

Winchester
Virginia

Comprehensive Annual

FINANCIAL REPORT

City of Winchester



Fiscal Year Ending June 30, 2015



CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

Prepared by:
City of Winchester, Virginia
Finance Department

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**CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor
John A. Willingham, President
William D. Wiley, Vice President
Les C. Veach, Sr., Vice Mayor

Evan H. Clark
Milton F. McInturff
Corey S. Sullivan

John W. Hill
Kevin G. McKannan

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 Revenue
Marc H. Abrams, Acting Commonwealth's Attorney

OTHER OFFICIALS

Anthony C. Williams
Mary M. Blowe

Tyler B. Schenck

Thomas D. Lloyd

Celeste R. Broadstreet

Kimberly L. Murray

Perry A. Eisenach
Kevin L. Sanzenbacher
Allen W. Baldwin
Jennifer E. Bell

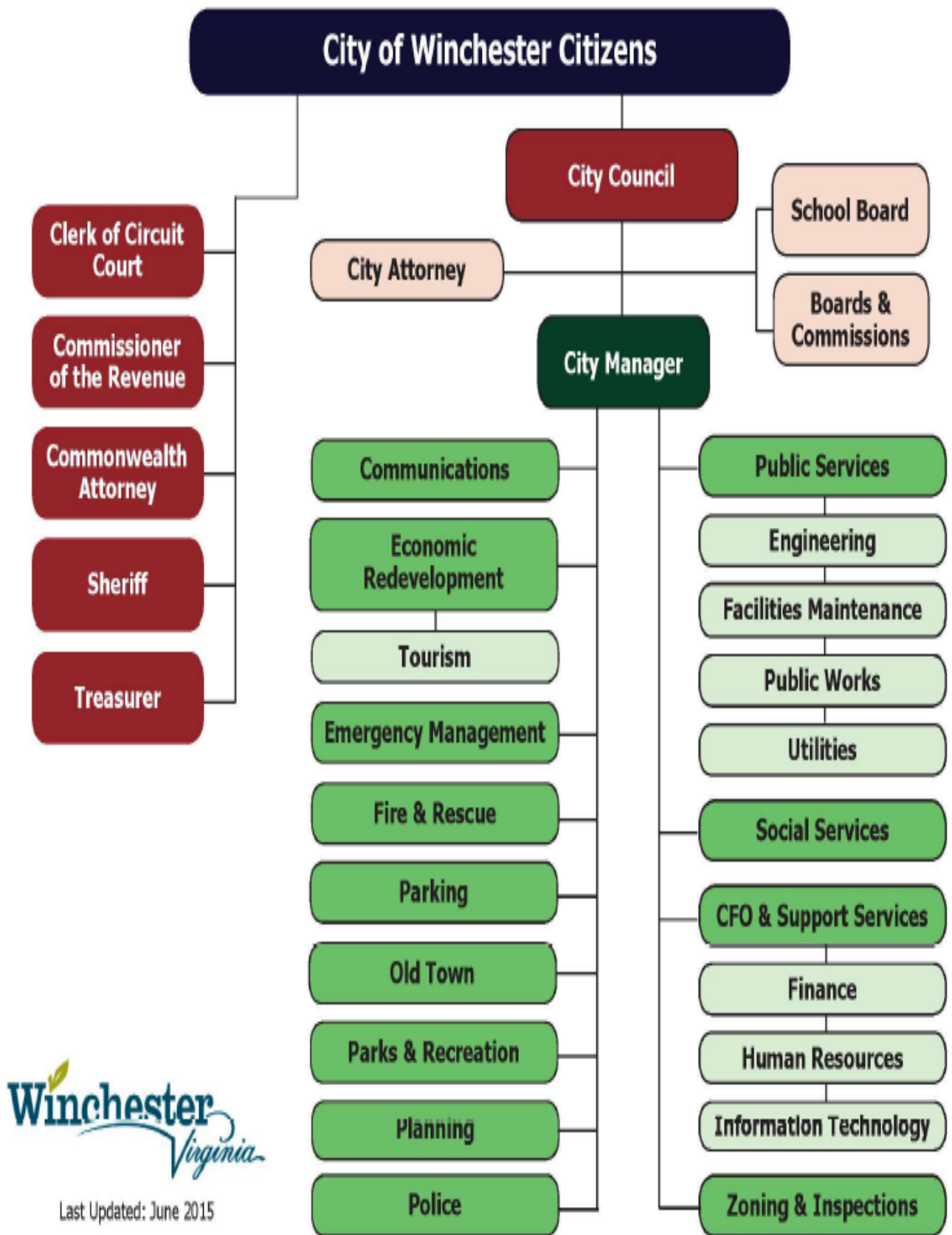
Lynn A. Miller

Amber Dopkowski
Dr. Mark Y. Lineburg
Samantha R. Anderson

Justin R. Kerns

Timothy A. Youmans
Aaron M. Grisdale
Victoria J. Palmerton
Elizabeth W. Martin

City Attorney
Chief Financial Officer/ Director
of Support Services
Acting Director of Human
Resources
Information Technology
Director
Financial Services Director/Real
Estate Administrator
Economic Redevelopment
Director
Public Services Director
Police Chief
Fire and Rescue Chief
Downtown Manager, Old Town
Winchester
Acting Parks & Recreation
Director
Social Services Director
Superintendent of Schools
Executive Director, Winchester
Parking Authority
Executive Director, Win-Fred Co.
Convention & Visitor's Bureau
Planning Director
Zoning & Inspections Director
Building Official
Voter Registrar



Last Updated: June 2015

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15 North Cameron Street
Winchester, VA 22601

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Website: www.winchesterva.gov

November 30, 2015

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, 2015 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, 2015. 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 27,543. 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 Council elects one of the councilors to serve as President for a two year term. 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; 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 Winchester Parking Authority was created at the request of the City of Winchester under Chapter 221 the 1964 Acts of the Virginia General Assembly on March 27, 1964 as a public body and body politic and corporate to acquire, construct, reconstruct, equip, improve, extend, enlarge, maintain, repair and operate off-street parking facilities; providing for the issuance of revenue bonds of the Parking Authority, payable solely from revenues; to pay all or any part of the cost of such parking facilities; providing for the imposition and collection of rates, rentals, fees, and charges for the use of and for the services furnished by the parking facilities; authorizing the issuance of revenue refunding bonds; and prescribing the powers and duties of the Authority in connection with the parking facilities and adjoining areas. All members of the WPA are appointed by the City's Common Council.
- ◆ Winchester School Board (Board): The Board was created by Common Council in accordance with Article VIII, Section 7 of the Virginia Constitution and Section 14.01(A) of the Winchester City Charter as a public body corporate. Pursuant to the foregoing, the Board is vested with the authority to supervise the City's publicly funded primary and secondary school system. The Board is authorized to oversee the operation and management of the City's public schools, and receives annual appropriations in furtherance of these efforts from Common Council and other funding sources. All members of the Board are appointed by the City's Common Council, in accordance with the provisions of the City's Charter.

Profile of the City of Winchester (Continued)

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 75-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 and is currently constructing a 52,000 square foot, \$28.5 million dollar Cancer Center facility on the Winchester Medical Center campus scheduled for completion in 2016.

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. In 2014, the University opened the Health and Life Sciences Building, a \$25 million dollar, 71,000 square foot facility that includes state-of-the-art laboratories and technology rich classrooms promoting co-curricular and interactive learning among health and life programs.

Local Economy (Continued)

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 39.0% 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, Bed Bath and Beyond, 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 retail 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. In addition to retail, hospitality and office space, the City is home to several large manufacturing companies including O'Sullivan Films, National Fruit Company, Rubbermaid Commercial Products, American Woodmark and Trex Corporation providing over 1,400 jobs.

The City's Department of Economic Redevelopment and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development within the City of Winchester. 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, two restaurants and a premier public gathering space. In October 2014, the City acquired the Winchester Towers property (a 35,000 square foot building and parking lot) at 200 North Cameron Street and is currently reviewing proposals received under an RFP process for its redevelopment. 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 facilitates the startup 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 (22.9% 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.

Long-term Financial Planning (Continued)

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 2035. Factored into the financial planning model are anticipated future major capital projects. Construction began in FY 2015 on the replacement of John Kerr Elementary School which is being financed by bond issuance of \$21 million. The expansion and renovation of Frederick Douglas Elementary School will require a future bond issuance of approximately \$9.2 million. 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. The City is currently reviewing options for the future usage of the current John Kerr Elementary School as well as the Douglas Community Learning Center facility.

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

Meadow Branch Extension

Along with the construction of a new John Kerr Elementary School, the City is constructing the extension of Meadow Branch Avenue. This roadway extension will be approximately 0.6 miles in length when completed and will connect Meadow Branch between Merrimans Lane and Buckner Drive and will serve the new school. Construction on the \$4 million project started in May 2015 and will be completed by early summer in 2016.

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 recently completed some significant improvements to National Avenue/East Lane/Piccadilly Street. The City acquired twelve parcels of property in this area and realigned the roadways by constructing a roundabout. There were also significant landscaping improvements included with the project. Construction on the project was completed in September 2015 at a construction cost of \$1.4 million.

Monticello Street/Armour Dale Improvements

As part of the Governor's Transportation Partnership Opportunity Fund which was directly related to Rubbermaid's decision to expand their Winchester facility, the City expects to receive to receive approximately \$3 million in funding from the state to make improvements to Monticello Street and Armour Dale. Construction on the project is expected to begin in late summer of 2016.

Tevlis Street Extension

The City has been awarded VDOT Revenue Sharing Funds to help pay for one half of the cost of extending Tevis Street from Legge Blvd east to where a future bridge will be constructed over Interstate-81. The adjacent property owner will be paying for the other half of the project cost. It is hoped that construction will begin on this project in the summer of 2016.

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 FY16, the City will be completing \$1 million of street repaving on numerous streets throughout the City and \$585,000 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, 2014. This was the twenty-third 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,

The image shows two handwritten signatures in blue ink. The signature on the left is 'Edna E. Freeman' and the signature on the right is 'Mary M. Blowe'.

Eden E. Freeman
City Manager

Mary M. Blowe
Chief Financial Officer



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, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emen". 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, 2015, 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, 2015, 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 19 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other 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 30, 2015, 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 30, 2015

City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

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, 2015. 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 and deferred outflows of resources of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$63.2 million (net position).
- The City's total net position decreased approximately \$1.1 million over the course of this year's operations. Net position of governmental activities decreased \$3.8 million, and net position of business-type activities increased \$2.7 million over the prior year. The decrease in net position by the governmental activities is the result of the increase in liabilities due to the new pension reporting requirements.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26.5 million, a decrease of \$1.4 million in comparison with the prior year. Approximately 64.8% of this amount, \$17.2 million, is available for spending at the government's discretion (unassigned fund balance).
- As of the close of the current fiscal year, the City's general fund unassigned fund balance was \$17.2 million. This amount represents 22.9% of total general fund expenditures.
- The City's total debt decreased by \$12.5 million, or 6.5%. During FY2015, the City issued \$14.7 million in refunding debt, \$14.8 million in revenue bonds for water and sewer infrastructure improvements and retired \$42.0 million of total debt.

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; community development; 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 17-107 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 108 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$63.2 million at the close of fiscal year 2015.

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
June 30, 2015
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets								
Current and other assets	\$ 39.0	\$ 39.5	\$ 5.0	\$ 4.4	\$ 44.0	\$ 43.9	\$ 25.4	\$ 30.4
Capital assets	86.3	83.3	150.2	153.1	236.5	236.4	114.6	110.0
Total Assets	125.3	122.8	155.2	157.5	280.5	280.3	140.0	140.4
Deferred Outflows of Resources								
Deferred charge on refunding	5.7	5.4	2.2	1.1	7.9	6.5	-	-
Subsequent pension contributions	2.3	-	0.3	-	2.6	-	4.3	-
Teacher cost sharing pool	-	-	-	-	-	-	0.4	-
Total Deferred outflows of resources	8.0	5.4	2.5	1.1	10.5	6.5	4.7	-
Liabilities								
Current and other liabilities	6.0	5.9	2.3	2.4	8.3	8.3	7.5	5.4
Long-term liabilities	115.0	110.2	99.4	103.2	214.4	213.4	46.1	1.3
Total Liabilities	121.0	116.1	101.7	105.6	222.7	221.7	53.6	6.7
Deferred Inflows of Resources								
Property taxes	1.0	0.8	-	-	1.0	0.8	-	-
Net pension plan investments	3.8	-	0.3	-	4.1	-	7.0	-
Total Deferred outflows of resources	4.8	0.8	0.3	-	5.1	0.8	7.0	-
Net Position								
Net investment in capital assets	62.5	57.6	54.2	51.2	116.7	108.8	114.6	110.0
Restricted	-	-	-	-	-	-	13.4	20.4
Unrestricted	(55.0)	(46.3)	1.5	1.8	(53.5)	(44.5)	(44.0)	3.3
Total Net Position	\$ 7.5	\$ 11.3	\$ 55.7	\$ 53.0	\$ 63.2	\$ 64.3	\$ 84.0	\$ 133.7

Governmental activities. As shown in Table 1, net position for governmental activities decreased from \$11.3 million at the end of FY2014 to \$7.5 million (3.8 million decrease) at the end of FY2015. The major reason for the decrease in net position is the addition of a net pension liability. Starting in FY2015, the City must comply with the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The overall effect of this new standard is to reflect the City's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the Authority was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City record a net pension liability directly on the statement of net position. Beginning net position has been restated as discussed in footnote 19, and this has had a significant impact on the City's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

Government-wide Financial Analysis (Continued)

In addition, the City since the GASB 34 implementation 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 (\$73.4 million) and the pension liabilities (\$11.8 million) were not presented in governmental activities, the net position for the governmental activities would be \$92.7 million and the total net position for the primary government would be \$149.3 million.

Table 2
Changes in the City of Winchester's Net Position
June 30, 2015
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues								
Program Revenues								
Charges for services	\$ 4.9	\$ 4.2	\$ 25.7	\$ 24.8	\$ 30.6	\$ 29.0	\$ 0.8	\$ 0.7
Operating grants and contributions	13.0	11.6	-	-	13.0	11.6	25.3	23.7
Capital grants and contributions	1.1	1.9	1.2	1.4	2.3	3.3	0.3	0.2
General Revenues								
Property taxes	38.7	37.6	-	-	38.7	37.6	-	-
Sales taxes	8.8	8.1	-	-	8.8	8.1	-	-
Other taxes	21.4	19.4	-	-	21.4	19.4	-	-
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	0.1	3.5	-	-	0.1	3.5	27.8	45.9
Total revenues	\$ 91.1	\$ 89.4	\$ 26.9	\$ 26.2	\$ 118.0	\$ 115.6	\$ 54.3	\$ 70.6
Expenses								
General government administration	4.6	4.8	-	-	3.4	4.8	-	-
Judicial administration	3.0	3.2	-	-	3.0	3.2	-	-
Public safety	19.9	19.6	-	-	21.1	19.6	-	-
Public works	10.9	12.3	-	-	10.9	12.3	-	-
Health and welfare	7.4	6.9	-	-	7.4	6.9	-	-
Education	27.6	45.7	-	-	27.6	45.7	56.4	54.6
Parks, recreation and culture	4.0	3.5	-	-	4.0	3.5	-	-
Community development	2.5	1.8	-	-	2.5	1.8	-	-
Interest on long-term debt	3.5	3.7	-	-	3.5	3.7	-	-
Bond issuance costs	0.2	0.2	-	-	0.2	0.2	-	-
Water and sewer	-	-	21.4	20.6	21.4	20.6	-	-
Total expenses	83.6	101.7	21.4	20.6	105.0	122.3	56.4	54.6
Increase (decrease) in net position								
before transfers	7.5	(12.3)	5.5	5.6	13.0	(6.7)	(2.1)	16.0
Transfers	1.6	1.6	(1.6)	(1.6)	-	-	-	-
Increase (decrease) in net position	9.1	(10.7)	3.9	4.0	13.0	(6.7)	(2.1)	16.0
Net Position - beginning	(1.6)	22.0	51.8	49.0	50.2	71.0	86.1	117.7
Net Position - ending	\$ 7.5	\$ 11.3	\$ 55.7	\$ 53.0	\$ 63.2	\$ 64.3	\$ 84.0	\$ 133.7

