable	<u>(100)</u>
Total adjustments	<u>60,116</u>
Net cash used in operating activities	<u><u>\$ (80,361)</u></u>

SUPPLEMENTAL DATA

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STATISTICAL SECTION

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

Contents	Pages
<i>Financial Trends – Tables 1 – 4</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	110-116
<i>Revenue Capacity – Tables 5 – 8</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	117-120
<i>Debt Capacity – Tables 9 – 13</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	121-125
<i>Demographic and Economic Information – Tables 14 – 15</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place	126-127
<i>Operating Information – Tables 16 – 18</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	128-130

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

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

Table 1

	2005	2006	2007	2008	2009(1)	2010(1)	2011	2012	2013(1)	2014
Governmental activities										
Net investment in capital assets	\$ 27,530,372	\$ 31,894,578	\$ 35,925,618	\$ 42,291,055	\$ 44,602,441	\$ 62,512,145	\$ 62,402,348	\$ 58,706,983	\$ 56,163,377	\$ 57,626,610
Restricted	-	-	217,166	102,003	49,876	-	-	-	-	-
Unrestricted	(16,610,067)	(41,078,838)	(53,683,445)	(58,705,920)	(59,010,599)	(58,030,587)	(50,945,522)	(41,218,664)	(33,564,155)	(46,366,141)
Total governmental activities net position	<u>\$ 10,920,305</u>	<u>\$ (9,184,260)</u>	<u>\$ (17,540,661)</u>	<u>\$ (16,312,862)</u>	<u>\$ (14,358,282)</u>	<u>\$ 4,481,558</u>	<u>\$ 11,456,826</u>	<u>\$ 17,488,319</u>	<u>\$ 22,599,222</u>	<u>\$ 11,260,469</u>
Business-type activities										
Net investment in capital assets	\$ 30,128,483	\$ 32,310,319	\$ 32,018,014	\$ 35,012,184	\$ 36,807,871	\$ 44,278,901	\$ 43,480,262	\$ 48,176,844	\$ 49,037,689	\$ 51,196,584
Restricted	-	2,000	2,000	2,000	2,000	-	-	-	-	-
Unrestricted	7,464,431	3,904,997	6,531,712	3,555,389	5,579,913	380,107	917,995	(443,640)	778,298	1,811,069
Total business-type activities net position	<u>\$ 37,592,914</u>	<u>\$ 36,217,316</u>	<u>\$ 38,551,726</u>	<u>\$ 38,569,573</u>	<u>\$ 42,389,784</u>	<u>\$ 44,659,008</u>	<u>\$ 44,398,257</u>	<u>\$ 47,733,204</u>	<u>\$ 49,815,987</u>	<u>\$ 53,007,653</u>
Primary government										
Net investment in capital assets	\$ 57,658,855	\$ 64,204,897	\$ 67,943,632	\$ 77,303,239	\$ 81,410,312	\$ 106,791,046	\$ 105,882,610	\$ 106,883,827	\$ 105,201,066	\$ 108,823,194
Restricted	-	2,000	219,166	104,003	51,876	-	-	-	-	-
Unrestricted	(9,145,636)	(37,173,841)	(47,151,733)	(55,150,531)	(53,430,686)	(57,650,480)	(50,027,527)	(41,662,304)	(32,785,857)	(44,555,072)
Total primary government net position	<u>\$ 48,513,219</u>	<u>\$ 27,033,056</u>	<u>\$ 21,011,065</u>	<u>\$ 22,256,711</u>	<u>\$ 28,031,502</u>	<u>\$ 49,140,566</u>	<u>\$ 55,855,083</u>	<u>\$ 65,221,523</u>	<u>\$ 72,415,209</u>	<u>\$ 64,268,122</u>
School Board Component Unit										
Net investment in capital assets	\$ 42,682,558	\$ 70,713,467	\$ 88,843,037	\$ 104,213,868	\$ 112,430,425	\$ 116,460,222	\$ 114,692,709	\$ 113,054,855	\$ 111,503,820	\$ 109,960,064
Restricted	-	-	2,096,290	3,731,987	1,767,727	-	-	-	575,798	20,371,300
Unrestricted	4,965,488	10,815,973	16,779,217	8,553,970	2,173,262	3,881,107	5,791,479	5,907,579	5,578,658	3,363,800
Total governmental activities net position	<u>\$ 47,648,046</u>	<u>\$ 81,529,440</u>	<u>\$ 107,718,544</u>	<u>\$ 116,499,825</u>	<u>\$ 116,371,414</u>	<u>\$ 120,341,329</u>	<u>\$ 120,484,188</u>	<u>\$ 118,962,434</u>	<u>\$ 117,658,276</u>	<u>\$ 133,695,164</u>

Notes: (1) These totals are as previously reported. A prior period adjustment was required in 2010, 2011, and 2013 which modified these amounts.