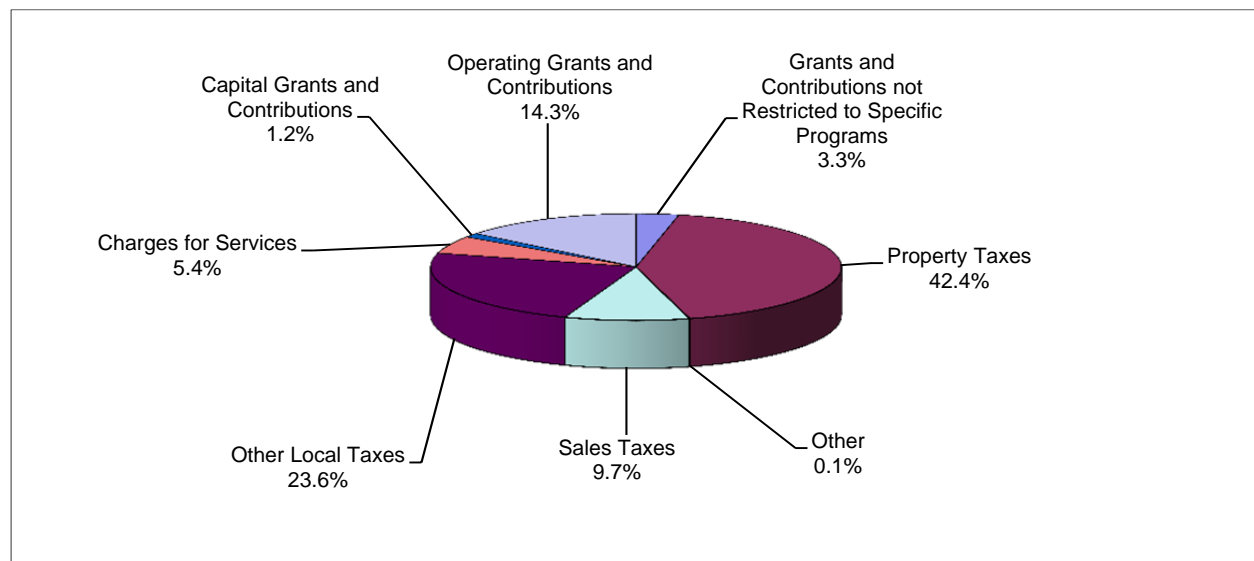
Government-wide Financial Analysis (Continued)

As shown in Table 2, the City's revenues from governmental activities totaled \$91.1 million for FY2015, an increase of \$1.7 million from FY2014. FY2014 revenues included a \$3.4 million one-time special item for the addition of sidewalks to the City's capital assets. Therefore, actual revenues increased by \$5.0 million over FY2014. Local tax revenues increased by \$3.1 million, partially due to a 1% increase in meals and motel taxes. Winchester's local economy is strong and continues to experience steady growth in local revenues. Expenditures decreased by \$18.1 million, which is due to a one-time transfer (\$20 million) of bond proceeds in FY2014 to the City school system for the construction of a new elementary school. Adjusting for the one-time transfer of funds governmental activities expenditures actually increased by \$1.9 million. The increase was due to planned salary increases and additional infrastructure projects such as paving and sidewalks.

As shown in Figure A, the City received 79.2% of its revenue from taxes. The major source of revenue for the City was property taxes (\$38.7 million or 42.4%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2015 increased by approximately 5.2% from the prior year. The increase in real property values is due the reassessment of real property which was effective January 1, 2015. The City revalues real property every two years. The increase in real property values is another strong indicator of the City's continuing growth. Other tax revenues (sales and other taxes) increased \$2.7 million from the prior year.

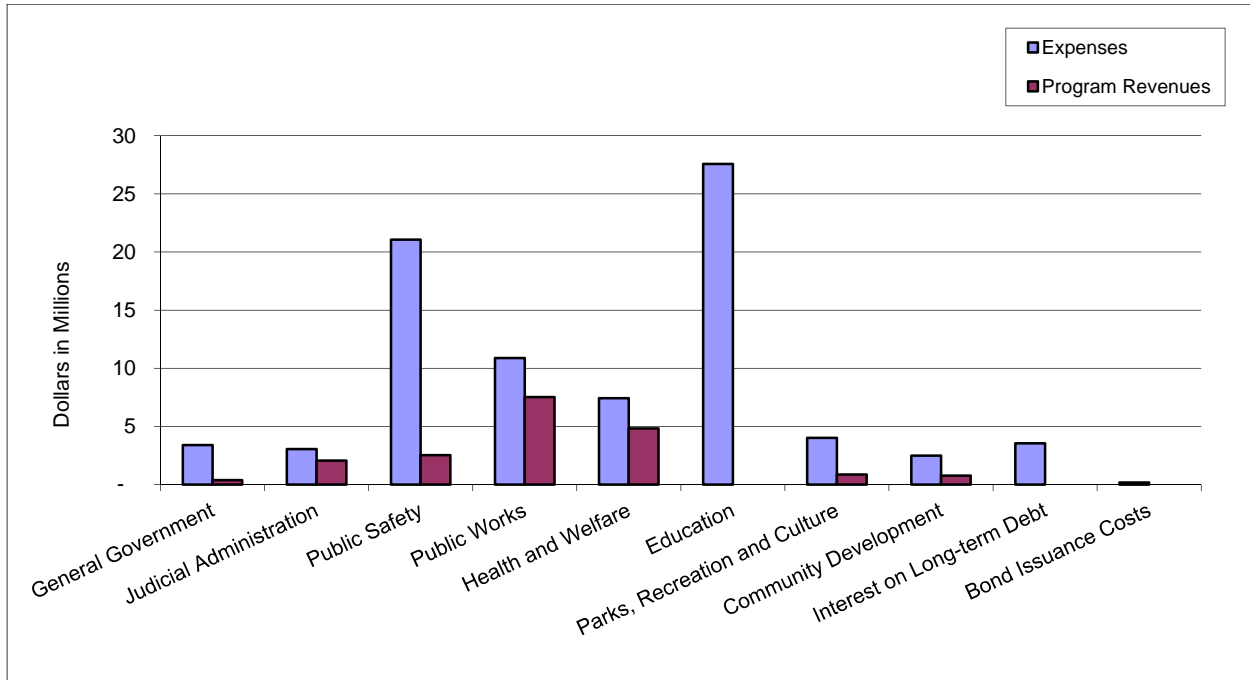
The City's expenses from governmental activities totaled \$83.6 million (Table 2) for the fiscal year ended June 30, 2015, a decrease of \$18.1 million from the prior year. As shown in Figure B, education was the largest expense at \$27.6 million or 33.0% of total governmental expenses. Public safety was the second largest expense at \$21.1 million or 25.2% 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 \$55.7 million (Table 2) an increase of \$2.7 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 \$25.7 million or 95.3% of the total revenues for business-type activities. Capital grants and contributions decreased \$0.2 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 \$21.4 million (Table 2) an increase of \$0.8 million from the prior year. This increase in expenses is mainly due to an increase in operating costs such as personnel, chemicals and electric expenses for FY2015.

Government-wide Financial Analysis (Continued)

Figure C
Revenues by Source – Business-type Activities

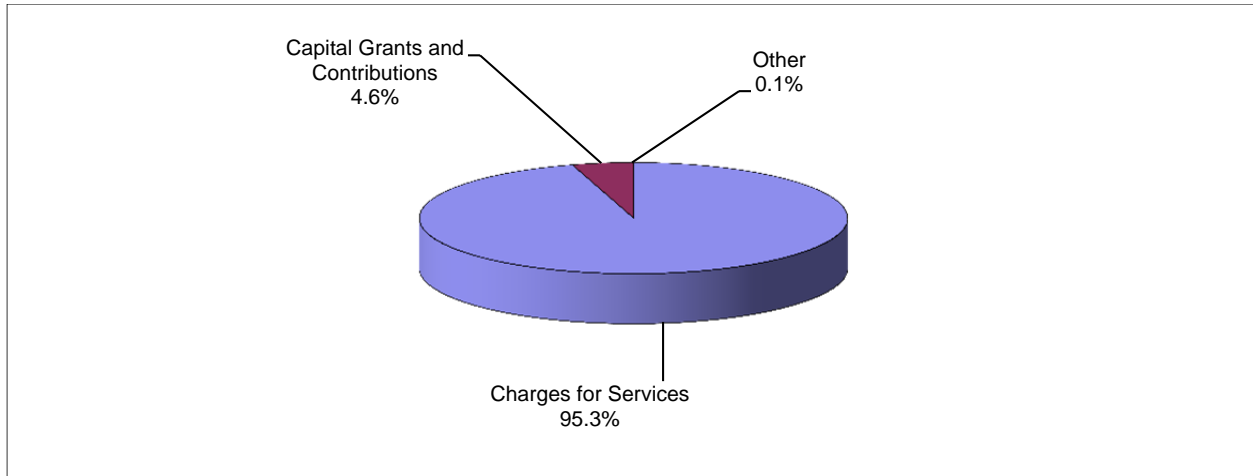
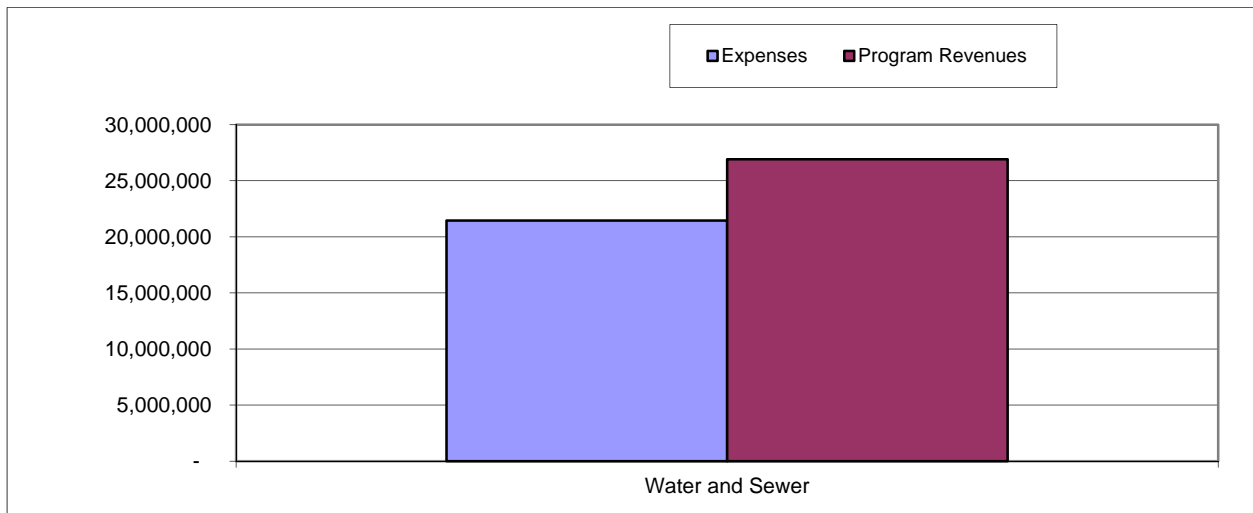


Figure D
Expenses and Program Revenues – Business-type Activities



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, 2015, the City's governmental funds reported combined fund balances of \$26.5 million, a decrease of \$1.4 million in comparison with the prior year. Approximately \$17.2 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, 2015, the unassigned fund balance of the general fund was \$17.2 million, while total fund balance reached \$22.1 million. Unassigned fund balance represents 22.9% of total general fund expenditures, which serves as a measure of the general fund's liquidity. Fund balance in the City's general fund slightly decreased 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, 2015, amounted to \$1.5 million, a slight decrease of \$0.3 million from the prior year.

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 \$2.2 million, and actual expenditures were \$1.9 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 \$1.4 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, judicial administration, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were \$0.3 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Education expenditures were \$0.9 million less than budgeted amounts primarily from savings in personnel and operating costs by the Winchester Public Schools.
- Community development was \$0.4 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, 2015, amounts to \$236.6 million net of depreciation, which represents an increase of \$0.2 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:

- Storm drainage improvements totaled \$3.5 million
- National Avenue Gateway Enhancement project totaled \$1.5 million.
- Traffic signal and control improvements totaled \$0.8 million.
- Replacement of public safety and public works equipment totaled \$1.1 million, including police vehicles, transit buses and defibrillators.

Capital Assets and Debt Administration (Continued)

Table 3 summarizes the City's capital assets as of June 30, 2014 and 2015.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
June 30, 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 7,214,931	\$ 5,738,201	\$ 1,201,485	\$ 1,201,485	\$ 8,416,416	\$ 6,939,686
Construction in progress	3,848,625	5,071,238	83,529	115,788	3,932,154	5,187,026
Buildings	20,979,171	20,826,975	-	-	20,979,171	20,826,975
Treatment plants	-	-	39,859,939	40,760,681	39,859,939	40,760,681
Improvements other than buildings	7,199,462	7,265,177	3,621	4,076	7,203,083	7,269,253
Infrastructure	41,756,314	39,451,772	91,718,768	92,113,546	133,475,082	131,565,318
Machinery & Equipment	5,361,383	4,969,679	806,621	983,122	6,168,004	5,952,801
FWSA purchased capacity	-	-	16,577,240	17,947,417	16,577,240	17,947,417
Total Capital Assets	\$ 86,359,886	\$ 83,323,042	\$ 150,251,203	\$ 153,126,115	\$ 236,611,089	\$ 236,449,157

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of \$181.6 million, for the fiscal year ended June 30, 2015, a decrease of \$12.5 million from the fiscal year ended June 30, 2014. This entire amount is backed by the full faith and credit of the City, with \$91.2 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2015, the City retired \$22.7 million of outstanding general obligation bond principal and issued \$14.7 million for net decrease of \$8.0 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
June 30, 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 89,975,508	\$ 96,034,572	\$ 16,234,899	\$ 18,187,064	\$ 106,210,407	\$ 114,221,636
Revenue Bonds	-	-	60,449,938	63,183,122	60,449,938	63,183,122
Obligations payable	400,000	600,000	14,597,808	16,202,542	14,997,808	16,802,542
Total Outstanding Debt	\$ 90,375,508	\$ 96,634,572	\$ 91,282,645	\$ 97,572,728	\$ 181,658,153	\$ 194,207,300

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 \$298.2 million. As of June 30, 2015, the City's total debt applicable to the limitation totaled \$106.2 million, leaving a legal debt margin of \$192.0 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 2016 -2020 strategic plan includes the City's Vision 2028, the City's work plan through 2020 and the City's mission statement. City Council developed the following four main goals during the planning process: encourage sustainable growth and partnerships through business and workforce development, promote and accelerate revitalization of target areas throughout the city, advance the quality of life for all Winchester residents, and improve City services and advance the strategic plan goals by promoting a culture of transparency, efficiency and innovation. The City has embraced these goals and Council and staff work together to forward these goals.
- In 2011, the City of Winchester completed an Economic Development Analysis and Master Plan and updated the Comprehensive Plan. Among the goals described in both of these plans is the desire 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 market study, call for continued changes in land use to allow for more mixed use development and increases in housing density. The hope is 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 has 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 2015, the City's unemployment rate was 4.8%, compared to the State's 5.0% and Federal rate of 5.5%.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, City of 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, 2015

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash	\$ 16,155,190	\$ 712,130	\$ 16,867,320	\$ 4,625,187	\$ 218,047
Investments	13,586,616	431,508	14,018,124	2,824,046	132,123
Receivables, net:					
Taxes, including penalties	2,315,326	-	2,315,326	-	-
Accounts	2,008,610	3,761,259	5,769,869	10,219	6,153
Notes	112,500	-	112,500	-	-
Promises to give	-	-	-	1,252,098	-
Due from other governments	4,170,580	-	4,170,580	1,656,313	-
Internal balances	52,169	(52,169)	-	-	-
Prepays	369,492	-	369,492	465	-
Inventories	135,376	101,809	237,185	34,270	-
Land held for sale	-	-	-	15,000	-
Investments - restricted	-	-	-	15,045,664	-
Capital assets:					
Nondepreciable	11,063,556	1,285,014	12,348,570	10,038,519	11,685
Depreciable, net	<u>75,296,330</u>	<u>148,966,189</u>	<u>224,262,519</u>	<u>104,520,205</u>	<u>8,039,412</u>
Total assets	<u>125,265,745</u>	<u>155,205,740</u>	<u>280,471,485</u>	<u>140,021,986</u>	<u>8,407,420</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	5,762,021	2,240,460	8,002,481	-	-
Pension contributions subsequent to the measurement date	2,280,274	331,168	2,611,442	4,257,715	27,020
Changes in proportion - teacher cost sharing pool	-	-	-	398,000	-
Total deferred outflows of resources	<u>8,042,295</u>	<u>2,571,628</u>	<u>10,613,923</u>	<u>4,655,715</u>	<u>27,020</u>
LIABILITIES					
Accounts payable and other current liabilities	4,728,355	1,390,118	6,118,473	7,559,535	31,332
Accrued interest	1,242,372	894,164	2,136,536	-	163,260
Noncurrent liabilities:					
Net pension liability	10,264,771	943,900	11,208,671	44,622,042	121,669
Due within one year	7,012,809	6,702,504	13,715,313	232,000	204,797
Due in more than one year	<u>97,744,020</u>	<u>91,798,176</u>	<u>189,542,196</u>	<u>1,245,742</u>	<u>7,929,076</u>
Total liabilities	<u>120,992,327</u>	<u>101,728,862</u>	<u>222,721,189</u>	<u>53,659,319</u>	<u>8,450,134</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes	956,501	-	956,501	-	-
Net difference between projected and actual investment earnings on pension plan investments	<u>3,840,131</u>	<u>353,121</u>	<u>4,193,252</u>	<u>6,986,880</u>	<u>45,517</u>
Total deferred inflows of resources	<u>4,796,632</u>	<u>353,121</u>	<u>5,149,753</u>	<u>6,986,880</u>	<u>45,517</u>
NET POSITION					
Net investment in capital assets	62,544,269	54,226,599	116,770,868	114,558,724	(32,593)
Restricted - unspent debt proceeds for capital projects	-	-	-	13,403,506	-
Unrestricted	<u>(55,025,188)</u>	<u>1,468,786</u>	<u>(53,556,402)</u>	<u>(43,930,728)</u>	<u>(28,618)</u>
Total net position	<u>\$ 7,519,081</u>	<u>\$ 55,695,385</u>	<u>\$ 63,214,466</u>	<u>\$ 84,031,502</u>	<u>\$ (61,211)</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
Primary government:									
Governmental activities:									
General government	\$ 4,568,861	\$ 154,503	\$ 233,100	\$ -	\$ (4,181,258)		\$ (4,181,258)		
Judicial administration	3,058,235	653,086	1,416,087	-	(989,062)		(989,062)		
Public safety	19,887,873	1,254,909	1,284,016	-	(17,348,948)		(17,348,948)		
Public works	10,879,509	1,494,206	4,901,169	1,134,183	(3,349,951)		(3,349,951)		
Health and welfare	7,425,520	55,214	4,776,186	-	(2,594,120)		(2,594,120)		
Education	27,576,745	-	-	-	(27,576,745)		(27,576,745)		
Parks, recreation, and culture	4,021,683	874,561	-	-	(3,147,122)		(3,147,122)		
Community development	2,490,393	390,299	383,422	-	(1,716,672)		(1,716,672)		
Interest on long-term debt	3,551,526	-	-	-	(3,551,526)		(3,551,526)		
Bond issuance costs	179,468	-	-	-	(179,468)		(179,468)		
Total governmental activities	83,639,813	4,876,778	12,993,980	1,134,183	(64,634,872)		(64,634,872)		
Business-type activities:									
Water and sewer	21,456,454	25,686,701	-	1,237,760	-	\$ 5,468,007	5,468,007		
Total business-type activities	21,456,454	25,686,701	-	1,237,760	-	5,468,007	5,468,007		
Total primary government	\$ 105,096,267	\$ 30,563,479	\$ 12,993,980	\$ 2,371,943	(64,634,872)	5,468,007	(59,166,865)		
Component units:									
School board	\$ 56,430,750	\$ 773,193	\$ 25,339,877	\$ 335,570				\$ (29,982,110)	\$ -
Parking authority	2,120,994	1,124,102	-	-				-	(996,892)
Total component unit	\$ 58,551,744	\$ 1,897,295	\$ 25,339,877	\$ 335,570				(29,982,110)	(996,892)
General revenues:									
Taxes:									
Property taxes					38,692,668	-	38,692,668	-	-
Sales taxes					8,859,376	-	8,859,376	-	-
Utility taxes					2,048,531	-	2,048,531	-	-
Business license taxes					6,096,072	-	6,096,072	-	-
Franchise taxes					407,787	-	407,787	-	-
Hotel and meals taxes					8,343,827	-	8,343,827	-	-
Communication taxes					2,142,416	-	2,142,416	-	-
Other local taxes					2,443,144	-	2,443,144	-	-
Miscellaneous					16,349	2,858	19,207	220,122	2,429
Payments from City					-	-	-	27,521,529	-
Grants and contributions not restricted to specific programs					3,051,563	-	3,051,563	-	-
Unrestricted investment earnings					78,070	1,833	79,903	105,585	1,055
Transfers					1,600,000	(1,600,000)	-	-	-
Total revenues and transfers					73,779,803	(1,595,309)	72,184,494	27,847,236	3,484
Change in net position					9,144,931	3,872,698	13,017,629	(2,134,874)	(993,408)
Net position - beginning, as restated (Note 19)					(1,625,850)	51,822,687	50,196,837	86,166,376	932,197
Net position - ending					\$ 7,519,081	\$ 55,695,385	\$ 63,214,466	\$ 84,031,502	\$ (61,211)

FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 12,799,169	\$ 462,925	\$ 13,262,094
Investments	7,755,514	4,292,818	12,048,332
Receivables, net:			
Taxes, including penalties	2,315,326	-	2,315,326
Accounts	1,422,691	404,221	1,826,912
Notes	-	112,500	112,500
Prepays	-	40,000	40,000
Inventories	12,488	-	12,488
Due from other funds	395,500	-	395,500
Due from other governments	2,292,077	1,878,503	4,170,580
Total assets	<u>\$ 26,992,765</u>	<u>\$ 7,190,967</u>	<u>\$ 34,183,732</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 923,662	\$ 1,941,674	\$ 2,865,336
Deposits payable	94,684	-	94,684
Accrued payroll	1,079,585	249,447	1,329,032
Due to other funds	-	395,500	395,500
Total liabilities	<u>2,097,931</u>	<u>2,586,621</u>	<u>4,684,552</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	<u>2,812,458</u>	<u>178,297</u>	<u>2,990,755</u>
Total deferred inflows of resources	<u>2,812,458</u>	<u>178,297</u>	<u>2,990,755</u>
FUND BALANCES			
Nonspendable	12,488	152,500	164,988
Restricted	457,025	138,891	595,916
Committed	1,811,912	-	1,811,912
Assigned	2,620,451	4,134,658	6,755,109
Unassigned	<u>17,180,500</u>	<u>-</u>	<u>17,180,500</u>
Total fund balances	<u>22,082,376</u>	<u>4,426,049</u>	<u>26,508,425</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,992,765</u>	<u>\$ 7,190,967</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.			86,323,770
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			2,034,254
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.			2,365,001
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.			5,762,021
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows of resources for 2015 employer contributions			2,260,253
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments			(3,808,375)
Net pension liability			(10,179,885)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds			<u>(103,746,383)</u>
Net position of governmental activities			<u>\$ 7,519,081</u>

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 38,656,808	\$ -	\$ 38,656,808
Other local taxes	30,341,151	-	30,341,151
Permits, privilege fees, and regulatory licenses	409,230	-	409,230
Fines and forfeitures	135,749	-	135,749
Revenues from use of money and property	194,755	17,338	212,093
Charges for services	1,209,140	1,256,131	2,465,271
Miscellaneous	1,091,084	36,176	1,127,260
Recovered costs	538,841	93,869	632,710
Intergovernmental:			
Frederick County	-	232,760	232,760
Commonwealth	6,121,953	7,120,593	13,242,546
Federal	394,033	3,269,887	3,663,920
Total revenues	<u>79,092,744</u>	<u>12,026,754</u>	<u>91,119,498</u>
EXPENDITURES			
Current:			
General government administration	5,489,981	-	5,489,981
Judicial administration	3,255,524	33,141	3,288,665
Public safety	19,152,246	2,310,680	21,462,926
Public works	3,625,708	8,824,684	12,450,392
Health and welfare	859,410	6,662,652	7,522,062
Education	27,576,745	-	27,576,745
Parks, recreation, and culture	3,326,141	381,853	3,707,994
Community development	1,475,733	1,054,196	2,529,929
Debt service:			
Principal retirement	6,202,770	-	6,202,770
Interest and fiscal charges	3,923,059	-	3,923,059
Bond issuance costs	179,468	-	179,468
Total expenditures	<u>75,066,785</u>	<u>19,267,206</u>	<u>94,333,991</u>
Excess (deficiency) of revenues over expenditures	<u>4,025,959</u>	<u>(7,240,452)</u>	<u>(3,214,493)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	16,349	-	16,349
Issuance of bonds	11,255,180	-	11,255,180
Premium on issuance of bonds	1,309,592	-	1,309,592
Payment to refunded bond escrow agent	(12,373,771)	-	(12,373,771)
Transfers in	1,600,000	5,992,391	7,592,391
Transfers out	(5,992,391)	-	(5,992,391)
Total other financing sources (uses)	<u>(4,185,041)</u>	<u>5,992,391</u>	<u>1,807,350</u>
Net change in fund balances	(159,082)	(1,248,061)	(1,407,143)
Fund balance - beginning	<u>22,241,458</u>	<u>5,674,110</u>	<u>27,915,568</u>
Fund balance - ending	<u>\$ 22,082,376</u>	<u>\$ 4,426,049</u>	<u>\$ 26,508,425</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, 2015**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$	(1,407,143)
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 \$7,335,498 exceeded depreciation \$4,274,051 in the current period.		3,061,447
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.		(29,495)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		43,143
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	2,260,253	
Pension expense	<u>(1,208,506)</u>	<u>1,051,747</u>
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.		6,317,507
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.		(15,438)
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.		<u>123,163</u>
Change in net position of governmental activities	\$	<u><u>9,144,931</u></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, 2015

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General property taxes	\$ 37,632,000	\$ 37,932,000	\$ 38,656,808	\$ 724,808
Other local taxes	28,953,000	28,953,000	30,341,151	1,388,151
Permits, privilege fees, and regulatory licenses	271,400	271,400	409,230	137,830
Fines and forfeitures	153,000	153,000	135,749	(17,251)
Revenues from use of money and property	227,500	227,500	194,755	(32,745)
Charges for services	1,348,000	1,348,000	1,209,140	(138,860)
Miscellaneous	1,094,500	1,094,500	1,091,084	(3,416)
Recovered costs	737,500	645,556	538,841	(106,715)
Intergovernmental:				
Commonwealth	5,920,100	5,814,562	6,121,953	307,391
Federal	358,000	462,249	394,033	(68,216)
Total revenues	76,695,000	76,901,767	79,092,744	2,190,977
EXPENDITURES				
Current:				
General government administration:				
Legislative	163,200	193,200	192,196	1,004
General and financial administration	5,273,145	5,285,145	5,124,030	161,115
Board of elections	189,200	189,200	173,755	15,445
Total general government administration	5,625,545	5,667,545	5,489,981	177,564
Judicial administration:				
Courts	2,048,300	2,050,500	2,042,012	8,488
Commonwealth attorney	1,131,300	1,215,357	1,213,512	1,845
Total judicial administration	3,179,600	3,265,857	3,255,524	10,333
Public safety:				
Law enforcement and traffic control	7,616,700	7,690,320	7,687,970	2,350
Fire and rescue services	5,322,906	5,322,906	5,357,617	(34,711)
Correction and detention	4,054,290	4,157,290	4,182,655	(25,365)
Inspections	504,500	458,326	441,241	17,085
Other protection	1,574,900	1,548,300	1,482,763	65,537
Total public safety	19,073,296	19,177,142	19,152,246	24,896
Public Works:				
Maintenance of highways, streets, bridges				
and sidewalks	77,600	120,072	109,295	10,777
Sanitation and waste removal	1,532,600	1,532,600	1,567,999	(35,399)
Maintenance of buildings and grounds	1,977,700	2,023,700	1,948,414	75,286
Total public works	3,587,900	3,676,372	3,625,708	50,664
Health and welfare:				
Health	314,758	314,758	314,758	-
Chapter X board	183,307	183,307	183,307	-
Welfare/Social Services	393,000	393,000	361,345	31,655
Total health and welfare	891,065	891,065	859,410	31,655
Education:				
Contributions to community college	55,216	55,216	55,216	-
Contributions to School Board - Construction fund	50,000	581,565	531,565	50,000
Contributions to School Board	27,715,302	27,825,464	26,989,964	835,500
Total education	27,820,518	28,462,245	27,576,745	885,500
Parks, recreation, and cultural:				
Parks and recreation	2,661,270	2,673,170	2,665,867	7,303
Cultural enrichment	225,050	270,050	269,940	110
Contribution to Regional Library	390,334	390,334	390,334	-
Total parks, recreation, and cultural	3,276,654	3,333,554	3,326,141	7,413

(Continued)

For the Year Ended June 30, 2015

Variance with
Final Budget -
Positive
(Negative)

Total community development

\$	1,739,872	\$	1,917,713	\$	1,475,733	\$	441,980
	1,739,872		1,917,713		1,475,733		441,980

Total expenditures

6,208,900	6,208,900	6,202,770	6,130
4,140,550	4,140,550	3,923,059	217,491
-	188,350	179,468	8,882
10,349,450	10,537,800	10,305,297	232,503
75,543,900	76,929,293	75,066,785	1,862,508

1,151,100	(27,526)	4,025,959	4,053,485
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Total other financing sources (uses)

-	-	16,349	16,349
-	11,092,980	11,255,180	162,200
-	1,295,670	1,309,592	13,922
-	(12,200,300)	(12,373,771)	(173,471)
1,600,000	1,600,000	1,600,000	-
(6,473,100)	(7,333,600)	(5,992,391)	1,341,209
(4,873,100)	(5,545,250)	(4,185,041)	1,360,209

\$	(3,722,000)	\$	(5,572,776)	\$	(159,082)	\$	5,413,694
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CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

Exhibit 7

	Business-type Activities- Enterprise Funds Major Water and Sewer Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 712,130	\$ 2,893,096
Investments	431,508	1,538,284
Accounts receivable, net	3,761,259	181,698
Prepays	-	329,492
Inventories	101,809	122,888
Total current assets	<u>5,006,706</u>	<u>5,065,458</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	1,285,014	-
Depreciable, net	148,966,189	36,116
Total capital assets, net	<u>150,251,203</u>	<u>36,116</u>
Total noncurrent assets	<u>150,251,203</u>	<u>36,116</u>
Total assets	<u>155,257,909</u>	<u>5,101,574</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	2,240,460	-
Pension contributions subsequent to the measurement date	331,168	20,021
Total deferred outflows of resources	<u>2,571,628</u>	<u>20,021</u>
LIABILITIES		
Current liabilities:		
Accounts payable	688,175	428,280
Customer deposits	503,461	-
Accrued payroll	198,482	11,023
Accrued interest	894,164	-
Compensated absences	20,000	-
Bonds payable and other obligations - current	6,682,504	-
Total current liabilities	<u>8,986,786</u>	<u>439,303</u>
Noncurrent liabilities:		
Compensated absences	215,616	10,741
Net OPEB obligation	-	2,242,077
Net pension liability	943,900	84,886
Bonds payable and other obligations	91,582,560	-
Total noncurrent liabilities	<u>92,742,076</u>	<u>2,337,704</u>
Total liabilities	<u>101,728,862</u>	<u>2,777,007</u>
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual investment earnings on pension plan investments	353,121	31,756
Total deferred inflows of resources	<u>353,121</u>	<u>31,756</u>
NET POSITION		
Net investment in capital assets	54,226,599	36,116
Unrestricted	1,520,955	2,276,716
Total net position	55,747,554	<u>\$ 2,312,832</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>(52,169)</u>	
Net position of business-type activities	<u>\$ 55,695,385</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

Exhibit 8

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Revenue from use of property	\$ 4,200	\$ -
Charges for services	21,376,551	2,369,641
Miscellaneous	2,858	-
Recovered costs	4,305,950	-
Total operating revenues	<u>25,689,559</u>	<u>2,369,641</u>
OPERATING EXPENSES		
Personal services	4,115,944	748,068
Contractual services	4,865,207	243,559
Other supplies and expenses	4,345,603	784,977
Insurance claims and expenses	-	456,322
Depreciation	4,250,079	4,892
Total operating expenses	<u>17,576,833</u>	<u>2,237,818</u>
Operating income	<u>8,112,726</u>	<u>131,823</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	1,833	5,755
Interest and fiscal charges	<u>(3,894,036)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(3,892,203)</u>	<u>5,755</u>
Income before contributions and transfers	4,220,523	137,578
CAPITAL CONTRIBUTIONS	1,237,760	-
TRANSFERS OUT	<u>(1,600,000)</u>	<u>-</u>
Change in net position	3,858,283	137,578
Total net position - beginning, as restated (Note 19)	<u>51,889,271</u>	<u>2,175,254</u>
Total net position - ending	<u>\$ 55,747,554</u>	<u>\$ 2,312,832</u>
Change in net position	\$ 3,858,283	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>14,415</u>	
Change in net position of business-type activities	<u>\$ 3,872,698</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