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

Table 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 3,757,763	\$ 4,101,357	\$ 4,611,199	\$ 4,963,448	\$ 4,646,225	\$ 4,023,701	\$ 3,951,051	\$ 4,450,987	\$ 4,098,528	\$ 4,847,983
Judicial administration	1,327,540	2,061,174	2,347,350	2,014,178	2,763,951	2,884,754	2,935,921	2,937,196	3,208,823	3,217,304
Public safety	12,392,777	14,541,554	15,534,200	16,781,824	18,323,978	17,585,438	17,771,948	18,061,684	19,051,218	19,691,104
Public works	5,212,319	5,296,991	5,871,189	7,940,266	7,067,534	7,766,233	9,257,342	11,502,592	10,462,004	12,276,087
Health and welfare	6,652,692	6,880,841	7,689,247	7,705,538	7,579,302	7,246,742	7,730,706	7,659,067	7,208,056	6,874,897
Education	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238	45,697,366
Parks, recreation, and culture	2,352,025	2,187,433	2,385,028	2,968,842	3,354,192	3,413,062	3,461,791	3,525,459	3,792,062	3,504,618
Community development	2,449,154	1,906,853	1,920,305	2,173,272	1,850,299	1,653,859	2,414,352	2,077,685	2,438,493	1,810,977
Interest on long-term debt	2,077,447	3,388,365	4,184,083	4,640,407	4,610,500	4,249,316	4,036,885	3,436,706	3,156,413	3,682,243
Bond issuance costs	-	-	-	-	-	-	-	-	-	183,567
Total governmental activities expenses	<u>77,667,061</u>	<u>97,194,417</u>	<u>89,515,837</u>	<u>81,827,935</u>	<u>78,120,521</u>	<u>74,239,219</u>	<u>76,938,189</u>	<u>79,034,533</u>	<u>80,121,835</u>	<u>101,786,146</u>
Business-type activities:										
Water and sewer	10,291,642	11,660,732	12,867,908	14,427,989	16,030,605	15,973,606	17,132,555	19,207,251	21,294,667	20,636,511
Transit service	645,959	921,626	924,440	853,081	910,514	964,912	-	-	-	-
Total business-type activities expenses	<u>10,937,601</u>	<u>12,582,358</u>	<u>13,792,348</u>	<u>15,281,070</u>	<u>16,941,119</u>	<u>16,938,518</u>	<u>17,132,555</u>	<u>19,207,251</u>	<u>21,294,667</u>	<u>20,636,511</u>
Total primary government expenses	<u>\$ 88,604,662</u>	<u>\$ 109,776,775</u>	<u>\$ 103,308,185</u>	<u>\$ 97,109,005</u>	<u>\$ 95,061,640</u>	<u>\$ 91,177,737</u>	<u>\$ 94,070,744</u>	<u>\$ 98,241,784</u>	<u>\$ 101,416,502</u>	<u>\$ 122,422,657</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 609,001	\$ 672,473	\$ 681,154	\$ 732,219	\$ 795,459	\$ 254,535	\$ 276,960	\$ 269,955	\$ 113,965	\$ 147,384
Judicial administration	418,589	383,212	371,968	359,633	204,413	630,433	781,054	837,066	683,121	634,692
Public safety	109,541	127,567	1,008,032	895,701	888,450	992,875	1,031,282	961,651	1,226,999	1,193,298
Public works	358,752	480,784	615,990	603,778	1,064,374	341,284	788,258	1,193,772	1,158,991	1,071,780
Health and welfare	71,228	71,388	78,634	83,304	90,838	75,357	70,083	61,555	52,875	52,008
Parks, recreation, and culture	588,779	591,651	593,557	620,699	607,476	781,612	732,187	777,314	665,747	833,837
Community development	636,958	616,498	557,807	444,174	277,349	441,569	312,354	279,155	302,148	316,428
Operating grants and contributions	8,335,248	9,302,094	9,680,995	9,306,894	8,931,591	10,225,614	11,927,468	13,093,099	11,914,905	11,606,524
Capital grants and contributions	1,317,918	484,819	1,497,526	723,220	1,835,430	16,184,324	36,524	1,904,428	1,141,420	1,921,832
Total governmental activities revenues	<u>12,446,014</u>	<u>12,730,486</u>	<u>15,085,663</u>	<u>13,769,622</u>	<u>14,695,380</u>	<u>29,927,603</u>	<u>15,956,170</u>	<u>19,377,995</u>	<u>17,260,171</u>	<u>17,777,783</u>
Business-type activities:										
Charges for services:										
Water and sewer	14,618,918	13,511,213	14,656,789	16,036,767	17,926,218	18,236,410	19,636,840	20,219,861	22,411,243	24,814,747
Transit service	66,376	84,029	67,579	60,070	79,959	89,482	-	-	-	-
Operating grants and contributions	392,920	449,306	415,530	542,664	560,688	-	-	-	-	-
Capital grants and contributions	2,496,444	401,660	1,828,777	178,293	3,412,273	1,583,104	498,821	3,882,896	2,809,805	1,400,500
Total business-type activities revenues	<u>17,574,658</u>	<u>14,446,208</u>	<u>16,968,675</u>	<u>16,817,794</u>	<u>21,979,138</u>	<u>19,908,996</u>	<u>20,135,661</u>	<u>24,102,757</u>	<u>25,221,048</u>	<u>26,215,247</u>
Total primary government revenues	<u>\$ 30,020,672</u>	<u>\$ 27,176,694</u>	<u>\$ 32,054,338</u>	<u>\$ 30,587,416</u>	<u>\$ 36,674,518</u>	<u>\$ 49,836,599</u>	<u>\$ 36,091,831</u>	<u>\$ 43,480,752</u>	<u>\$ 42,481,219</u>	<u>\$ 43,993,030</u>

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

Table 2 (Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (65,221,047)	\$ (84,463,931)	\$ (74,430,174)	\$ (68,058,313)	\$ (63,425,141)	\$ (44,311,616)	\$ (60,982,019)	\$ (59,656,538)	\$ (62,861,664)	\$ (84,008,363)
Business-type activities	6,637,057	1,863,850	3,176,327	1,536,724	5,038,019	2,970,478	3,003,106	4,895,506	3,926,381	5,578,736
Total primary government net expense	<u>\$ (58,583,990)</u>	<u>\$ (82,600,081)</u>	<u>\$ (71,253,847)</u>	<u>\$ (66,521,589)</u>	<u>\$ (58,387,122)</u>	<u>\$ (41,341,138)</u>	<u>\$ (57,978,913)</u>	<u>\$ (54,761,032)</u>	<u>\$ (58,935,283)</u>	<u>\$ (78,429,627)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 20,654,729	\$ 25,468,425	\$ 29,385,425	\$ 33,279,510	\$ 34,178,174	\$ 34,168,510	\$ 33,797,432	\$ 34,768,213	\$ 35,952,587	\$ 37,597,733
Sales taxes	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682	8,119,431
Utility taxes	3,394,446	3,433,690	2,832,613	2,015,744	1,991,193	1,915,234	1,987,027	1,616,764	2,014,264	2,233,337
Business license taxes	5,400,295	5,983,072	5,901,109	5,727,230	5,458,468	5,236,568	5,451,253	5,678,324	5,736,888	6,016,529
Franchise taxes	1,057,007	543,864	557,228	276,598	293,529	329,097	349,004	302,554	360,030	402,711
Hotel and meals taxes	5,032,624	5,598,277	5,845,108	5,739,369	5,021,594	5,375,860	5,671,611	5,999,862	6,217,625	6,596,681
E-911 taxes	651,115	579,235	-	-	-	-	-	-	-	-
Communication sales taxes	-	-	886,730	2,423,466	2,277,662	2,207,059	2,260,141	2,142,639	2,199,696	2,145,662
Other local taxes	1,468,133	2,182,526	2,187,954	1,720,639	2,129,896	1,598,674	1,762,905	1,529,900	1,820,712	1,979,202
Sale of right-of-way	-	-	-	-	-	-	250,000	386,296	-	-
Unrestricted grants and contributions	3,752,212	3,959,529	4,472,972	3,735,644	3,626,897	2,831,277	2,997,533	3,007,083	2,966,192	2,987,618
Investment earnings	205,740	875,864	1,322,717	1,458,202	460,609	281,219	146,478	138,851	68,675	70,590
Miscellaneous	414,694	459,032	799,216	512,011	527,737	-	4,304	31,860	47,216	33,441
Gain on sale of capital assets	-	734,856	70,364	-	22,781	-	-	-	-	-
Special item	-	-	-	-	-	-	-	-	-	3,451,777
Transfers	1,819,869	3,677,307	1,500,277	1,819,967	1,354,150	1,864,000	3,321,749	1,600,000	1,870,000	1,600,000
Total governmental activities	<u>54,124,086</u>	<u>64,390,370</u>	<u>66,042,769</u>	<u>68,455,753</u>	<u>65,379,721</u>	<u>63,197,056</u>	<u>66,085,965</u>	<u>65,688,031</u>	<u>67,972,567</u>	<u>73,234,712</u>
Business-type activities:										
Investment earnings	195,569	400,403	567,522	273,073	125,725	56,010	12,746	32,925	20,577	426
Miscellaneous	13,519	37,456	134,639	28,017	10,617	53,060	45,146	6,516	5,825	6,694
Transfers	(1,819,869)	(3,677,307)	(1,500,277)	(1,819,967)	(1,354,150)	(1,864,000)	(3,321,749)	(1,600,000)	(1,870,000)	(1,600,000)
Total business-type activities	<u>(1,610,781)</u>	<u>(3,239,448)</u>	<u>(798,116)</u>	<u>(1,518,877)</u>	<u>(1,217,808)</u>	<u>(1,754,930)</u>	<u>(3,263,857)</u>	<u>(1,560,559)</u>	<u>(1,843,598)</u>	<u>(1,592,880)</u>
Total primary government	<u>\$ 52,513,305</u>	<u>\$ 61,150,922</u>	<u>\$ 65,244,653</u>	<u>\$ 66,936,876</u>	<u>\$ 64,161,913</u>	<u>\$ 61,442,126</u>	<u>\$ 62,822,108</u>	<u>\$ 64,127,472</u>	<u>\$ 66,128,969</u>	<u>\$ 71,641,832</u>
Change in Net Position										
Governmental activities	\$ (11,096,961)	\$ (20,073,561)	\$ (8,387,405)	\$ 397,440	\$ 1,954,580	\$ 18,885,440	\$ 5,103,946	\$ 6,031,493	\$ 5,110,903	\$ (10,773,651)
Business-type activities	5,026,276	(1,375,598)	2,378,211	17,847	3,820,211	1,215,548	(260,751)	3,334,947	2,082,783	3,985,856
Total primary government	<u>\$ (6,070,685)</u>	<u>\$ (21,449,159)</u>	<u>\$ (6,009,194)</u>	<u>\$ 415,287</u>	<u>\$ 5,774,791</u>	<u>\$ 20,100,988</u>	<u>\$ 4,843,195</u>	<u>\$ 9,366,440</u>	<u>\$ 7,193,686</u>	<u>\$ (6,787,795)</u>