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	\$ 21,639,462	\$ 2,281,871
Cash paid to suppliers	(9,243,369)	(1,045,397)
Cash paid to employees	(4,286,571)	(318,915)
Premiums paid	-	(756,162)
Other receipts	<u>4,313,008</u>	<u>-</u>
Net cash provided by operating activities	<u>12,422,530</u>	<u>161,397</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund borrowing	(654,000)	-
Transfer to other funds	<u>(1,600,000)</u>	<u>-</u>
Net cash used in noncapital financing activities	<u>(2,254,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(137,406)	-
Proceeds from capital debt	20,951,914	-
Payments to escrow agent	(20,759,320)	-
Principal paid on capital debt	(5,929,378)	-
Interest paid on capital debt	(4,060,352)	-
Bond issue costs	<u>(190,654)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(10,125,196)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>1,833</u>	<u>5,755</u>
Net cash provided by investing activities	<u>1,833</u>	<u>5,755</u>
Net increase in cash and cash equivalents	45,167	167,152
Cash and cash equivalents - beginning of year	<u>1,098,471</u>	<u>4,264,228</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,143,638</u></u>	<u><u>\$ 4,431,380</u></u>
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash	\$ 712,130	\$ 2,893,096
Cash equivalents - investments	<u>431,508</u>	<u>1,538,284</u>
Total	<u><u>\$ 1,143,638</u></u>	<u><u>\$ 4,431,380</u></u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

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	\$ 8,112,726	\$ 131,823
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,250,079	4,892
Pension expense net of employer contributions	(219,113)	(9,944)
(Increase) decrease in:		
Accounts receivable	149,748	(87,770)
Prepays	-	7,040
Inventories	(1,341)	(3,246)
Increase (decrease) in:		
Accounts payable	(31,218)	(320,495)
Accrued payroll	22,568	(1,236)
Net OPEB obligation	-	457,000
Compensated absences	25,918	(16,667)
Customer deposits	113,163	-
Total adjustments	4,309,804	29,574
Net cash provided by operating activities	<u>\$ 12,422,530</u>	<u>\$ 161,397</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions of water and sewer lines from developers	<u>\$ 1,237,760</u>	<u>\$ -</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

Exhibit 10

	Total Agency Funds
<hr/>	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash	\$ 893,391
Investments	2,021,846
Accounts receivable	9,614
Prepays	1,751
Deferred outflows of resources	181,848
Total assets and deferred outflows of resources	<u>\$ 3,108,450</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Accounts payable	\$ 348,068
Accrued payroll	108,185
Net pension liability	809,613
Deferred inflows of resources	302,883
Amounts held for social services clients	3,380
Amounts held for NRJA	1,480,295
Amounts held for NRJDC	56,026
Total liabilities and deferred inflows of resources	<u>\$ 3,108,450</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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 2015, the City provided total support of \$53,535. 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 2015, the City provided total support of \$358,593. 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 2015, the City provided total support of \$3,821,772. 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 2015. 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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 being repaid in equal monthly installments of \$1,250 and matures on December 1, 2022. The balance of the loan was \$112,500 at June 30, 2015. 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	January 1
Due Date	June 5/December 5

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 status 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, 2015 consisted of the following:

General Fund (property taxes, penalties, and interest)	\$ 1,551,276
Emergency Medical Service Fund	170,790
Water and Sewer Fund	<u>232,226</u>
	<u><u>\$ 1,954,292</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, 2015

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, 2015

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 City Council 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, 2015

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, 2015 total \$3,345,696 in the City Capital Projects Fund, \$31,239 in the School Cafeteria Fund, \$49,775 in the School Capital Improvements Fund, and \$73,026 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, 2015

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, represents 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 has three items that qualify for reporting in this category. The first 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. The second is pension contributions subsequent to the measurement date. These will be recognized as a reduction to the net pension liability in 2016. The third results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is unearned revenue, which results from collections of property taxes levied to fund future years. This results when amounts have been collected from the customers and costs have not yet been incurred by the City. The third is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

Pensions

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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.

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:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Bonds payable	\$ 90,375,508	\$ -
Plus: Issuance premium	9,736,903	-
Accrued interest payable	1,242,372	-
Compensated absences	<u>2,391,600</u>	<u>1,477,742</u>
	<u>\$ 103,746,383</u>	<u>\$ 1,477,742</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	\$ 2,288,011
Add: Internal receivable representing costs in excess of charges to business-type activities – prior years	10,406
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	<u>14,415</u>
	<u>\$ 2,312,832</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 6,202,770
Proceeds from bond issuance	(11,255,180)
Payment to Escrow Agent	12,373,771
Proceeds from premium on bond issuance	(1,309,592)
Amortization of issuance premium	879,440
Amortization of deferred charge on refunding	<u>(573,702)</u>
	<u>\$ 6,317,507</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, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Compensated absences	\$ (81,233)	\$ (154,738)
Accrued interest	<u>65,795</u>	<u>-</u>
	<u>\$ (15,438)</u>	<u>\$ (154,738)</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 137,578
Add: Loss from costs in excess of charges to business-type activities	<u>(14,415)</u>
	<u><u>\$ 123,163</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	\$ (66,584)
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>14,415</u>
	<u><u>\$ (52,169)</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 decrease of \$1,850,776 in the General Fund, and a net increase of \$6,122 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. For the purposes of this disclosure, deposits include cash and cash equivalents as well as nonnegotiable certificates of deposit with original maturities of more than three months.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 3,986,690	AA+	4.12
Mutual Funds	676,955	N/A	N/A
Certificates of Deposit	5,229,100	N/A	2.50
LGIP	316,872	AAAm	0.13
SNAP	24,484,788	AAAm	N/A
Total investments	<u>\$ 34,694,405</u>		

* - Average Maturity in Years

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Deposits and Investments (Continued)

Investments (Continued)

The items on the previous page are reflected in the financial statements as follows:

	Component Units		
	Primary Government	School Board	Winchester Parking Authority
Deposits and investments:			
Cash on hand	\$ 4,790	\$ 500	\$ 7,190
Deposits	17,755,921	5,308,003	210,857
Investments	16,039,970	18,522,312	132,123
	<u>\$ 33,800,681</u>	<u>\$ 23,830,815</u>	<u>\$ 350,170</u>
Statement of Net Position:			
Cash	\$ 16,867,320	\$ 4,625,187	\$ 218,047
Investments	14,018,124	2,824,046	132,123
Investments - restricted	-	15,045,664	-
Fiduciary:			
Cash and cash equivalents	893,391	683,316	-
Investments	2,021,846	652,602	-
	<u>\$ 33,800,681</u>	<u>\$ 23,830,815</u>	<u>\$ 350,170</u>

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	70.57%
Federal National Mortgage Association	8.61%

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, 2015

Note 5. Due from Other Governments

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

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Federal and Commonwealth of Virginia:		
State sales tax	\$ -	\$ 746,579
Title VI-B	-	239,806
Title I	-	256,025
Other federal and state school funds	-	413,903
Local sales tax	1,491,182	-
Transit grants	537,325	-
Highway construction funds	566,136	-
Welfare grants	539,615	-
Communication tax	179,536	-
Other federal and state funds	598,161	-
	<u>3,911,955</u>	<u>1,656,313</u>
Total due from federal and state sources		
Frederick County:		
Joint Judicial Center – debt service	140,725	-
Joint Judicial Center – operating expenses	78,098	-
Other receivables	39,802	-
	<u>\$ 4,170,580</u>	<u>\$ 1,656,313</u>
Total due from other governments		

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	\$ 303,108
Receivable in one to five years	731,380
Receivable in five to ten years	442,300
Receivable in ten to fifteen years	61,500
Receivable in fifteen to twenty years	2,000
	<u>1,540,288</u>
Total unconditional promises to give	1,540,288
Less discounts to present value	(264,004)
Less allowance for uncollectible pledges	(24,186)
	<u>\$ 1,252,098</u>
Net unconditional promises to give	

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ <u>395,500</u>
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Component Unit – School Board

Due to school operating fund from:

Federal grants fund	\$ <u>368,719</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>5,992,391</u>
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Component Unit – School Board

Transfers to non-major governmental funds from:

School operating fund	\$ <u>90,000</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, 2015

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	\$ 5,738,201	\$ 1,476,730	\$ -	\$ 7,214,931
Construction in progress	<u>5,071,239</u>	<u>3,030,142</u>	<u>(4,252,756)</u>	<u>3,848,625</u>
Total capital assets not being depreciated	<u>10,809,440</u>	<u>4,506,872</u>	<u>(4,252,756)</u>	<u>11,063,556</u>
Capital assets, being depreciated:				
Buildings	31,041,890	797,618	-	31,839,508
Improvements other than buildings	10,971,222	320,248	-	11,291,470
Infrastructure	61,859,749	4,677,752	(14,579)	66,522,922
Equipment	<u>14,426,041</u>	<u>1,285,764</u>	<u>(700,257)</u>	<u>15,011,548</u>
Total capital assets being depreciated	<u>118,298,902</u>	<u>7,081,382</u>	<u>(714,836)</u>	<u>124,665,448</u>
Less accumulated depreciation for:				
Buildings	(10,214,915)	(645,422)	-	(10,860,337)
Improvements other than buildings	(3,706,045)	(385,963)	-	(4,092,008)
Infrastructure	(22,407,977)	(2,373,210)	14,579	(24,766,608)
Equipment	<u>(9,456,362)</u>	<u>(864,565)</u>	<u>670,762</u>	<u>(9,650,165)</u>
Total accumulated depreciation	<u>(45,785,299)</u>	<u>(4,269,160)</u>	<u>685,341</u>	<u>(49,369,118)</u>
Total capital assets being depreciated, net	<u>72,513,603</u>	<u>2,812,222</u>	<u>(29,495)</u>	<u>75,296,330</u>
Governmental activities capital assets, net	<u><u>\$ 83,323,043</u></u>	<u><u>\$ 7,319,094</u></u>	<u><u>\$ (4,282,251)</u></u>	<u><u>\$ 86,359,886</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 156,974
Judicial administration	178,367
Public safety	494,057
Public works	2,981,054
Health and welfare	18,300
Parks, recreation, and cultural	433,623
Community development	<u>6,785</u>
Total depreciation expense – governmental activities	<u><u>\$ 4,269,160</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	83,529	(115,788)	83,529
Total capital assets not being depreciated	1,317,273	83,529	(115,788)	1,285,014
Capital assets, being depreciated:				
Treatment plants	45,043,669	-	-	45,043,669
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	117,136,396	1,407,425	-	118,543,821
Equipment	2,684,035	-	-	2,684,035
FWSA purchased capacity	27,403,547	-	-	27,403,547
Total capital assets being depreciated	192,386,484	1,407,425	- -	193,793,909
Less accumulated depreciation for:				
Treatment plants	(4,282,988)	(900,742)	-	(5,183,730)
Improvements other than buildings	(114,761)	(455)	-	(115,216)
Infrastructure	(25,022,849)	(1,802,204)	-	(26,825,053)
Equipment	(1,700,913)	(176,501)	-	(1,877,414)
FWSA purchased capacity	(9,456,130)	(1,370,177)	-	(10,826,307)
Total accumulated depreciation	(40,577,641)	(4,250,079)	-	(44,827,720)
Total capital assets being depreciated, net	151,808,843	(2,842,654)	-	148,966,189
Business-type activities capital assets, net	\$ 153,126,116	\$ (2,759,125)	\$ (115,788)	\$ 150,251,203

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>\$ 4,250,079</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 and School Board have active construction projects related to various items. At year end, the City's and School Board'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:			
National Ave. Gateway Improvements	<u>\$ 1,475,054</u>	<u>\$ 545,277</u>	<u>\$ 929,777</u>
Meadow Branch Extension	<u>\$ 3,894,471</u>	<u>\$ 153,958</u>	<u>\$ 3,740,513</u>
Green Circle Trail	<u>\$ 1,064,751</u>	<u>\$ 322,578</u>	<u>\$ 742,173</u>
John Kerr Elementary	<u>\$ 19,441,935</u>	<u>\$ 7,496,488</u>	<u>\$ 11,945,447</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	\$ 1,450,058	\$ -	\$ 3,758,028
Construction in progress	547,115	5,770,011	(36,635)	6,280,491
	<u>2,855,085</u>	<u>7,220,069</u>	<u>(36,635)</u>	<u>10,038,519</u>
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Buildings	130,139,747	-	-	130,139,747
Improvements other than buildings	3,638,275	235,682	-	3,873,957
Equipment	6,361,315	213,977	(77,758)	6,497,534
	<u>140,139,337</u>	<u>449,659</u>	<u>(77,758)</u>	<u>140,511,238</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(26,801,354)	(2,526,470)	-	(29,327,824)
Improvements other than buildings	(1,939,984)	(108,939)	-	(2,048,923)
Equipment	(4,293,020)	(399,024)	77,758	(4,614,286)
	<u>(33,034,358)</u>	<u>(3,034,433)</u>	<u>77,758</u>	<u>(35,991,033)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>107,104,979</u>	<u>(2,584,774)</u>	<u>-</u>	<u>104,520,205</u>
School board capital assets, net	<u>\$ 109,960,064</u>	<u>\$ 4,635,295</u>	<u>\$ (36,635)</u>	<u>\$ 114,558,724</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	<u>751,143</u>	<u>-</u>	<u>-</u>	<u>751,143</u>
Total capital assets being depreciated	<u>10,558,721</u>	<u>-</u>	<u>-</u>	<u>10,558,721</u>
Less accumulated depreciation for:				
Buildings	(1,865,501)	(194,849)	-	(2,060,350)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	<u>(340,130)</u>	<u>(62,650)</u>	<u>-</u>	<u>(402,780)</u>
Total accumulated depreciation	<u>(2,261,810)</u>	<u>(257,499)</u>	<u>-</u>	<u>(2,519,309)</u>
Total capital assets being depreciated, net	<u>8,296,911</u>	<u>(257,499)</u>	<u>-</u>	<u>8,039,412</u>
Parking Authority capital assets, net	<u>\$ 8,308,596</u>	<u>\$ (257,499)</u>	<u>-</u>	<u>8,051,097</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	<u>\$ 3,034,433</u>
Business-type activities:	
Parking Authority – Public works	<u>\$ 257,499</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 unearned 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)	\$ 1,718,937	\$ -	\$ 1,718,937
Deferred joint judicial commission, representing uncollected debt service billings (General Fund)	137,020	-	137,020
Property taxes paid in advance, representing property taxes not yet due (General Fund)	<u>-</u>	<u>956,501</u>	<u>956,501</u>
Total deferred inflows of resources for the general fund	<u>1,855,957</u>	<u>956,501</u>	<u>2,812,458</u>
Deferred EMS transportation charges, representing uncollected EMS billings (Special Revenue Fund)	<u>178,297</u>	<u>-</u>	<u>178,297</u>
Total deferred inflows of resources	<u>\$ 2,034,254</u>	<u>\$ 956,501</u>	<u>\$ 2,990,755</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 96,037,572	\$ 11,255,180	\$ 17,317,244	\$ 89,975,508	\$ 5,967,437
Obligations payable	600,000	-	200,000	400,000	100,000
Unamortized bond premium	9,487,758	1,309,592	1,060,447	9,736,903	868,372
Compensated absences	2,337,775	141,566	77,000	2,402,341	77,000
Net OPEB obligation	1,785,077	457,000	-	2,242,077	-
Governmental activities long-term liabilities	<u>\$ 110,248,182</u>	<u>\$ 13,163,338</u>	<u>\$ 18,654,691</u>	<u>\$ 104,756,829</u>	<u>\$ 7,012,809</u>
Business-type Activities:					
General obligation bonds	\$ 18,187,064	\$ 3,429,820	\$ 5,381,985	\$ 16,234,899	\$ 1,632,131
Revenue bonds	63,183,122	14,810,000	17,543,184	60,449,938	2,724,549
Obligations payable FWSA	16,202,542	-	1,604,734	14,597,808	1,784,762
Unamortized bond premium	5,433,359	2,712,094	1,163,034	6,982,419	541,062
Compensated absences	209,698	40,918	15,000	235,616	20,000
Business-type activities long-term liabilities	<u>\$ 103,215,785</u>	<u>\$ 20,992,832</u>	<u>\$ 25,707,937</u>	<u>\$ 98,500,680</u>	<u>\$ 6,702,504</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, \$10,741 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, 2015

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	\$ 1,407,703	\$ 1,407,704
\$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	1,915,000	305,000
\$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	1,805,000	410,000
\$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	985,000	-
\$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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>		
General Obligation Bonds (Continued):		
\$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	\$ 21,932,585	\$ 6,232,415
\$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	23,805,000	-
\$14,685,000 General Obligation Public Improvement Refunding Bonds, Series 2014, issued October 30, 2014, maturing annually beginning September 1, 2015 through September 1, 2027, interest payable semi-annually at rates of 1.5-5.0%. Purpose: Refund certain outstanding bonds	<u>11,255,180</u>	<u>3,429,820</u>
Total General Obligation Bonds	<u>\$ 89,975,508</u>	<u>\$ 16,234,899</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	\$ -	\$ 2,175,000
\$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	-	2,515,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>		
Revenue Bonds (Continued):		
\$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	\$ -	\$ 10,430,000
\$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	-	10,850,000
\$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.	-	1,434,938
\$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.	-	18,235,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>		
Revenue Bonds (Continued):		
\$14,810,000 Virginia Resources Authority Revenue Bond, Series 2015, issued April 28, 2015, maturing annually beginning October 1, 2015 through April 1, 2030, interest payable semi-annually at rates of 2.93%-5.13%. Purpose: Utilities capital projects and refunding of outstanding bonds.	-	14,810,000
Total Revenue Bonds	\$ -	\$ 60,449,938

Obligations Payable:

\$26,452,442 FWSA Opequen Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2039 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects.	\$ -	\$ 14,597,808
\$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.	400,000	-
Total Obligations Payable	\$ 400,000	\$ 14,597,808

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

	<u>Governmental Activities</u>			
	<u>General Obligation Bonds</u>		<u>Obligations Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,967,437	\$ 3,792,236	\$ 100,000	\$ -
2017	6,351,227	3,559,185	100,000	-
2018	6,615,569	3,286,551	100,000	-
2019	6,778,901	2,978,366	100,000	-
2020	7,091,602	2,628,233	-	-
2021-2025	36,015,627	8,657,484	-	-
2026-2030	14,170,145	2,737,144	-	-
2031-2035	6,985,000	1,755,728	-	-
	<u>\$ 89,975,508</u>	<u>\$ 29,394,927</u>	<u>\$ 400,000</u>	<u>\$ -</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

	Business-type Activities					
	General Obligation Bonds		Revenue Bonds		Obligations Payable FWSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,632,131	\$ 663,392	\$ 2,724,549	\$ 2,884,045	\$ 1,784,762	\$ 484,008
2017	1,990,153	593,744	2,795,231	2,807,316	690,824	504,427
2018	2,084,170	514,696	2,926,296	2,669,259	716,358	478,524
2019	2,175,818	427,688	3,072,393	2,529,535	742,523	452,387
2020	1,883,398	325,267	3,188,523	2,388,168	769,341	426,113
2021-2025	5,419,373	800,341	18,125,801	9,375,426	2,918,953	1,772,593
2026-2030	1,049,856	41,463	21,664,644	4,174,018	3,535,540	1,146,735
2031-2035	-	-	5,438,918	442,954	2,089,366	597,698
2036-2040	-	-	329,499	55,403	1,350,140	152,545
2041-2045	-	-	184,084	8,366	-	-
	<u>\$ 16,234,899</u>	<u>\$ 3,366,591</u>	<u>\$ 60,449,938</u>	<u>\$ 27,334,490</u>	<u>\$ 14,597,807</u>	<u>\$ 6,015,030</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, 2015

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

Current Year Refunding of Debt

In October 2014, the City issued \$14,685,000 in general obligation bonds with an average interest rate of 1.5-5.0%. These bonds were issued to advance refund \$14,910,000 in outstanding bonds including bond issuances in 2005, 2006 and 2007, and partial refunding of bonds issued in 2004. 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 14 years by \$972,328 and to obtain an economic gain of \$911,148. Approximately \$11,037,000 remains outstanding at June 30, 2015 related to the partially defeased bonds described above.

In April 2015, the City issued a \$14,810,000 taxable water and sewer system revenue refunding bond with an average interest rate of 2.93-5.13%. These bonds were issued to advance refund \$15,005,000 in outstanding bonds including partial refunding of bonds issued in 2008 and 2009. 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 fifteen years by \$942,914 and to obtain an economic gain of \$760,061. Approximately \$7,655,000 remains outstanding at June 30, 2015 related to the partially defeased bonds described above.

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 \$21,599,000 remains outstanding at June 30, 2015 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 12 years by \$1,397,126 and to obtain an economic gain of \$1,221,025. Approximately \$17,067,000 remains outstanding at June 30, 2015 related to the partially defeased bonds described above.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Long-Term Debt (Continued)

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	\$ 1,323,004	\$ 386,738	\$ 232,000	\$ 1,477,742	\$ 232,000

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	\$ 8,060,000	\$ -	\$ 180,000	\$ 7,880,000	\$ 190,000
Unamortized bond premium	218,839	-	15,149	203,690	14,797
Compensated absences	<u>47,107</u>	<u>3,076</u>	<u>-</u>	<u>50,183</u>	<u>-</u>
Parking authority long-term liabilities	<u>\$ 8,325,946</u>	<u>\$ 3,076</u>	<u>\$ 195,149</u>	<u>\$ 8,133,873</u>	<u>\$ 204,797</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

\$ 7,880,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Long-Term Debt (Continued)

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>
2016	\$ 190,000	\$ 389,250
2017	200,000	379,500
2018	210,000	369,250
2019	220,000	358,500
2020	230,000	347,250
2021-2025	1,345,000	1,545,625
2026-2030	1,710,000	1,165,750
2031-2035	2,185,000	681,375
2036-2038	<u>1,590,000</u>	<u>121,750</u>
	<u>\$ 7,880,000</u>	<u>\$ 5,358,250</u>

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, 2015, this project has commenced, however, no capacity has been allocated to the City, and no liabilities have been recorded related to this project.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the City, Winchester Parking Authority (“WPA”) and School Board Non-Professional Employees, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions</p> <p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>Retirement Contributions</p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Vesting (Continued) <u>Defined Contributions Component: (Continued)</u> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
Calculating the Benefit <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	Calculating the Benefit <p>See definition under Plan 1.</p>	Calculating the Benefit <u>Defined Benefit Component:</u> <p>See definition under Plan 1.</p> <u>Defined Contribution Component:</u> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: 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%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
Political subdivision hazardous duty employees: 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.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable.
		<u>Defined Contribution Component:</u> Not applicable.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%. <u>Eligibility:</u> 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.	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%. <u>Eligibility:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

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CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Eligibility:</u> (Continued)</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment in Retirement (COLA) (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> (Continued)</p> <ul style="list-style-type: none"> • 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. 		
<p>Disability Coverage</p> <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Purchase of Prior Service</p> <p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service</p> <p>Same as Plan 1.</p>	<p>Purchase of Prior Service</p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>WPA</u>	<u>School Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	<u>219</u>	<u>2</u>	<u>30</u>
Inactive members:			
Vested inactive members	61	1	4
Non-vested inactive members	117	1	19
Inactive members active elsewhere in VRS	<u>139</u>	<u>2</u>	<u>12</u>
Total inactive members	317	4	35
Active members	<u>415</u>	<u>5</u>	<u>83</u>
Total covered employees	<u>951</u>	<u>11</u>	<u>148</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% 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 five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City and WPA Plan's contractually required contribution rate for the year ended June 30, 2015 was 11.90% of covered employee compensation. The School Board Non-Professional Employee contractually required contribution rate for the year ended June 30, 2015 was 10.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,611,442 and \$2,454,257 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan from the WPA were \$27,020 and \$26,589 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan from the School Board Non-Professional Employee portion were \$182,815 and \$202,866 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The political subdivisions' net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivisions' Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	\$ 76,286,145	\$ 59,761,160	\$ 16,524,985
Changes for the year:			
Service cost	2,291,535	-	2,291,535
Interest	5,209,079	-	5,209,079
Differences between expected and actual experience	-	-	-
Contributions – employer	-	2,453,700	(2,453,700)
Contributions – employee	-	1,000,124	(1,000,124)
Net investment income	-	9,413,031	(9,413,031)
Benefit payments, including refunds of employee contributions	(3,741,438)	(3,741,438)	-
Administrative expenses	-	(50,424)	50,424
Other changes	-	497	(497)
Net changes	3,759,176	9,075,490	(5,316,314)
Balances at June 30, 2014	\$ 80,045,321	\$ 68,836,650	\$ 11,208,671

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability – WPA

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	\$ 828,080	\$ 648,703	\$ 179,377
Changes for the year:			
Service cost	24,874	-	24,874
Interest	56,545	-	56,545
Differences between expected and actual experience	-	-	-
Contributions – employer	-	26,635	(26,635)
Contributions – employee	-	10,856	(10,856)
Net investment income	-	102,178	(102,178)
Benefit payments, including refunds of employee contributions	(40,613)	(40,613)	-
Administrative expenses	-	(547)	547
Other changes	-	5	(5)
Net changes	40,806	98,514	(57,708)
Balances at June 30, 2014	\$ 868,886	\$ 747,217	\$ 121,669

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability – School Board Non-Professional Employee Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	\$ 6,282,464	\$ 5,565,810	\$ 716,654
Changes for the year:			
Service cost	234,274	-	234,274
Interest	432,031	-	432,031
Differences between expected and actual experience	-	-	-
Contributions – employer	-	202,866	(202,866)
Contributions – employee	-	100,009	(100,009)
Net investment income	-	884,655	(884,655)
Benefit payments, including refunds of employee contributions	(221,176)	(221,176)	-
Administrative expenses	-	(4,659)	4,659
Other changes	-	46	(46)
Net changes	445,129	961,741	(516,612)
Balances at June 30, 2014	\$ 6,727,593	\$ 6,527,551	\$ 200,042

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension liability	\$ 22,542,449	\$ 11,208,671	\$ 1,901,531

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
WPA's net pension liability	\$ 244,696	121,669	20,641
	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School Board Non-Professional Employee Plan net pension liability	\$ 1,009,527	\$ 200,042	\$ (481,573)

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

For the year ended June 30, 2015, the City recognized pension expense of \$1,330,639. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,193,252
Employer contributions subsequent to the measurement date	2,611,442	-
Total	<u>\$ 2,611,442</u>	<u>\$ 4,193,252</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2015, the WPA recognized pension expense of \$14,443. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	45,517
Employer contributions subsequent to the measurement date	<u>27,020</u>	<u>-</u>
Total	<u><u>\$ 27,020</u></u>	<u><u>\$ 45,517</u></u>

For the year ended June 30, 2015, the School Board Non-Professional Employee Plan recognized pension expense of \$80,134. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	393,880
Employer contributions subsequent to the measurement date	<u>182,815</u>	<u>-</u>
Total	<u><u>\$ 182,815</u></u>	<u><u>\$ 393,880</u></u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

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

The City reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2016	\$ (1,048,313)
2017	(1,048,313)
2018	(1,048,313)
2019	(1,048,313)
Thereafter	-

The WPA reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2016	\$ (11,379)
2017	(11,379)
2018	(11,379)
2019	(11,380)
Thereafter	-

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Defined Benefit Pension Plan (Continued)

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

The School Board Non-Professional Employee Plan reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2016	\$ (98,470)
2017	(98,470)
2018	(98,470)
2019	(98,470)
Thereafter	-

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool

General Information about the Teacher Cost Sharing Pool

Plan Description

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		About the Hybrid Retirement Plan (Continued) <ul style="list-style-type: none"> • 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.
<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees. • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions</p> <p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>Retirement Contributions</p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Vesting (Continued) <u>Defined Contributions Component: (Continued)</u> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
Calculating the Benefit <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	Calculating the Benefit <p>See definition under Plan 1.</p>	Calculating the Benefit <u>Defined Benefit Component:</u> <p>See definition under Plan 1.</p> <u>Defined Contribution Component:</u> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	Service Retirement Multiplier Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	Service Retirement Multiplier <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. <u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u></p> <p>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.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates: (Continued)</u></p> <ul style="list-style-type: none"> • 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. 		
<p>Disability Coverage</p> <p>Not applicable.</p>	<p>Disability Coverage</p> <p>Not applicable.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Disability Coverage (Continued) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service 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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$4,074,900 and \$3,134,439 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$44,422,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.37% as compared to 0.36% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$3,602,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

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

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,593,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	398,000	-
Employer contributions subsequent to the measurement date	<u>4,074,900</u>	<u>-</u>
Total	<u>\$ 4,472,900</u>	<u>\$ 6,593,000</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

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

The School Board reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,

Year 1	\$ (1,560,000)
Year 2	(1,560,000)
Year 3	(1,560,000)
Year 4	(1,560,000)
Year 5	45,000

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

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

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Long-Term Expected Rate of Return

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

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Discount Rate

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

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	\$ 65,230,000	\$ 44,422,000	\$ 27,291,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14. 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 does 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>.

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 2015 was 0.15% of annual covered payroll. The School Board contribution rate for 2015 was 0.25% of annual covered payroll of non-professional employees.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. VRS Health Insurance Credit (Continued)

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, 2014 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, 2014 was 29 years.

Three-Year Trend Information
City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2015	\$ 31,157	100%	\$ -
June 30, 2014	\$ 26,455	100%	\$ -
June 30, 2013	\$ 32,688	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, 2015	\$ 5,275	100%	\$ -
June 30, 2014	\$ 6,750	100%	\$ -
June 30, 2013	\$ 5,993	100%	\$ -

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. VRS Health Insurance Credit (Continued)

Funding Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the VRS health insurance credit program was 65.92% and 69.20% funded. The actuarial liability for the City and School Board (non-professional employees) benefits were \$511,213 and \$92,315 respectively, and the actuarial value of assets was \$337,000 and \$63,884, resulting in an unfunded actuarial liability (UAAL) of \$174,213 and \$28,431 for the City and the School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$19,051,733 and \$2,044,072 and ratio of the UAAL to the covered payroll was 0.91% and 1.39% 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 15. 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, 2015

Note 15. 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.

Note 16. Related Party Transactions

During 2015, the City paid \$45,628 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. The City paid \$503,114 during 2015. 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 17. 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 \$236,000 for 2015.

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.

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	\$ 715,000
Interest on net OPEB obligation	63,000
Adjustment to annual required contribution	<u>(85,000)</u>
Annual OPEB cost	693,000
Contributions made	<u>(236,000)</u>
Increase in net OPEB obligation	457,000
Net OPEB obligation – beginning of year	<u>1,785,077</u>
Net OPEB obligation – end of year	<u><u>\$ 2,242,077</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 17. Other Post-employment Benefits (Continued)

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, 2015	\$ 693,000	34.1%	\$ 2,242,077
June 30, 2014	\$ 759,000	37.2%	\$ 1,785,077
June 30, 2013	\$ 715,000	36.1%	\$ 1,308,077

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,329,000
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,329,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%
Covered Payroll (Active Plan Members)	\$ 20,700,320
UAAL as a Percentage of Covered Payroll	32.5%

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 efforts of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 17. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3.5% 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 July 1, 2013 was 25 years.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse – Actual coverage status is used; females assumed three 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.

Election Rate – 90% of actives currently enrolled in the City's health care plan 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 5.3% 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.