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

Table 2 (Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
School Board Component Unit:										
Education	\$ 39,729,723	\$ 42,043,989	\$ 44,755,582	\$ 47,890,837	\$ 51,428,596	\$ 47,296,567	\$ 48,837,882	\$ 49,246,256	\$ 53,609,858	\$ 54,649,291
Total School Board component unit expenses	<u>39,729,723</u>	<u>42,043,989</u>	<u>44,755,582</u>	<u>47,890,837</u>	<u>51,428,596</u>	<u>47,296,567</u>	<u>48,837,882</u>	<u>49,246,256</u>	<u>53,609,858</u>	<u>54,649,291</u>
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	915,437	949,126	963,824	924,387	957,618	880,847	880,295	869,102	734,401	697,971
Operating grants and contributions	15,551,702	16,524,727	17,422,798	18,058,555	19,567,683	21,252,219	19,926,049	20,824,041	23,468,737	23,720,228
Capital grants and contributions	19,836,755	33,689,828	22,501,915	7,577,965	1,471,063	3,031,845	2,216,821	390,328	137,927	248,673
Total School Board component unit revenues	<u>36,303,894</u>	<u>51,163,681</u>	<u>40,888,537</u>	<u>26,560,907</u>	<u>21,996,364</u>	<u>25,164,911</u>	<u>23,023,165</u>	<u>22,083,471</u>	<u>24,341,065</u>	<u>24,666,872</u>
Net (Expense)/Revenue										
School Board Component Unit	<u>(3,425,829)</u>	<u>9,119,692</u>	<u>(3,867,045)</u>	<u>(21,329,930)</u>	<u>(29,432,232)</u>	<u>(22,131,656)</u>	<u>(25,814,717)</u>	<u>(27,162,785)</u>	<u>(29,268,793)</u>	<u>(29,982,419)</u>
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	21,975,750	23,481,698	25,056,307	26,920,190	27,901,103	25,386,902	25,351,902	25,351,902	26,651,702	45,659,975
Investment earnings	424,115	998,705	1,211,760	1,110,082	216,949	165,518	79,639	73,813	80,761	115,791
Miscellaneous	246,617	281,299	3,788,082	3,815,962	1,185,769	145,137	236,623	215,316	214,500	243,541
Gain on sale of capital assets	8,748	-	-	-	-	-	-	-	-	-
Total School Board Component Unit	<u>22,655,230</u>	<u>24,761,702</u>	<u>30,056,149</u>	<u>31,846,234</u>	<u>29,303,821</u>	<u>25,697,557</u>	<u>25,668,164</u>	<u>25,641,031</u>	<u>26,946,963</u>	<u>46,019,307</u>
Change in Net Position										
School Board Component Unit	<u>\$ 19,229,401</u>	<u>\$ 33,881,394</u>	<u>\$ 26,189,104</u>	<u>\$ 10,516,304</u>	<u>\$ (128,411)</u>	<u>\$ 3,565,901</u>	<u>\$ (146,553)</u>	<u>\$ (1,521,754)</u>	<u>\$ (2,321,830)</u>	<u>\$ 16,036,888</u>