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 2.5% per annum.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 18. 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	-	112,500
Inventories	12,488	-
Total nonspendable	12,488	152,500
Restricted for:		
Public safety	457,025	134,411
Public works	-	4,480
Total restricted	457,025	138,891
Committed to:		
Community development	987,500	-
Parks, recreation & cultural	300,000	-
Other capital projects	524,412	-
Total committed	1,811,912	-
Assigned to:		
Judicial administration	3,820	135,073
Public safety	37,131	443,000
Public works	-	124,779
Health and welfare	-	55,960
Education capital projects	835,500	-
Parks, recreation and cultural	-	23,149
Community development	-	-
Subsequent year appropriation	1,744,000	3,352,697
Total assigned	2,620,451	4,134,658
Unassigned	17,180,500	-
Total fund balance	\$ 22,082,376	\$ 4,426,049

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 18. Fund Balances (Continued)

Restricted net position at June 30, 2015 for the component unit - School Board of \$13,403,506 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 19. Prior Period Adjustment

In the current year the City and School Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard 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 new 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. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 19. Prior Period Adjustment (Continued)

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 68:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water and Sewer Fund</u>	<u>Winchester Parking Authority</u>
Net Position, July 1, 2014, as previously stated	\$ 11,260,469	\$ 53,007,653	\$ 53,074,237	\$ 1,084,940
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	<u>(12,886,319)</u>	<u>(1,184,966)</u>	<u>(1,184,966)</u>	<u>(152,743)</u>
Net Position, July 1, 2014, as restated	<u>\$ (1,625,850)</u>	<u>\$ 51,822,687</u>	<u>\$ 51,889,271</u>	<u>\$ 932,197</u>
		<u>Equipment Fund</u>	<u>School Board</u>	
Net Position, July 1, 2014, as previously stated		\$ 204,970	\$ 133,695,164	
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68		<u>(106,565)</u>	<u>(47,528,788)</u>	
Net Position, July 1, 2014, as restated		<u>\$ 98,405</u>	<u>\$ 86,166,376</u>	

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 20. New Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

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

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

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, 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%
June 30, 2014	337,000	511,213	174,213	65.9%	19,051,733	0.9%

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, 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%
June 30, 2014	63,884	92,315	28,431	69.2%	2,044,072	1.4%

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
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%
July 1, 2015	-	6,733,000	6,733,000	0.0%	20,700,320	32.5%

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2015

	Primary Government	Schools-- Nonprofessional Employees
Total Pension Liability		
Service cost	\$ 2,316,409	\$ 234,274
Interest on total pension liability	5,265,624	432,031
Benefit payments, including refunds of employee contributions	(3,782,051)	(221,176)
Net change in total pension liability	3,799,982	445,129
Total pension liability - beginning	77,114,225	6,282,464
Total pension liability - ending	<u>\$ 80,914,207</u>	<u>\$ 6,727,593</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 2,480,335	\$ 202,866
Contributions - employee	1,010,980	100,009
Net investment income	9,515,209	884,655
Benefit payments, including refunds of employee contributions	(3,782,051)	(221,176)
Administrative expenses	(50,971)	(4,659)
Other changes	502	46
Net change in plan fiduciary net position	9,174,004	961,741
Plan fiduciary net position - beginning	60,409,863	5,565,810
Plan fiduciary net position - ending	<u>\$ 69,583,867</u>	<u>\$ 6,527,551</u>
Net pension liability - ending	<u>\$ 11,330,340</u>	<u>\$ 200,042</u>
Plan fiduciary net position as a percentage of total pension liability	<u>86%</u>	<u>97%</u>
Covered employee payroll	<u>\$ 22,519,108</u>	<u>\$ 2,044,072</u>
Net pension liability as a percentage of covered employee payroll	<u>50%</u>	<u>10%</u>

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

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2015

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2015	\$ 2,638,462	\$ 2,638,462	\$ -	\$ 21,352,682	12.36%
Schools - Nonprofessional Employees					
2015	\$ 182,815	\$ 182,815	\$ -	\$ 2,109,954	8.66%

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

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 VRS TEACHER RETIREMENT PLAN
 June 30, 2015

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.37%	\$ 44,422,000	\$ 28,107,384	158.04%	71%

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

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 VRS TEACHER RETIREMENT PLAN
 June 30, 2015

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 4,074,900	\$ 4,074,900	\$ -	\$ 28,107,384	14.50%

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

CITY OF WINCHESTER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2015

Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

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**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, 2015**

Exhibit 16

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 462,925	\$ -	\$ 462,925
Investments	280,501	4,012,317	4,292,818
Accounts receivable, net	261,214	143,007	404,221
Notes receivable	112,500	-	112,500
Prepays	40,000	-	40,000
Due from other governments	<u>1,221,367</u>	<u>657,136</u>	<u>1,878,503</u>
 Total assets	 <u>\$ 2,378,507</u>	 <u>\$ 4,812,460</u>	 <u>\$ 7,190,967</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	638,708	1,302,966	1,941,674
Accrued payroll	249,447	-	249,447
Due to other funds	<u>395,500</u>	<u>-</u>	<u>395,500</u>
 Total liabilities	 <u>1,283,655</u>	 <u>1,302,966</u>	 <u>2,586,621</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	<u>178,297</u>	<u>-</u>	<u>178,297</u>
FUND BALANCES			
Nonspendable	152,500	-	152,500
Restricted for:			
Debt proceeds not yet spent	-	134,411	134,411
Grant proceeds not yet spent	4,480	-	4,480
Assigned	<u>759,575</u>	<u>3,375,083</u>	<u>4,134,658</u>
 Total fund balances	 <u>916,555</u>	 <u>3,509,494</u>	 <u>4,426,049</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 2,378,507</u>	 <u>\$ 4,812,460</u>	 <u>\$ 7,190,967</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Exhibit 17

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenues from use of money and property	\$ 9,010	\$ 8,328	\$ 17,338
Charges for services	1,256,131	-	1,256,131
Miscellaneous	36,176	-	36,176
Recovered costs	38,801	55,068	93,869
Intergovernmental:			
Frederick County	100,500	132,260	232,760
Commonwealth	6,354,653	765,940	7,120,593
Federal	3,011,825	258,062	3,269,887
Total revenues	<u>10,807,096</u>	<u>1,219,658</u>	<u>12,026,754</u>
EXPENDITURES			
Current:			
Judicial administration	33,141	-	33,141
Public safety	1,134,652	1,176,028	2,310,680
Public works	6,555,121	2,269,563	8,824,684
Health and welfare	6,662,652	-	6,662,652
Parks, recreation, and culture	-	381,853	381,853
Community development	256,579	797,617	1,054,196
Total expenditures	<u>14,642,145</u>	<u>4,625,061</u>	<u>19,267,206</u>
Excess of expenditures over revenues	<u>(3,835,049)</u>	<u>(3,405,403)</u>	<u>(7,240,452)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>3,759,127</u>	<u>2,233,264</u>	<u>5,992,391</u>
Total other financing sources	<u>3,759,127</u>	<u>2,233,264</u>	<u>5,992,391</u>
Net change in fund balances	(75,922)	(1,172,139)	(1,248,061)
Fund balance - beginning	<u>992,477</u>	<u>4,681,633</u>	<u>5,674,110</u>
Fund balance - ending	<u>\$ 916,555</u>	<u>\$ 3,509,494</u>	<u>\$ 4,426,049</u>

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015**

Exhibit 18

	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	\$ 18,449	\$ 87	\$ 341,738	\$ 17,886	\$ 81,361	\$ 3,404	\$ 462,925
Investments	11,178	53	207,072	10,837	49,299	2,062	280,501
Accounts receivable, net	-	-	235,677	-	10,288	15,249	261,214
Notes receivable	-	-	112,500	-	-	-	112,500
Prepays	40,000	-	-	-	-	-	40,000
Due from other governments	539,615	235,427	-	-	-	446,325	1,221,367
Total assets	<u>\$ 609,242</u>	<u>\$ 235,567</u>	<u>\$ 896,987</u>	<u>\$ 28,723</u>	<u>\$ 140,948</u>	<u>\$ 467,040</u>	<u>\$ 2,378,507</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 383,931	\$ 114,385	\$ 130,679	\$ 2,935	\$ 5,377	\$ 1,401	\$ 638,708
Accrued payroll	129,350	59,707	25,510	2,640	500	31,740	249,447
Due to other funds	-	5,500	-	-	-	390,000	395,500
Total liabilities	<u>513,281</u>	<u>179,592</u>	<u>156,189</u>	<u>5,575</u>	<u>5,877</u>	<u>423,141</u>	<u>1,283,655</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned/unavailable revenue	<u>-</u>	<u>-</u>	<u>178,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,297</u>
Fund balances:							
Nonspendable	40,000	-	112,500	-	-	-	152,500
Restricted for grant funds not yet spent	-	-	-	-	-	4,480	4,480
Assigned	55,961	55,975	450,001	23,148	135,071	39,419	759,575
Total fund balances	<u>95,961</u>	<u>55,975</u>	<u>562,501</u>	<u>23,148</u>	<u>135,071</u>	<u>43,899</u>	<u>916,555</u>
Total liabilities and fund balances	<u>\$ 609,242</u>	<u>\$ 235,567</u>	<u>\$ 896,987</u>	<u>\$ 28,723</u>	<u>\$ 140,948</u>	<u>\$ 467,040</u>	<u>\$ 2,378,507</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, 2015

Exhibit 19

	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	\$ -	\$ 6,647	\$ 1,886	\$ 100	\$ 377	\$ -	\$ 9,010
Charges for services	-	-	1,117,553	-	48,432	90,146	1,256,131
Miscellaneous	2,959	-	-	33,217	-	-	36,176
Recovered costs	-	22,596	-	-	-	16,205	38,801
Intergovernmental:							
Frederick County	-	-	-	100,500	-	-	100,500
Commonwealth	2,325,732	3,768,413	-	-	-	260,508	6,354,653
Federal	2,197,373	4,875	-	-	-	809,577	3,011,825
Total revenues	<u>4,526,064</u>	<u>3,802,531</u>	<u>1,119,439</u>	<u>133,817</u>	<u>48,809</u>	<u>1,176,436</u>	<u>10,807,096</u>
EXPENDITURES							
Current:							
Judicial administration	-	-	-	-	33,141	-	33,141
Public safety	-	-	1,134,652	-	-	-	1,134,652
Public works	-	5,157,860	-	-	-	1,397,261	6,555,121
Health and welfare	6,662,652	-	-	-	-	-	6,662,652
Community development	-	-	-	256,579	-	-	256,579
Total expenditures	<u>6,662,652</u>	<u>5,157,860</u>	<u>1,134,652</u>	<u>256,579</u>	<u>33,141</u>	<u>1,397,261</u>	<u>14,642,145</u>
Excess (deficiency) of revenues over expenditures	<u>(2,136,588)</u>	<u>(1,355,329)</u>	<u>(15,213)</u>	<u>(122,762)</u>	<u>15,668</u>	<u>(220,825)</u>	<u>(3,835,049)</u>
OTHER FINANCING SOURCES							
Transfers in	<u>2,113,402</u>	<u>1,323,225</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>222,000</u>	<u>3,759,127</u>
Total other financing sources	<u>2,113,402</u>	<u>1,323,225</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>222,000</u>	<u>3,759,127</u>
Net change in fund balances	(23,186)	(32,104)	(15,213)	(22,262)	15,668	1,175	(75,922)
Fund balance - beginning	<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>
Fund balance - ending	<u>\$ 95,961</u>	<u>\$ 55,975</u>	<u>\$ 562,501</u>	<u>\$ 23,148</u>	<u>\$ 135,071</u>	<u>\$ 43,899</u>	<u>\$ 916,555</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, 2015

	Social Services Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	2,959	2,959
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	2,976,084	2,976,084	2,325,732	(650,352)
Federal	1,926,916	1,926,916	2,197,373	270,457
Total revenues	<u>4,903,000</u>	<u>4,903,000</u>	<u>4,526,064</u>	<u>(376,936)</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	7,231,000	7,231,000	6,662,652	568,348
Total expenditures	<u>7,231,000</u>	<u>7,231,000</u>	<u>6,662,652</u>	<u>568,348</u>
Excess (deficiency) of revenues over expenditures	<u>(2,328,000)</u>	<u>(2,328,000)</u>	<u>(2,136,588)</u>	<u>191,412</u>
OTHER FINANCING SOURCES				
Transfers in	2,288,000	2,288,000	2,113,402	(174,598)
Total other financing sources	<u>2,288,000</u>	<u>2,288,000</u>	<u>2,113,402</u>	<u>(174,598)</u>
Net change in fund balances	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (23,186)</u>	<u>\$ 16,814</u>

	Win-Fred Convention and Visitors Bureau Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 100	\$ 100
Charges for services	-	-	-	-
Miscellaneous	40,000	40,000	33,217	(6,783)
Recovered costs	-	-	-	-
Intergovernmental:				
Frederick County	100,500	100,500	100,500	-
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>140,500</u>	<u>140,500</u>	<u>133,817</u>	<u>(6,683)</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	272,000	272,000	256,579	15,421
Total expenditures	<u>272,000</u>	<u>272,000</u>	<u>256,579</u>	<u>15,421</u>
Excess (deficiency) of revenues over expenditures	<u>(131,500)</u>	<u>(131,500)</u>	<u>(122,762)</u>	<u>8,738</u>
OTHER FINANCING SOURCES				
Transfers in	131,500	131,500	100,500	(31,000)
Total other financing sources	<u>131,500</u>	<u>131,500</u>	<u>100,500</u>	<u>(31,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,262)</u>	<u>\$ (22,262)</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	\$ 6,647	\$ 47	\$ 3,000	\$ 3,000	\$ 1,886	\$ (1,114)
-	-	-	-	961,000	961,000	1,117,553	156,553
-	-	-	-	-	-	-	-
-	-	22,596	22,596	-	-	-	-
3,852,800	3,852,800	3,768,413	(84,387)	-	-	-	-
-	-	4,875	4,875	-	-	-	-
3,859,400	3,859,400	3,802,531	(56,869)	964,000	964,000	1,119,439	155,439
-	-	-	-	1,018,000	1,018,000	1,134,652	(116,652)
5,326,000	5,344,557	5,157,860	186,697	-	-	-	-
-	-	-	-	-	-	-	-
5,326,000	5,344,557	5,157,860	186,697	1,018,000	1,018,000	1,134,652	(116,652)
(1,466,600)	(1,485,157)	(1,355,329)	129,828	(54,000)	(54,000)	(15,213)	38,787
1,466,600	1,466,600	1,323,225	(143,375)	54,000	54,000	-	(54,000)
1,466,600	1,466,600	1,323,225	(143,375)	54,000	54,000	-	(54,000)
\$ -	\$ (18,557)	\$ (32,104)	\$ (13,547)	\$ -	\$ -	\$ (15,213)	\$ (15,213)
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)
\$ -	\$ -	\$ 377	\$ 377	\$ -	\$ -	\$ -	\$ -
50,000	50,000	48,432	(1,568)	100,000	100,000	90,146	(9,854)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	16,205	16,205
-	-	-	-	-	-	-	-
-	-	-	-	175,000	235,500	260,508	25,008
-	-	-	-	717,000	1,201,000	809,577	(391,423)
50,000	50,000	48,809	(1,191)	992,000	1,536,500	1,176,436	(360,064)
50,000	50,000	33,141	16,859	-	-	-	-
-	-	-	-	1,275,000	1,880,000	1,397,261	(482,739)
-	-	-	-	-	-	-	-
50,000	50,000	33,141	16,859	1,275,000	1,880,000	1,397,261	(482,739)
-	-	15,668	15,668	(283,000)	(343,500)	(220,825)	122,675
-	-	-	-	283,000	343,500	222,000	(121,500)
-	-	-	-	283,000	343,500	222,000	(121,500)
\$ -	\$ -	\$ 15,668	\$ 15,668	\$ -	\$ -	\$ 1,175	\$ 1,175

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, 2015

Exhibit 21

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ 9,000	\$ 8,328	\$ (672)
Recovered costs	2,350,000	1,816,000	55,068	(1,760,932)
Intergovernmental:				
Frederick County	150,000	150,000	132,260	(17,740)
Commonwealth	8,289,200	8,814,200	765,940	(8,048,260)
Federal	920,000	920,000	258,062	(661,938)
Total revenues	<u>11,709,200</u>	<u>11,709,200</u>	<u>1,219,658</u>	<u>(10,489,542)</u>
EXPENDITURES				
Current:				
Public safety	5,000,000	5,000,000	1,176,028	3,823,972
Public works	12,600,000	12,600,000	2,269,563	10,330,437
Parks, recreation and culture	1,455,000	1,455,000	381,853	1,073,147
Community development	-	800,000	797,617	2,383
Total expenditures	<u>19,055,000</u>	<u>19,855,000</u>	<u>4,625,061</u>	<u>15,229,939</u>
Excess (deficiency) of revenues over expenditures	<u>(7,345,800)</u>	<u>(8,145,800)</u>	<u>(3,405,403)</u>	<u>4,740,397</u>
OTHER FINANCING SOURCES				
Transfers in	<u>7,345,800</u>	<u>8,145,800</u>	<u>2,233,264</u>	<u>(5,912,536)</u>
Total other financing sources	<u>7,345,800</u>	<u>8,145,800</u>	<u>2,233,264</u>	<u>(5,912,536)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,172,139)</u>	<u>\$ (1,172,139)</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, 2015

Exhibit 22

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
ASSETS				
Current assets:				
Cash	\$ 1,410,583	\$ 86,397	\$ 1,396,116	\$ 2,893,096
Investments	639,972	52,351	845,961	1,538,284
Accounts receivable, net	180,253	1,445	-	181,698
Prepays	329,492	-	-	329,492
Inventories	-	122,888	-	122,888
Total current assets	<u>2,560,300</u>	<u>263,081</u>	<u>2,242,077</u>	<u>5,065,458</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	-	36,116	-	36,116
Total assets	<u>2,560,300</u>	<u>299,197</u>	<u>2,242,077</u>	<u>5,101,574</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to the measurement date	-	20,021	-	20,021
Total deferred outflows of resources	<u>-</u>	<u>20,021</u>	<u>-</u>	<u>20,021</u>
LIABILITIES				
Current liabilities:				
Accounts payable	378,356	49,924	-	428,280
Accrued payroll	-	11,023	-	11,023
Total current liabilities	<u>378,356</u>	<u>60,947</u>	<u>-</u>	<u>439,303</u>
Noncurrent liabilities:				
Compensated absences	-	10,741	-	10,741
Net OPEB obligation	-	-	2,242,077	2,242,077
Net pension liability	-	84,886	-	84,886
Total noncurrent liabilities	<u>-</u>	<u>95,627</u>	<u>2,242,077</u>	<u>2,337,704</u>
Total liabilities	<u>378,356</u>	<u>156,574</u>	<u>2,242,077</u>	<u>2,777,007</u>
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments	-	31,756	-	31,756
Total deferred inflows of resources	<u>-</u>	<u>31,756</u>	<u>-</u>	<u>31,756</u>
NET POSITION				
Net investment in capital assets	-	36,116	-	36,116
Unrestricted	2,181,944	94,772	-	2,276,716
Total net position	<u>\$ 2,181,944</u>	<u>\$ 130,888</u>	<u>\$ -</u>	<u>\$ 2,312,832</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, 2015