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

Table 3

	2005	2006	2007	2008	2009	2010
Pre-GASB 54 implementation:						
General Fund						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,465
Unreserved	18,982,128	25,075,724	28,957,466	26,842,432	20,577,901	17,253,692
Total general fund	<u>\$ 18,982,128</u>	<u>\$ 25,075,724</u>	<u>\$ 28,957,466</u>	<u>\$ 26,842,432</u>	<u>\$ 20,577,901</u>	<u>\$ 17,267,157</u>
All Other Governmental Funds						
Reserved	\$ 126,832	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Unreserved, reported in:						
Special revenue funds	1,286,541	1,468,954	1,704,636	1,820,531	-	1,811,642
Capital projects funds	950,751	6,847,195	2,969,046	1,842,195	4,279,791	824,558
Debt service funds	482,877	342,947	217,166	102,003	49,876	-
Total all other governmental funds	<u>\$ 2,847,001</u>	<u>\$ 8,659,096</u>	<u>\$ 4,890,848</u>	<u>\$ 3,764,729</u>	<u>\$ 4,329,667</u>	<u>\$ 2,676,200</u>
	2011	2012	2013	2014		
Post-GASB 54 implementation:						
General Fund						
Nonspendable	\$ 11,950	\$ 7,081	\$ 8,408	\$ 11,916		
Restricted	441,131	476,780	486,062	495,790		
Committed	950,000	1,300,000	1,218,750	1,926,988		
Assigned	931,312	5,410,412	4,405,933	3,722,604		
Unassigned	18,651,925	15,145,625	16,071,618	16,084,160		
Total general fund	<u>\$ 20,986,318</u>	<u>\$ 22,339,898</u>	<u>\$ 22,190,771</u>	<u>\$ 22,241,458</u>		
All Other Governmental Funds						
Nonspendable	\$ 40,000	\$ 190,000	\$ 182,500	\$ 167,500		
Restricted	-	-	-	4,013,360		
Committed	-	-	-	-		
Assigned	2,068,984	3,172,645	2,316,213	1,493,250		
Unassigned	-	-	-	-		
Total all other governmental funds	<u>\$ 2,108,984</u>	<u>\$ 3,362,645</u>	<u>\$ 2,498,713</u>	<u>\$ 5,674,110</u>		

Note: 2011 was the first year of implementing GASB 54 which revised fund balance classifications.

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

Table 4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	\$ 20,502,718	\$ 25,041,195	\$ 29,701,648	\$ 33,045,144	\$ 33,704,350	\$ 33,821,252	\$ 33,942,158	\$ 34,607,227	\$ 36,115,435	\$ 37,746,991
Sales taxes	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682	8,119,431
Other local taxes	17,003,620	18,320,664	18,210,742	17,903,046	17,172,342	16,662,492	17,481,942	17,270,042	18,346,602	19,374,122
Permits, privilege fees, and regulatory licenses	639,874	619,646	560,761	450,188	285,131	392,290	292,644	252,950	285,746	300,089
Fines and forfeitures	274,987	221,123	203,206	171,521	159,077	147,721	221,715	274,147	161,403	149,170
Revenues from use of money and property	226,866	897,306	1,357,831	1,504,587	529,863	439,521	315,006	292,403	219,226	194,025
Charges for services	834,354	843,209	1,420,091	1,698,424	1,760,787	1,706,059	1,846,033	1,963,310	1,951,951	2,011,886
Miscellaneous	391,358	436,721	763,945	465,622	444,901	453,621	764,927	1,157,315	1,044,782	1,132,586
Recovered costs	650,470	776,667	903,114	887,583	1,454,804	979,769	1,045,223	930,667	726,062	612,575
Intergovernmental	12,575,431	13,646,660	13,697,391	13,849,118	14,393,918	14,754,690	14,737,288	17,742,776	15,888,838	15,711,958
Total revenues	63,372,900	71,697,884	77,099,785	79,722,606	77,942,204	76,746,973	78,733,464	82,976,522	83,458,727	85,352,833
Expenditures										
General government administration	3,140,752	3,445,735	3,907,048	4,420,565	3,999,143	3,803,786	3,690,586	4,304,202	4,607,388	5,046,842
Judicial administration	1,661,817	1,929,431	2,266,027	2,537,903	2,574,148	2,690,827	2,768,905	2,838,387	3,099,072	3,201,762
Public safety	12,505,214	14,851,908	15,745,426	16,592,044	17,907,345	16,963,980	17,471,623	18,028,989	19,021,960	19,944,482
Public works	5,645,313	6,994,174	7,592,466	9,579,042	8,611,361	10,526,541	6,958,722	9,708,681	10,215,038	14,011,949
Health and welfare	6,678,900	6,852,789	7,675,658	7,728,686	7,542,126	7,205,135	7,727,186	7,697,084	7,256,023	6,880,143
Education	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238	45,697,366
Parks, recreation, and culture	2,125,648	2,702,534	2,941,953	3,898,630	3,716,933	3,877,809	3,117,656	3,364,141	3,696,943	3,455,932
Community development	2,456,570	1,922,337	1,897,862	2,247,515	1,757,737	1,574,376	2,332,049	2,109,601	3,554,065	1,808,990
Capital projects	744,593	1,004,599	2,866,617	2,466,646	2,027,584	-	-	-	-	-
Debt service:										
Principal retirement	3,511,299	4,290,832	4,860,328	5,702,316	5,544,227	5,829,665	5,760,991	5,519,489	6,064,266	6,047,562
Interest and fiscal charges	1,763,091	3,048,509	4,136,444	4,592,251	4,690,387	4,343,895	4,132,168	3,435,326	3,183,954	3,672,839
Bond issuance costs	297,686	260,168	142,965	98,552	-	-	-	235,527	216,634	183,567
Advance refunding escrow	129,378	-	-	-	-	-	-	-	-	-
Total expenditures	82,105,605	104,132,865	99,006,030	92,504,310	86,295,531	82,232,128	79,338,079	82,624,584	87,621,581	109,951,434
Excess of revenues over (under) expenditures	(18,732,705)	(32,434,981)	(21,906,245)	(12,781,704)	(8,353,327)	(5,485,155)	(604,615)	351,938	(4,162,854)	(24,598,601)

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

Table 4 (Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Sale of property	\$ 7,004	\$ 752,455	\$ 82,493	\$ 1,520	\$ 43,198	\$ -	\$ 250,000	\$ 386,296	\$ -	\$ -
Insurance recoveries	-	59,303	13,416	14,015	18,576	114,754	4,304	31,860	47,216	33,437
Bonds issued	28,172,590	39,000,000	19,260,000	7,200,000	-	-	-	27,217,364	27,963,072	24,265,000
Premium on debt	620,625	1,230,047	772,124	88,710	-	1,481,730	-	3,995,350	-	1,926,248
Capital lease	766,308	282,000	360,425	441,500	-	-	-	-	-	-
Payment to refunded bond escrow agent	(9,952,868)	-	-	-	-	-	-	(30,975,567)	(26,730,493)	-
Transfers in	4,715,464	6,848,646	6,919,733	9,642,156	7,650,015	7,980,231	5,433,719	5,243,455	5,694,575	6,312,546
Transfers out	(2,895,595)	(3,800,775)	(5,419,456)	(7,847,350)	(6,295,865)	(6,336,231)	(3,589,786)	(3,643,455)	(3,824,575)	(4,712,546)
Total other financing sources and uses	<u>21,433,528</u>	<u>44,371,676</u>	<u>21,988,735</u>	<u>9,540,551</u>	<u>1,415,924</u>	<u>3,240,484</u>	<u>2,098,237</u>	<u>2,255,303</u>	<u>3,149,795</u>	<u>27,824,685</u>
Net change in fund balances	<u>\$ 2,700,823</u>	<u>\$ 11,936,695</u>	<u>\$ 82,490</u>	<u>\$ (3,241,153)</u>	<u>\$ (6,937,403)</u>	<u>\$ (2,244,671)</u>	<u>\$ 1,493,622</u>	<u>\$ 2,607,241</u>	<u>\$ (1,013,059)</u>	<u>\$ 3,226,084</u>
Debt service as a percentage of noncapital expenditures	7.2%	7.7%	10.0%	12.3%	12.8%	13.3%	12.6%	11.3%	11.4%	9.5%