Exhibit 23

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
OPERATING REVENUES				
Charges for services	\$ 607,349	\$ 1,305,292	\$ 457,000	\$ 2,369,641
Total operating revenues	<u>607,349</u>	<u>1,305,292</u>	<u>457,000</u>	<u>2,369,641</u>
OPERATING EXPENSES				
Personal services	51,390	239,678	457,000	748,068
Contractual services	-	243,559	-	243,559
Other supplies and expenses	-	784,977	-	784,977
Insurance claims and expenses	456,322	-	-	456,322
Depreciation	-	4,892	-	4,892
Total operating expenses	<u>507,712</u>	<u>1,273,106</u>	<u>457,000</u>	<u>2,237,818</u>
Operating income	<u>99,637</u>	<u>32,186</u>	<u>-</u>	<u>131,823</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	<u>5,458</u>	<u>297</u>	<u>-</u>	<u>5,755</u>
Change in net position	105,095	32,483	-	137,578
Total net position - beginning, as restated	<u>2,076,849</u>	<u>98,405</u>	<u>-</u>	<u>2,175,254</u>
Total net position - ending	<u>\$ 2,181,944</u>	<u>\$ 130,888</u>	<u>\$ -</u>	<u>\$ 2,312,832</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2015

Exhibit 24

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from internal services provided	\$ 519,650	\$ 1,305,221	\$ 457,000	\$ 2,281,871
Cash paid to suppliers	-	(1,045,397)	-	(1,045,397)
Cash paid to employees	(51,390)	(267,525)	-	(318,915)
Premiums paid	(756,162)	-	-	(756,162)
Net cash provided by (used in) operating activities	(287,902)	(7,701)	457,000	161,397
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	5,458	297	-	5,755
Net cash provided by investing activities	5,458	297	-	5,755
Net increase (decrease) in cash and cash equivalents	(282,444)	(7,404)	457,000	167,152
Cash and cash equivalents - beginning of year	2,332,999	146,152	1,785,077	4,264,228
Cash and cash equivalents - end of year	\$ 2,050,555	\$ 138,748	\$ 2,242,077	\$ 4,431,380
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 1,410,583	\$ 86,397	\$ 1,396,116	\$ 2,893,096
Cash equivalents - investments	639,972	52,351	845,961	1,538,284
Total	\$ 2,050,555	\$ 138,748	\$ 2,242,077	\$ 4,431,380
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 99,637	\$ 32,186	\$ -	\$ 131,823
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	-	4,892	-	4,892
Pension expense net of employer contributions	-	(9,944)	-	(9,944)
(Increase) decrease in accounts receivable	(87,699)	(71)	-	(87,770)
(Increase) decrease in prepaids	7,040	-	-	7,040
(Increase) decrease in inventory	-	(3,246)	-	(3,246)
Increase (decrease) in accounts payable	(306,880)	(13,615)	-	(320,495)
Increase (decrease) in accrued payroll	-	(1,236)	-	(1,236)
Increase (decrease) in net OPEB obligation	-	-	457,000	457,000
Increase (decrease) in compensated absences	-	(16,667)	-	(16,667)
Total adjustments	(387,539)	(39,887)	457,000	29,574
Net cash provided by (used in) operating activities	\$ (287,902)	\$ (7,701)	\$ 457,000	\$ 161,397

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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, 2015

Exhibit 25

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash	\$ 3,380	\$ 191,454	\$ 698,557	\$ 893,391
Investments	-	1,598,563	423,283	2,021,846
Accounts receivable	-	-	9,614	9,614
Prepays	-	1,751	-	1,751
Deferred outflows of resources	-	-	181,848	181,848
Total assets and deferred outflows of resources	<u>\$ 3,380</u>	<u>\$ 1,791,768</u>	<u>\$ 1,313,302</u>	<u>\$ 3,108,450</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable	\$ -	\$ 311,473	\$ 36,595	\$ 348,068
Accrued payroll	-	-	108,185	108,185
Net pension liability	-	-	809,613	809,613
Deferred inflows of resources	-	-	302,883	302,883
Amounts held for social services clients	3,380	-	-	3,380
Amounts held for NRJA	-	1,480,295	-	1,480,295
Amounts held for NRJDC	-	-	56,026	56,026
Total liabilities and deferred inflows of resources	<u>\$ 3,380</u>	<u>\$ 1,791,768</u>	<u>\$ 1,313,302</u>	<u>\$ 3,108,450</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS, DEFERRED OUTFLOWS OF RESOURCES,
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES
AGENCY FUNDS
For the Year Ended June 30, 2015

Exhibit 26

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Special Welfare Fund				
Assets:				
Cash	\$ 8,775	\$ -	\$ 5,395	\$ 3,380
Total Assets	<u>\$ 8,775</u>	<u>\$ -</u>	<u>\$ 5,395</u>	<u>\$ 3,380</u>
Liabilities:				
Amounts held for social services clients	\$ 8,775	\$ -	\$ 5,395	\$ 3,380
Total Liabilities	<u>\$ 8,775</u>	<u>\$ -</u>	<u>\$ 5,395</u>	<u>\$ 3,380</u>
Northwestern Regional Jail Authority				
Construction Fund				
Assets:				
Cash	\$ -	\$ 191,454	\$ -	\$ 191,454
Investments	1,542,291	1,325,618	1,269,346	1,598,563
Prepays	2,001	-	250	1,751
Total Assets	<u>\$ 1,544,292</u>	<u>\$ 1,517,072</u>	<u>\$ 1,269,596</u>	<u>\$ 1,791,768</u>
Liabilities:				
Accounts payable	\$ 26,916	\$ 284,557	\$ -	\$ 311,473
Amounts held for NRJA	1,517,376	1,232,515	1,269,596	1,480,295
Total Liabilities	<u>\$ 1,544,292</u>	<u>\$ 1,517,072</u>	<u>\$ 1,269,596</u>	<u>\$ 1,791,768</u>
Northwestern Regional Juvenile Detention				
Center Fund				
Assets and deferred outflows of resources:				
Cash	\$ 775,541	\$ 2,664,912	\$ 2,741,896	\$ 698,557
Investments	141,654	281,629	-	423,283
Accounts receivable	178,307	1,815,342	1,984,035	9,614
Deferred outflows of resources	-	181,848	-	181,848
Total Assets and Deferred Outflows of Resources	<u>\$ 1,095,502</u>	<u>\$ 4,943,731</u>	<u>\$ 4,725,931</u>	<u>\$ 1,313,302</u>
Liabilities and deferred inflows of resources:				
Accounts payable	\$ 23,475	\$ 2,654,836	\$ 2,641,716	\$ 36,595
Accrued payroll	95,430	12,755	-	108,185
Net pension liability	-	809,613	-	809,613
Deferred inflows of resources	-	302,883	-	302,883
Amounts held for NRJDC	976,597	1,163,644	2,084,215	56,026
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,095,502</u>	<u>\$ 4,943,731</u>	<u>\$ 4,725,931</u>	<u>\$ 1,313,302</u>
Total All Agency Funds				
Assets and deferred outflows of resources:				
Cash	\$ 784,316	\$ 2,856,366	\$ 2,747,291	\$ 893,391
Investments	1,683,945	1,607,247	1,269,346	2,021,846
Accounts receivable	178,307	1,815,342	1,984,035	9,614
Prepays	2,001	-	250	1,751
Deferred outflows of resources	-	181,848	-	181,848
Total Assets and Deferred Outflows of Resources	<u>\$ 2,648,569</u>	<u>\$ 6,460,803</u>	<u>\$ 6,000,922</u>	<u>\$ 3,108,450</u>
Liabilities and deferred inflows of resources:				
Accounts payable	\$ 50,391	\$ 2,939,393	\$ 2,641,716	\$ 348,068
Accrued payroll	95,430	12,755	-	108,185
Net pension liability	-	809,613	-	809,613
Deferred inflows of resources	-	302,883	-	302,883
Amounts held for social services clients	8,775	-	5,395	3,380
Amounts held for NRJA	1,517,376	1,232,515	1,269,596	1,480,295
Amounts held for NRJDC	976,597	1,163,644	2,084,215	56,026
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,648,569</u>	<u>\$ 6,460,803</u>	<u>\$ 6,000,922</u>	<u>\$ 3,108,450</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, 2015**

Exhibit 27

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 2,094,343	\$ 613,952	\$ 414,269	\$ -	\$ 592,435	\$ 3,714,999
Investments	1,269,044	371,411	251,021	-	358,446	2,249,922
Receivables, net:						
Accounts	-	-	-	-	8,593	8,593
Promises to give	-	835,815	-	-	-	835,815
Due from other funds	368,719	-	-	-	-	368,719
Due from other governments	944,376	-	113,191	-	598,746	1,656,313
Inventories	-	-	-	-	34,270	34,270
Investments - restricted	-	-	-	15,045,664	-	15,045,664
Total assets	<u>\$ 4,676,482</u>	<u>\$ 1,821,178</u>	<u>\$ 778,481</u>	<u>\$ 15,045,664</u>	<u>\$ 1,592,490</u>	<u>\$ 23,914,295</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 432,840	\$ -	\$ 50,045	\$ 2,497,631	\$ 24,808	\$ 3,005,324
Accrued payroll	4,224,327	-	-	-	328,777	4,553,104
Due to other funds	-	-	-	-	368,719	368,719
Total liabilities	<u>4,657,167</u>	<u>-</u>	<u>50,045</u>	<u>2,497,631</u>	<u>722,304</u>	<u>7,927,147</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable/unearned revenue	<u>-</u>	<u>835,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>835,815</u>
Total deferred inflows of resources	<u>-</u>	<u>835,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>835,815</u>
Fund balances:						
Restricted:						
Debt proceeds not yet spent	-	-	-	12,548,033	-	12,548,033
Nonspendable	-	-	-	-	34,270	34,270
Assigned	<u>19,315</u>	<u>985,363</u>	<u>728,436</u>	<u>-</u>	<u>835,916</u>	<u>2,569,030</u>
Total fund balances	<u>19,315</u>	<u>985,363</u>	<u>728,436</u>	<u>12,548,033</u>	<u>870,186</u>	<u>15,151,333</u>
Total liabilities and fund balances	<u>\$ 4,676,482</u>	<u>\$ 1,821,178</u>	<u>\$ 778,481</u>	<u>\$ 15,045,664</u>	<u>\$ 1,592,490</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.	114,558,724
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	835,815
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.	766,702
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,477,742)
Net position of Discretely Presented Component Unit - Winchester Education Foundation	1,149,877
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2015 employer contributions	4,257,715
Deferred outflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions-teacher cost sharing	398,000
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(6,986,880)
Net pension liability	<u>(44,622,042)</u>
Net position of governmental activities	<u>\$ 84,031,502</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, 2015

Exhibit 28

	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	\$ 68,201	\$ 2,788	\$ 1,228	\$ 26,398	\$ 2,335	\$ 100,950
Charges for services	216,078	-	-	-	557,115	773,193
Miscellaneous	244,781	149,538	10,600	-	29,280	434,199
Recovered costs	47,687	-	168,935	-	-	216,622
Intergovernmental revenues:						
Local	26,989,964	-	531,565	-	-	27,521,529
Commonwealth	21,390,915	-	83,805	-	37,380	21,512,100
State and Federal	-	-	-	-	3,499,520	3,499,520
Total revenues	<u>48,957,626</u>	<u>152,326</u>	<u>796,133</u>	<u>26,398</u>	<u>4,125,630</u>	<u>54,058,113</u>
EXPENDITURES						
Current:						
Education	48,868,473	3,196	-	-	4,160,278	53,031,947
Capital projects	-	29	526,044	7,201,675	-	7,727,748
Total expenditures	<u>48,868,473</u>	<u>3,225</u>	<u>526,044</u>	<u>7,201,675</u>	<u>4,160,278</u>	<u>60,759,695</u>
Excess (deficiency) of revenues over expenditures	<u>89,153</u>	<u>149,101</u>	<u>270,089</u>	<u>(7,175,277)</u>	<u>(34,648)</u>	<u>(6,701,582)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	90,000	90,000
Transfers out	(90,000)	-	-	-	-	(90,000)
Total other financing sources (uses)	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
Net change in fund balances	(847)	149,101	270,089	(7,175,277)	55,352	(6,701,582)
Fund balances - beginning	<u>20,162</u>	<u>836,262</u>	<u>458,347</u>	<u>19,723,310</u>	<u>814,834</u>	
Fund balances - ending	<u>\$ 19,315</u>	<u>\$ 985,363</u>	<u>\$ 728,436</u>	<u>\$ 12,548,033</u>	<u>\$ 870,186</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 (\$7,633,093) exceeded depreciation (\$3,034,433) in the current period.	4,598,660
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(98,629)
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.	(538,938)
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.	(154,738)
Change in net position of Discretely Presented Component-Unit - Winchester Education Foundation	184,772
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	4,257,715
Pension expense	<u>(3,682,134)</u> 575,581
Change in net position of governmental activities	<u>\$ (2,134,874)</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, 2015

Exhibit 29

	School Operating Fund			Variance with Final Budget - Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 68,201	\$ 13,201
Charges for services	125,000	125,000	216,078	91,078
Miscellaneous	202,500	253,862	244,781	(9,081)
Recovered costs	91,134	91,134	47,687	(43,447)
Intergovernmental:				
Local	27,699,102	27,699,102	26,989,964	(709,138)
Commonwealth	21,452,730	21,427,519	21,390,915	(36,604)
Total revenues	49,625,466	49,651,617	48,957,626	(693,991)
EXPENDITURES				
Current:				
Education	49,625,466	49,651,617	48,868,473	783,144
Total expenditures	49,625,466	49,651,617	48,868,473	783,144
Excess (deficiency) of revenues over expenditures	-	-	89,153	89,153
OTHER FINANCING USES				
Transfers out	-	-	(90,000)	(90,000)
Total other financing uses	-	-	(90,000)	(90,000)
Net change in fund balances	\$ -	\$ -	\$ (847)	\$ (847)

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

Exhibit 30

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 447,951	\$ -	\$ 144,484	\$ 592,435
Investments	270,897	-	87,549	358,446
Accounts receivable	8,593	-	-	8,593
Due from other governments	-	598,746	-	598,746
Inventories	34,270	-	-	34,270
Total assets	<u>\$ 761,711</u>	<u>\$ 598,746</u>	<u>\$ 232,033</u>	<u>\$ 1,592,490</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 11,058	\$ 9,641	\$ 4,109	\$ 24,808
Accrued payroll	108,391	220,386	-	328,777
Due to other funds	-	368,719	-	368,719
Total liabilities	<u>119,449</u>	<u>598,746</u>	<u>4,109</u>	<u>722,304</u>
Fund balances:				
Nonspendable	34,270	-	-	34,270
Assigned	607,992	-	227,924	835,916
Total fund balances	<u>642,262</u>	<u>-</u>	<u>227,924</u>	<u>870,186</u>
Total liabilities and fund balances	<u>\$ 761,711</u>	<u>\$ 598,746</u>	<u>\$ 232,033</u>	<u>\$ 1,592,490</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, 2015

Exhibit 31

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
REVENUES				
Revenues from use of money and property	\$ 1,957	\$ -	\$ 378	\$ 2,335
Charges for services	557,115	-	-	557,115
Miscellaneous	29,280	-	-	29,280
Intergovernmental revenues:				
Commonwealth	37,380	-	-	37,380
Federal	1,477,873	2,021,647	-	3,499,520
Total revenues	<u>2,103,605</u>	<u>2,021,647</u>	<u>378</u>	<u>4,125,630</u>
EXPENDITURES				
Current:				
Education	<u>2,138,546</u>	<u>2,021,647</u>	<u>85</u>	<u>4,160,278</u>
Total expenditures	<u>2,138,546</u>	<u>2,021,647</u>	<u>85</u>	<u>4,160,278</u>
Excess (deficiency) of revenues over expenditures	<u>(34,941)</u>	<u>-</u>	<u>293</u>	<u>(34,648)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Net change in fund balances	(34,941)	-	90,293	55,352
Fund balance - beginning	<u>677,203</u>	<u>-</u>	<u>137,631</u>	<u>814,834</u>
Fund balance - ending	<u>\$ 642,262</u>	<u>\$ -</u>	<u>\$ 227,924</u>	<u>\$ 870,186</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, 2015