CITY OF WINCHESTER, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

Real Property (1)(3)																	Personal Property (1)								Total Taxable Assessed Value	Total Direct Tax Rate
Fiscal Year		Residential	Commercial	Tax Rate per \$100	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Mobile Homes	Tax Rate per \$100												
2005	(2)	1,547,000,230	846,685,200	0.63	52,812,984	0.63	163,876,921	3.5	33,411	3.5	114,813,086	1.3	236,400	0.63	2,725,458,232	0.83										
2006		1,611,591,819	873,266,900	0.69	64,545,448	0.63	174,036,126	4.5	-	4.5	121,396,014	1.3	251,900	0.69	2,845,088,207	0.95										
2007	(2)	2,222,262,840	1,145,978,600	0.65	52,548,980	0.69	184,039,831	4.5	7,656	4.5	116,912,479	1.3	175,000	0.65	3,721,925,386	0.86										
2008		2,209,123,962	1,151,495,700	0.68	62,548,699	0.65	184,820,863	4.5	8,814	4.5	116,719,433	1.3	197,956	0.68	3,724,915,427	0.89										
2009	(2)	1,930,786,600	1,145,085,600	0.77	62,322,900	0.68	183,336,720	4.5	10,493	4.5	109,391,904	1.3	192,756	0.77	3,431,126,973	0.98										
2010		1,937,277,200	1,138,605,300	0.77	67,087,131	0.77	178,115,588	4.5	16,957	4.5	124,891,288	1.3	202,056	0.77	3,446,195,520	0.98										
2011	(2)	1,590,890,500	1,129,950,300	0.86	64,741,641	0.86	186,501,554	4.5	11,236	4.5	124,891,288	1.3	202,056	0.86	3,097,188,575	1.10										
2012		1,603,736,800	1,139,679,400	0.95	72,272,617	0.95	211,721,208	4.5	5,494	4.5	120,805,964	1.3	158,888	0.95	3,148,380,371	1.20										
2013	(2)	1,618,898,500	1,142,293,500	0.95	64,839,333	0.95	253,205,986	4.5	5,936	4.5	152,329,260	1.3	163,048	0.95	3,231,735,563	1.24										
2014		1,629,108,700	1,137,899,900	0.95	67,540,972	0.95	269,630,162	4.5	5,936	4.5	144,655,883	1.3	159,988	0.95	3,249,001,541	1.26										

Notes:

- (1) Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
- (2) General reassessment of real property completed for the 2003, 2005, 2007, 2009, 2011, and 2013 tax year.
- (3) Real Property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

Source:

City of Winchester, Commissioner of the Revenue

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

Table 6

Fiscal Year	City Direct Rates (2)				Total Direct Rate
	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	
2005	0.55	0.01	0.21	0.05	0.82
2006	0.60	0.01	0.28	0.06	0.95
2007	0.59	0.01	0.22	0.04	0.86
2008	0.61	0.01	0.22	0.04	0.88
2009	0.69	0.01	0.24	0.04	0.98
2010	0.69	0.01	0.23	0.05	0.98
2011	0.76	0.02	0.27	0.05	1.10
2012	0.83	0.02	0.30	0.05	1.20
2013	0.81	0.02	0.35	0.06	1.24
2014	0.81	0.02	0.37	0.06	1.26

Notes:

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

Source:

City of Winchester, Commissioner of the Revenue

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

Table 7

<u>Taxpayer</u>	December 31, 2013			December 31, 2004		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Mayflower Apple Blossom, LP	\$ 48,943,400	1	1.76%	\$ 35,562,300	1	1.33%
Walmart Realty CO	23,733,000	2	0.85%	15,296,800	7	0.57%
Cole MT Winchester LC	21,952,800	3	0.79%			
PDK Winchester LC	21,322,200	4	0.77%	12,925,500	9	0.48%
Rubbermaid Commercial Prod Inc	20,122,300	5	0.72%	15,473,100	6	0.58%
DDRM Apple Blossom Corners LLC	16,440,400	6	0.59%			
National Fruit Product Co., Inc.	14,589,400	7	0.52%	15,994,700	5	0.60%
Pleasant Valley Market Place LLC	12,510,500	8	0.45%			
Lowe's Home Center Inc.	12,283,600	9	0.44%	12,423,100	10	0.46%
Stuart Hill Apartments	12,147,000	10	0.44%			
Winchester Medical Center	-		-	27,927,300	2	1.01%
Dev. Diversified Realty Corp	-		-	16,951,200	4	0.63%
Melco, Inc.	-		-	18,349,800	3	0.69%
PolyOne Engineered Films	-		-	14,150,100	8	0.53%
Total	<u>\$ 204,044,600</u>		<u>7.33%</u>	<u>\$ 185,053,900</u>		<u>6.88%</u>

Source:

City of Winchester, Commissioner of Revenue Office

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	20,766,491	2,013,703	22,780,194	19,893,140	95.79%	2,648,056	22,541,196	98.95%
2006	25,705,020	2,802,593	28,507,613	24,280,467	94.46%	3,773,927	28,054,394	98.41%
2007	29,728,314	2,850,749	32,579,063	28,477,374	95.79%	2,160,600	30,637,974	94.04%
2008	32,280,468	2,877,353	35,157,821	31,240,872	96.78%	2,168,130	33,409,002	95.03%
2009	32,726,042	-	32,726,042	31,632,098	96.66%	1,093,944	32,726,042	100.00%
2010	35,759,290	-	35,759,290	34,285,769	95.88%	1,473,521	35,759,290	100.00%
2011	35,941,324	-	35,941,324	32,347,826	90.00%	1,448,421	33,796,247	94.03%
2012	34,060,423	-	34,060,423	33,158,805	97.35%	901,618	34,060,423	100.00%
2013	35,795,054	-	35,795,054	34,600,217	96.66%	1,196,585	35,796,802	100.00%
2014	36,946,349	-	36,946,349	35,960,406	97.33%	-	35,960,406	97.33%

Source:

City of Winchester, Treasurer

Notes:

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

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

Table 9

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds (2)	Obligations Payable	General Obligation Bonds (2)	Revenue Bonds (2)	Obligations Payable			
2005	55,393,281	-	21,751,067	-	-	77,144,348	11.66%	3,157
2006	90,474,179	-	26,662,924	-	-	117,137,103	15.49%	4,663
2007	105,263,817	-	29,886,248	-	-	135,150,065	16.78%	5,349
2008	107,244,423	-	28,497,851	-	-	135,742,274	16.08%	5,275
2009	101,700,196	-	27,022,523	23,920,000	8,163,355	160,806,074	18.04%	6,209
2010	95,870,531	-	25,444,814	36,215,000	7,232,324	164,762,669	18.41%	6,259
2011	90,109,540	-	23,779,501	47,610,000	20,221,937	181,720,978	20.34%	6,934
2012	84,848,790	-	22,058,855	66,589,030	19,080,302	192,576,977	21.45%	7,242
2013	85,909,809	900,000	21,557,534	69,725,303	17,709,408	195,802,054	20.78%	7,283
2014	105,525,330	600,000	19,806,474	66,997,071	16,202,542	209,131,417	20.79%	7,683

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

Notes:

- (1) See the Schedule of Demographic and Economic Statistics for personal income and population data.
- (2) Includes Unamortized Bond Premiums

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

Table 10

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
2005	77,144,348	482,877	76,661,471	#DIV/0!	3,137
2006	117,137,103	342,947	116,794,156	4.29%	4,650
2007	135,150,065	217,166	134,932,899	4.74%	5,341
2008	135,742,274	102,003	135,640,271	3.64%	5,271
2009	128,722,719	49,876	128,672,843	3.45%	4,969
2010	121,315,345	-	121,315,345	3.54%	4,609
2011	113,889,041	-	113,889,041	3.30%	4,346
2012	106,907,645	-	106,907,645	3.40%	4,021
2013	107,467,343	-	107,467,343	3.33%	3,998
2014	125,331,804	-	125,331,804	3.86%	4,605

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

Notes:

- (1) See the Schedule of Assessed Value and Actual Value of Taxable Property for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF WINCHESTER, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
As of June 30, 2014

Table 11

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Winchester</u>	<u>Amount Applicable to City of Winchester</u>
City of Winchester	\$ 106,125,330	100%	\$ 106,125,330

Notes:

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

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

Table 12

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 244,649,841	\$ 254,940,417	\$ 342,079,042	\$ 342,316,836	\$ 302,560,266	\$ 314,296,963	\$ 278,558,244	\$ 281,568,882	\$ 282,603,133	\$ 283,454,957
Total net debt applicable to limit	<u>76,661,471</u>	<u>116,794,156</u>	<u>134,932,899</u>	<u>135,640,271</u>	<u>128,672,843</u>	<u>121,315,345</u>	<u>113,889,041</u>	<u>106,907,645</u>	<u>107,467,343</u>	<u>114,224,636</u>
Legal debt margin	<u>\$ 167,988,370</u>	<u>\$ 138,146,261</u>	<u>\$ 207,146,143</u>	<u>\$ 206,676,565</u>	<u>\$ 173,887,423</u>	<u>\$ 192,981,618</u>	<u>\$ 164,669,203</u>	<u>\$ 174,661,237</u>	<u>\$ 175,135,790</u>	<u>\$ 169,230,321</u>
Total net debt applicable to the limit as a percentage of debt limit	31.34%	45.81%	39.44%	39.62%	42.53%	38.60%	40.89%	37.97%	38.03%	40.30%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value of Real Property	\$ 2,834,549,572
Debt Limit - 10%	283,454,957
Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>114,224,636</u>
Legal Debt Margin	<u>\$ 169,230,321</u>

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

**CITY OF WINCHESTER, VIRGINIA
PLEDGED-REVENUE COVERAGE
Last Five Fiscal Years**

Table 13

Fiscal Year	Water and Sewer Revenue Bonds					
	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	18,282,412	11,301,236	6,981,176	-	1,093,351	6.39
2011	19,681,986	11,662,219	8,019,767	770,000	1,779,020	4.51
2012	20,226,377	12,299,426	7,926,951	1,245,000	2,383,018	3.33
2013	22,417,068	12,860,026	9,557,042	1,715,000	3,247,700	2.94
2014	24,821,441	12,413,786	12,407,655	2,436,879	3,204,543	3.87

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Water and Sewer charges and other includes investment earnings but not availability fees. Operating expenses do not include interest or depreciation.

Notes:

- (1) Revenue bonds were issued in fiscal year 2009. Data will be added until a 10 year comparison is achieved.

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

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
2005	24,434	661,770	27,084	35.2	75.4%	23.7%	3,631	3.30%
2006	25,119	756,182	30,104	35.2	75.4%	23.7%	3,756	2.80%
2007	25,265	805,625	31,887	35.2	75.4%	23.7%	3,708	3.10%
2008	25,733	844,325	32,811	36.0	75.4%	23.7%	3,652	4.60%
2009	25,897	891,297	34,417	35.7	75.4%	23.7%	3,714	8.70%
2010	26,322	894,790	33,994	35.2	75.4%	23.7%	3,745	7.20%
2011	26,203	893,365	34,094	37.4	78.1%	28.1%	3,829	7.30%
2012	26,587	897,737	33,766	35.1	79.7%	29.7%	3,979	6.60%
2013	26,881	942,125	35,048	35.1	82.2%	29.2%	4,085	6.60%
2014	27,216	1,005,767	36,955	35.6	81.9%	29.5%	4,147	5.10%

Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) U.S. Census Bureau - Data presented is percentage of persons 25 years or older attaining the described educational status; 2010 census is latest available data.
- (5) City of Winchester School Board.

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

Table 15

<u>Employer</u>	<u>December 31, 2013</u>			<u>December 31, 2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Valley Health System	1,000 and over	1	7.16%	1,000 and over	1	7.47%
Shenandoah University	500 - 999	2	3.58%	500 - 999	4	3.74%
Winchester City Public Schools	500 - 999	3	3.58%	500 - 999	3	3.74%
Rubbermaid Commercial Products	500 - 999	4	3.58%	500 - 999	2	3.74%
Wal Mart	500 - 999	5	3.58%	500 - 999	5	3.74%
City of Winchester	500 - 999	6	3.58%	250 - 499	9	1.87%
U.S. Department of Defense	500 - 999	7	3.58%			
U.S. Federal Bureau of Investigation	250 - 499	8	1.79%			
Osullivan Films Inc	250 - 499	9	1.79%			
Grafton School, Inc.	250 - 499	10	1.79%			
Axiom Staffing Group				250 - 499	10	1.87%
Lear Operations Corporation				500 - 999		3.74%
Kohl's Department Stores				500 - 999	6	3.74%
Kraft Foods				500 - 999	7	3.74%
Polyone Engineered Films				250 - 499	8	1.87%
Total	<u>4,750</u>		<u>34.03%</u>	<u>5,000</u>		<u>39.24%</u>

Source: Virginia Employment Commission

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

CITY OF WINCHESTER, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Nine Fiscal Years (1)

Table 16

	Full-Time Equivalent Employees as of June 30								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Function/Program</u>									
General government administration	45	46	46	43	41	37	39	38	44
Judicial administration	38	38	38	42	41	46	46	44	45
Public safety	228	243	234	200	204	219	223	228	216
Public works	39	59	60	58	59	61	59	61	56
Health and welfare	45	41	43	43	44	46	44	40	43
Parks, recreation, and culture	50	40	50	53	52	58	55	46	46
Community development	13	20	19	14	13	13	11	12	12
Water and sewer	60	64	67	61	58	66	66	67	61
Transit service	15	13	13	13	13	14	14	15	18
Parking authority	12	10	8	8	8	8	6	6	6
Schools	685	685	687	687	683	677	687	668	674
Total	<u>1,230</u>	<u>1,259</u>	<u>1,265</u>	<u>1,222</u>	<u>1,216</u>	<u>1,245</u>	<u>1,250</u>	<u>1,225</u>	<u>1,221</u>

City FTE :

A full-time employee is scheduled to work 80 hours per biweekly pay period (including annual leave, sick leave, overtime, etc.). FTE employment is calculated by dividing total labor hours per pay period by 80.

Schools FTE:

Teacher FTE is based on 200 days at 7 hours per day.

Notes:

(1) Information is only available for last nine fiscal years. Data will be added until a 10 year comparison is achieved.

CITY OF WINCHESTER, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Nine Fiscal Years (1)

Table 17

Function	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government									
Building permits issued	780	762	600	486	470	942	1,508	1,463	1,709
Building inspections conducted (commercial and residential)	11,904	11,858	10,074	8,154	8,186	7,342	6,987	6,025	7,408
Police									
Physical arrests	4,855	3,567	2,701	3,231	2,611	2,854	4,090	3,018	3,802
Parking violations	8,524	8,048	7,647	7,429	6,634	7,128	5,977	4,526	4,226
Traffic violations	5,168	4,531	4,087	4,524	3,709	4,070	5,406	4,304	4,580
Fire									
Emergency responses	5,560	5,623	5,498	5,470	5,377	5,549	5,781	5,518	5,804
Structure fires	70	56	54	60	45	87	43	57	55
On-site fire inspections	378	97	143	334	361	388	360	377	486
Fire suppression inspection tests	112	167	106	152	112	45	64	61	82
Refuse Collection									
Refuse collected (tons per year -- residential and non-residential)	8,696	7,579	7,117	6,649	6,537	6,430	6,520	6,681	6,608
Recyclables collected (tons per year -- does not include cardboard or yard waste)	1,923	2,014	2,032	2,117	2,908	2,931	3,252	3,312	3,068
Recyclable scrap	-	11	19	9	21	20	18	21	13
Other Public Works									
Street resurfacing (miles)	2	5	3	7.4	7	1.1	1.8	5.6	5
Parks and Recreation									
Shelter permits issued	493	448	681	472	821	839	911	691	493
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	34,457	30,126	38,061	43,154	48,108	49,774	47,201	25,156	25,776
Racquetball court users (2)	2,774	1,341	1,345	1,196	2,474	2,407	2,324	2,506	2,445
Indoor fitness room users (2)	7,280	6,077	8,136	5,167	13,487	9,901	9,316	7,375	6,067
Water									
Average daily production	7.3 mgd	7.9 mgd	7.9 mgd	6.85 mgd	6.34 mgd	6.43 mgd	6.83 mgd	6.14mgd	5.95mgd
New connections	179	38	55	32	42	40	28	26	28
Total connections	10,930	10,824	10,879	10,911	10,953	10,993	11,021	11,047	11,075
Water main breaks	58	55	60	56	30	55	40	29	42
Average daily consumption	5.8 mgd	5.9 mgd	6.1 mgd	5.25 mgd	4.8 mgd	4.9 mgd	4.67 mgd	4.5mgd	5.09mgd
Wastewater									
Average daily flow (12 month period)	4.4 mgd	4.9 mgd	4.8 mgd	4.6 mgd	5.37 mgd	4.8 mgd	4.52 mgd	4.96mgd	4.87mgd
Peak Flow (12 month period)	22.4 mgd	9.7 mgd	9.8 mgd	9.8 mgd	8.45 mgd	9.8 mgd	23.1 mgd	22.0mgd	25.9mgd
Transit									
Passenger trips	149,796	148,169	139,672	130,494	120,656	128,876	136,501	130,190	120,758
Schools									
Number of teachers, Elementary (K-4)	142	132	121	121	131	143	143	143	147
Number of teachers, Middle 5-8)	85	99	99	99	94	90	97	95	98
Number of teachers, Secondary (9-12)	94	100	102	102	99	96	96	98	99
Number of students, Elementary (K-4)	1,712	1,417	1,447	1,529	1,605	1,649	1,684	1,776	1,707
Number of students, Middle (5-8)	817	1,101	1,063	1,073	1,074	1,084	1,178	1,190	1,177
Number of students, Secondary (9-12)	1,113	1,190	1,142	1,112	1,066	1,096	1,117	1,119	1,263

Source: Various Departments in the City

Notes:

- (1) Information is only available for last nine fiscal years. Data will be added until a 10 year comparison is achieved.
- (2) FY07 numbers exclude monthly pass users, due to loss of daily computer records.
- (3) In FY07, 5th grade was moved from Elementary totals to the Middle School totals.

CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Nine Fiscal Years (1)

Table 18

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police									
Stations	1	1	1	1	1	1	1	1	1
SubStations	1	1	1	1	1	1	2	1	-
Patrol cars	67	74	76	77	76	76	79	76	73
Fire									
Fire Stations	4	4	4	4	4	4	4	4	4
Refuse Collection									
Collection Trucks	8	8	7	7	7	7	7	7	7
Other Public Works									
Streets (miles)	284	205	205	219	221	221	221	221	221
Streetlights	72	72	72	63	63	63	63	63	63
Traffic signals	62	64	63	60	56	56	56	56	56
Parks and Recreation									
Number of parks	15	15	15	15	14	14	14	14	14
Acreage	241	248	248	248	248	248	248	248	247
Playgrounds	11	10	10	10	9	9	9	9	9
Community centers	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	8	9	8	9	9	9	9	9	9
Soccer/football fields	5	5	5	6	6	6	9	9	9
Basketball courts	7	7	7	7	7	7	7	7	7
Tennis courts	7	7	7	7	7	7	8	8	8
Volleyball court	1	1	1	1	1	-	-	-	-
Horseshoe courts	26	24	24	24	24	24	24	24	24
Water									
Miles of water mains	172	125	125	125	125	126	126	126	126
Fire hydrants	1,082	1,082	1,082	1,082	1,085	1,085	1,085	1,085	1,085
Water storage capacity	11mg	11 mg	11 mg	11 mg	11mg	12mg	12mg	12mg	12mg
Wastewater									
Miles of storm sewers	80	80	80	81	82	82	82	82	82
Miles of sanitary sewers	122	122	122	122	122	122	122	122	122
Opequon wastewater treatment capacity (2)	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1mgd
Transit									
Minibuses	9	8	8	7	7	7	7	7	7
Trolleys	2	2	2	2	2	2	2	2	2
Vans	2	2	2	2	2	2	2	2	1
Schools									
Attendance Centers, Elementary	4	4	4	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1	1	1	1
Number of classrooms, Elementary	164	164	123	123	123	123	127	127	127
Number of classrooms, Middle	85	90	90	90	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95	95	95	95

Source: Various Departments in the City

Notes:

- (1) Information is only available for last nine fiscal years. Data will be added until a 10 year comparison is achieved.
- (2) Operated by Frederick Winchester Service Authority

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2014, 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 17, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of the 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. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 17, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Winchester, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 the 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 17, 2014

CITY OF WINCHESTER, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2014

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
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements

Education
Social Services
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 WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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 were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion** on all major federal programs.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

<u>Name of Program</u>	<u>CFDA #</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Supplemental Nutrition Assistance Program	10.561
Title I Grants to Local Educational Agencies	84.010
Temporary Assistance to Needy Families	93.558
Medical Assistance Program	93.778

8. The **threshold for** distinguishing Type A and B programs was **\$300,000**.
9. The City of Winchester was determined to be a **low-risk auditee**.

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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

14-1: Commonwealth of Virginia Disclosure Statements

Condition:

Five out of thirty-eight members of City appointed governing bodies did not file statements of economic interest by the deadline as set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that these statements are filed by all required individuals in a timely manner.

Management's Response (unaudited):

The auditee concurs with this recommendation.

14-2: Highway Maintenance

Condition:

We noted that the motor vehicle license tax revenue reported to the state on the Highway Maintenance Survey was overstated.

Recommendation:

Steps should be taken to ensure that all reports submitted to the State are accurate.

Management's Response (unaudited):

The auditee concurs with this recommendation and has contacted the State to report the correct amount.

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

14-3: Budget and Appropriations

Condition:

We noted that expenditures exceeded appropriated amounts in the general fund, specifically the legislative department and fire and rescue services department.

Recommendation:

Steps should be taken to ensure expenditures do not exceed appropriated amounts.

Management's Response (unaudited):

The auditee concurs with this recommendation.

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Agriculture			
Pass-through payments:			
Department of Social Services:			
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561		\$ 416,599
Department of Corrections:			
National School Lunch Program	10.555		40,250
Commonwealth of Virginia Department of Agriculture and Consumer Services			
National School Lunch Program	10.555	1,062,072	
National School Lunch Program - Commodities	10.555	86,112	
School Breakfast Program	10.553	300,685	
Total School Lunch Cluster			1,448,869
Fresh Fruits and Vegetables	10.582		60,294
Total U.S. Department of Agriculture			1,966,012
U.S. Department of Homeland Security			
Pass-through payments:			
Department of Emergency Management:			
Emergency Management Performance Grant	97.042		17,810
State Homeland Security Grant Program	97.073		32,914
Total U.S. Department of Homeland Security			50,724
U.S. Department of Housing and Urban Development			
Direct payments:			
Community Development Block Grants/Entitlement Grants	14.218		287,370
Total U.S. Department of Housing and Urban Development			287,370
U.S. Department of the Interior			
Pass-through payments:			
National Park Service			
Historic Preservation Fund Grants	15.904		6,500
U.S. Department of Justice			
Direct payments:			
NVRDTF Gang Grant	16.580		33,162
Juvenile Accountability Block Grant	16.523		22,050
Pass-through payments:			
Department of Criminal Justice Services			
Crime Victim Assistance	16.575		50,021
Violence Against Women Formula Grant	16.588		17,176
Sexual Assault Services Grant	16.017		11,935
Office of the Attorney General			
Equitable Sharing Program	16.922		89,488
Edward Byrne Memorial Justice Assistance Grant Program:			
Byrne JAG Program	16.738		4,069
Law Enforcement Fitness Program	16.738		8,204
Total U.S. Department of Justice			236,105
U.S. Department of Transportation			
Direct payments:			
Federal Transit - Capital Investment Grants	20.500	127,545	
Federal Transit - Formula Grants	20.507	449,088	
Total Federal Transit Cluster:			576,633
Pass-through payments:			
Virginia Department of Motor Vehicles			
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	29,045	
Virginia Department of Transportation			
State and Community Highway Safety	20.607	11,674	
Total Highway Safety Cluster:			40,719
Total U.S. Department of Transportation			617,352

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Education			
Direct payments:			
McKinney-Vento Education for Homeless Children & Youth	84.387		\$ 20,542
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I - Grants to Local Educational Agencies	84.010		1,068,559
Special Education - Grants to States	84.027	799,951	
Special Education - Preschool Grants	84.173	29,015	
Total Special Education Cluster:			828,966
21st Century Community Learning Centers	84.287		169,993
English Language Acquisition Grants	84.365		98,545
Improving Teacher Quality State Grants	84.367		165,656
Vocational Education - Basic Grants to States	84.048		64,718
Department of Behavioral Health and Developmental Services			
Early Intervention	84.181		241,339
Total U.S. Department of Education			2,658,318
 Department of Health and Human Services:			
Pass-through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		14,876
Temporary Assistance to Needy Families	93.558		322,250
Refugee and Entrant Assistance	93.566		2,735
Low Income Home Energy Assistance	93.568		27,187
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		45,903
Chafee Education and Training Vouchers Program	93.599		2,821
Child Welfare Services	93.645		2,211
Foster Care - Title IV-E	93.658		279,755
Adoption Assistance	93.659		221,918
Social Service Block Grant	93.667		184,863
Chafee Foster Care Independence Program	93.674		6,036
Medical Assistance Program	93.778		363,446
State Children's Insurance Program	93.767		12,739
Total U.S. Department of Health and Human Services			1,486,740
Total Expenditures of Federal Awards			\$ 7,309,121

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

Note 2: Non-Cash Assistance

The City of Winchester participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity distributions of \$86,112 from the National School Lunch Program.

Note 3: Loan Program

Included in prior year Schedule of Expenditures of Federal Awards were loan proceeds obtained through the Housing and Urban Development Fund in the total amount of \$1,500,000. The loan is through the Community Development Block Grant Program, CFDA number 14.218. The outstanding balance on the loan at June 30, 2014 is \$1,468,121.