	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	\$ 1,957	\$ 457
Charges for services	707,000	707,000	557,115	(149,885)
Miscellaneous	5,000	5,000	29,280	24,280
Intergovernmental:				
Commonwealth	36,950	36,950	37,380	430
Federal	1,295,111	1,449,431	1,477,873	28,442
Total revenues	<u>2,045,561</u>	<u>2,199,881</u>	<u>2,103,605</u>	<u>(96,276)</u>
EXPENDITURES				
Current:				
Education	<u>2,045,561</u>	<u>2,199,881</u>	<u>2,138,546</u>	<u>61,335</u>
Total expenditures	<u>2,045,561</u>	<u>2,199,881</u>	<u>2,138,546</u>	<u>61,335</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(34,941)</u>	<u>(34,941)</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>\$ (34,941)</u>	<u>\$ (34,941)</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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378	\$ 378
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,188,991</u>	<u>2,507,770</u>	<u>2,021,647</u>	<u>(486,123)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,188,991</u>	<u>2,507,770</u>	<u>2,021,647</u>	<u>(486,123)</u>	<u>-</u>	<u>-</u>	<u>378</u>	<u>378</u>
<u>2,188,991</u>	<u>2,507,770</u>	<u>2,021,647</u>	<u>486,123</u>	<u>100,000</u>	<u>227,630</u>	<u>85</u>	<u>227,545</u>
<u>2,188,991</u>	<u>2,507,770</u>	<u>2,021,647</u>	<u>486,123</u>	<u>100,000</u>	<u>227,630</u>	<u>85</u>	<u>227,545</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(227,630)</u>	<u>293</u>	<u>227,923</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>227,630</u>	<u>90,000</u>	<u>(137,630)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>227,630</u>	<u>90,000</u>	<u>(137,630)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,293</u>	<u>\$ 90,293</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, 2015

	School Fundraising Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 2,788	\$ 2,788
Miscellaneous	400,000	386,261	149,538	(236,723)
Recovered costs	-	-	-	-
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	400,000	386,261	152,326	(233,935)
EXPENDITURES				
Education	-	3,800	3,196	604
Capital projects	400,000	382,461	29	382,432
Total expenditures	400,000	386,261	3,225	383,036
Excess (deficiency) of revenues over expenditures	-	-	149,101	149,101
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 149,101	\$ 149,101

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	
\$ -	\$ -	\$ 1,228	\$ 1,228	\$ -	\$ 11,774	\$ 26,398	\$ 14,624
-	10,000	10,600	600	-	-	-	-
-	-	168,935	168,935	-	-	-	-
-	-	531,565	531,565	-	19,699,926	-	(19,699,926)
-	83,805	83,805	-	-	-	-	-
-	93,805	796,133	702,328	-	19,711,700	26,398	(19,685,302)
-	-	-	-	-	-	-	-
268,600	1,084,319	526,044	558,275	-	19,711,700	7,201,675	12,510,025
268,600	1,084,319	526,044	558,275	-	19,711,700	7,201,675	12,510,025
(268,600)	(990,514)	270,089	1,260,603	-	-	(7,175,277)	(7,175,277)
268,600	990,514	-	(990,514)	-	-	-	-
268,600	990,514	-	(990,514)	-	-	-	-
\$ -	\$ -	\$ 270,089	\$ 270,089	\$ -	\$ -	\$ (7,175,277)	\$ (7,175,277)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
June 30, 2015

Exhibit 34

	School Insurance Fund	School Consolidated Maintenance Fund	Total
ASSETS			
Current assets:			
Cash	\$ 477,783	\$ 72	\$ 477,855
Investments	289,508	44	289,552
Receivables, net	<u>326</u>	<u>-</u>	<u>326</u>
Total current assets	<u>767,617</u>	<u>116</u>	<u>767,733</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 116	\$ 116
Accrued payroll	<u>915</u>	<u>-</u>	<u>915</u>
Total liabilities	<u>915</u>	<u>116</u>	<u>1,031</u>
NET POSITION			
Unrestricted	<u>\$ 766,702</u>	<u>\$ -</u>	<u>\$ 766,702</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, 2015

Exhibit 35

	School Insurance Fund	School Consolidated Maintenance Fund	Total
OPERATING REVENUES			
Charges for services	\$ 4,354,623	\$ -	\$ 4,354,623
Total operating revenues	<u>4,354,623</u>	<u>-</u>	<u>4,354,623</u>
OPERATING EXPENSES			
Other supplies and expenses	642	-	642
Insurance claims and expenses	<u>4,894,826</u>	<u>-</u>	<u>4,894,826</u>
Total operating expenses	<u>4,895,468</u>	<u>-</u>	<u>4,895,468</u>
Operating loss	<u>(540,845)</u>	<u>-</u>	<u>(540,845)</u>
NONOPERATING REVENUES			
Investment earnings	<u>1,907</u>	<u>-</u>	<u>1,907</u>
Total nonoperating revenues	<u>1,907</u>	<u>-</u>	<u>1,907</u>
Change in net position	(538,938)	-	(538,938)
Total net position - beginning	<u>1,305,640</u>	<u>-</u>	<u>1,305,640</u>
Total net position - ending	<u><u>\$ 766,702</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 766,702</u></u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2015

Exhibit 36

	School Insurance Fund	School Consolidated Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	\$ 4,356,377	\$ -	\$ 4,356,377
Cash paid to suppliers	-	116	116
Premiums paid	<u>(4,894,553)</u>	<u>-</u>	<u>(4,894,553)</u>
Net cash provided by (used in) operating activities	<u>(538,176)</u>	<u>116</u>	<u>(538,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	<u>1,907</u>	<u>-</u>	<u>1,907</u>
Net cash provided by investing activities	<u>1,907</u>	<u>-</u>	<u>1,907</u>
Net increase (decrease) in cash and cash equivalents	(536,269)	116	(536,153)
Cash and cash equivalents - beginning of year	<u>1,303,560</u>	<u>-</u>	<u>1,303,560</u>
Cash and cash equivalents - end of year	<u><u>\$ 767,291</u></u>	<u><u>\$ 116</u></u>	<u><u>\$ 767,407</u></u>
Cash and cash equivalents at end of year is comprised of the following:			
Cash	\$ 477,783	\$ 72	\$ 477,855
Cash equivalents - Investments	<u>289,508</u>	<u>44</u>	<u>289,552</u>
Total	<u><u>\$ 767,291</u></u>	<u><u>\$ 116</u></u>	<u><u>\$ 767,407</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (540,845)	\$ -	\$ (540,845)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	1,754	-	1,754
Increase (decrease) in accounts payable	-	116	116
Increase (decrease) in accrued payroll	<u>915</u>	<u>-</u>	<u>915</u>
Total adjustments	<u>2,669</u>	<u>116</u>	<u>2,785</u>
Net cash provided by (used in) operating activities	<u><u>\$ (538,176)</u></u>	<u><u>\$ 116</u></u>	<u><u>\$ (538,060)</u></u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2015

Exhibit 37

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ASSETS				
Cash	\$ 32,049	\$ 37,180	\$ 78,572	\$ 147,801
Investments	392,382	-	-	392,382
Total assets	<u>\$ 424,431</u>	<u>\$ 37,180</u>	<u>\$ 78,572</u>	<u>\$ 540,183</u>
NET POSITION				
Held in trust for scholarships	<u>\$ 424,431</u>	<u>\$ 37,180</u>	<u>\$ 78,572</u>	<u>\$ 540,183</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, 2015

Exhibit 38

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	\$ 26,265	\$ 3,000	\$ 36,889	\$ 66,154
Investment earnings:				
Interest	5	-	7	12
Dividends	17,800	2,609	-	20,409
Realized and unrealized losses on investments	(13,127)	(1,692)	-	(14,819)
Total additions	<u>30,943</u>	<u>3,917</u>	<u>36,896</u>	<u>71,756</u>
DEDUCTIONS				
Administrative expenses	7,230	144	-	7,374
Scholarships awarded	<u>44,854</u>	<u>9,000</u>	<u>30,000</u>	<u>83,854</u>
Total deductions	<u>52,084</u>	<u>9,144</u>	<u>30,000</u>	<u>91,228</u>
Change in net position	(21,141)	(5,227)	6,896	(19,472)
Net position - beginning	<u>445,572</u>	<u>42,407</u>	<u>71,676</u>	<u>559,655</u>
Net position - ending	<u>\$ 424,431</u>	<u>\$ 37,180</u>	<u>\$ 78,572</u>	<u>\$ 540,183</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, 2015

Exhibit 39

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
School Employee Benefits Fund				
Assets:				
Cash	\$ 566,207	\$ -	\$ 30,692	\$ 535,515
Investments	<u>85,426</u>	<u>174,794</u>	<u>-</u>	<u>260,220</u>
Total assets	<u>\$ 651,633</u>	<u>\$ 174,794</u>	<u>\$ 30,692</u>	<u>\$ 795,735</u>
Liabilities:				
Accounts payable	<u>\$ 651,633</u>	<u>\$ 144,102</u>	<u>\$ -</u>	<u>\$ 795,735</u>
Total liabilities	<u>\$ 651,633</u>	<u>\$ 144,102</u>	<u>\$ -</u>	<u>\$ 795,735</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 (DEFICIT)
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
June 30, 2015

Exhibit 40

	Parking Authority Fund
<hr/>	
ASSETS	
Current assets:	
Cash	\$ 218,047
Investments	132,123
Accounts receivable, net	<u>6,153</u>
Total current assets	<u>356,323</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	<u>8,039,412</u>
Total capital assets, net	<u>8,051,097</u>
Total noncurrent assets	<u>8,051,097</u>
Total assets	<u>8,407,420</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to the measurement date	<u>27,020</u>
Total deferred outflows of resources	<u>27,020</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	16,283
Accrued payroll	15,049
Accrued interest payable	163,260
Revenue bonds payable	<u>204,797</u>
Total current liabilities	<u>399,389</u>
Noncurrent liabilities:	
Net pension liability	121,669
Compensated absences	50,183
Revenue bonds payable	<u>7,878,893</u>
Total noncurrent liabilities	<u>8,050,745</u>
Total liabilities	<u>8,450,134</u>
 DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual investment earnings on	
pension plan investments	<u>45,517</u>
Total deferred inflows of resources	<u>45,517</u>
 NET POSITION (DEFICIT)	
Net investment in capital assets	(32,593)
Unrestricted	<u>(28,618)</u>
Total net position (deficit)	<u><u>\$ (61,211)</u></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, 2015

Exhibit 41

	Parking Authority Fund
OPERATING REVENUES	
Charges for services	\$ 1,124,102
Miscellaneous	<u>2,429</u>
Total operating revenues	<u>1,126,531</u>
OPERATING EXPENSES	
Personal services	324,224
Contractual services	989,913
Other supplies and expenses	169,486
Depreciation	<u>257,499</u>
Total operating expenses	<u>1,741,122</u>
Operating loss	<u>(614,591)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,055
Interest and fiscal charges	<u>(379,872)</u>
Total nonoperating revenues (expenses)	<u>(378,817)</u>
Change in net position	(993,408)
Total net position - beginning, as restated	<u>932,197</u>
Total net position (deficit) - ending	<u><u>\$ (61,211)</u></u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2015

Exhibit 42

	Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 1,122,887
Cash paid to suppliers	(1,156,782)
Cash paid to employees	(332,388)
Net cash used in operating activities	(366,283)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(180,000)
Interest paid on capital debt	(398,750)
Net cash used in capital and related financing activities	(578,750)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	1,055
Net cash provided by investing activities	1,055
Net decrease in cash and cash equivalents	(943,978)
Cash and cash equivalents - beginning of year	1,294,148
Cash and cash equivalents - end of year	\$ 350,170
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 218,047
Cash equivalents - Investments	132,123
Total	\$ 350,170
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (614,591)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	257,499
Pension expense net of employer contributions	(12,577)
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(3,644)
Increase (decrease) in accounts payable	2,617
Increase (decrease) in accrued payroll	1,337
Increase (decrease) in compensated absences	3,076
Total adjustments	248,308
Net cash used in operating activities	\$ (366,283)

**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, 2015

Exhibit 43

Winchester
Education
Foundation
Fund

ASSETS

Current assets:

Cash	\$ 432,333
Investments	284,572
Accounts receivable	1,300
Promises to give	157,884
Prepays	465
Total current assets	<u>876,554</u>

Noncurrent assets:

Promises to give, net	258,399
Land held for sale	15,000
Total noncurrent assets	<u>273,399</u>
Total assets	<u>1,149,953</u>

LIABILITIES

Current liabilities:

Accounts payable	76
Total current liabilities	<u>76</u>

NET POSITION

Restricted	855,473
Unrestricted	294,404
Total net position	<u>\$ 1,149,877</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, 2015

Exhibit 44

Winchester
Education
Foundation
Fund

OPERATING REVENUES

Contributions	\$ 328,257
Miscellaneous	3,500
Total operating revenues	<u>331,757</u>

OPERATING EXPENSES

Contractual services	71,005
Other supplies and expenses	30,615
Contributions	<u>50,000</u>
Total operating expenses	<u>151,620</u>
Operating income	<u>180,137</u>

NONOPERATING REVENUES

Investment earnings	<u>4,635</u>
Total nonoperating revenues	<u>4,635</u>
Change in net position	184,772

Total net position - beginning	<u>965,105</u>
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Total net position - ending	<u><u>\$ 1,149,877</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, 2015

Exhibit 45

Winchester
Education
Foundation
Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from donors	\$ 401,024
Cash paid to suppliers and contributions	<u>(151,544)</u>
Net cash provided by operating activities	<u>249,480</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>4,635</u>
Net cash provided by investing activities	<u>4,635</u>

Net increase in cash and cash equivalents	254,115
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Cash and cash equivalents - beginning of year	<u>462,790</u>
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Cash and cash equivalents - end of year	<u><u>\$ 716,905</u></u>
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Cash and cash equivalents at end of year is comprised of the following:

Cash	\$ 432,333
Cash equivalents - Investments	<u>284,572</u>
Total	<u><u>\$ 716,905</u></u>

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

Operating income	\$ 180,137
Adjustments to reconcile operating income to net cash provided operating activities:	
Change in assets and liabilities:	
Decrease in pledges receivable	69,267
Increase in accounts payable	<u>76</u>
Total adjustments	<u>69,343</u>
Net cash provided by operating activities	<u><u>\$ 249,480</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.	152-158
<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.	159-162
<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.....	163-167
<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	168-169
<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.....	170-172

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

	2006	2007	2008	2009(1)	2010(1)	2011	2012	2013(1)	2014 (1)	2015 (2)
Governmental activities										
Net investment in capital assets	\$ 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	\$ 62,544,269
Restricted	-	217,166	102,003	49,876	-	-	-	-	-	-
Unrestricted	(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)	(55,025,188)
Total governmental activities net position	<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>	<u>\$ 7,519,081</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 54,226,599
Restricted	2,000	2,000	2,000	2,000	-	-	-	-	-	-
Unrestricted	3,904,997	6,531,712	3,555,389	5,579,913	380,107	917,995	(443,640)	778,298	1,811,069	1,468,786
Total business-type activities net position	<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>	<u>\$ 55,695,385</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 116,770,868
Restricted	2,000	219,166	104,003	51,876	-	-	-	-	-	-
Unrestricted	(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)	(53,556,402)
Total primary government net position	<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>	<u>\$ 63,214,466</u>
School Board Component Unit										
Net investment in capital assets	\$ 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	\$ 114,558,724
Restricted	-	2,096,290	3,731,987	1,767,727	-	-	-	575,798	20,371,300	13,403,506
Unrestricted	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	(43,930,728)
Total governmental activities net position	<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>	<u>\$ 84,031,502</u>

Notes: (1) These totals are as previously reported. A prior period adjustment was required in 2010, 2011, 2013, 2014 and 2015 which modified these amounts.
(2) GASB Statement No. 68 was adopted in fiscal year 2015.

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

Table 2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 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	\$ 4,568,861
Judicial administration	2,061,174	2,347,350	2,015,178	2,763,951	2,884,754	2,935,921	2,937,196	3,208,823	3,217,304	3,058,235
Public safety	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	19,887,873
Public works	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	10,879,509
Health and welfare	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	7,425,520
Education	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	27,576,745
Parks, recreation, and culture	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	4,021,683
Community development	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	2,490,393
Interest on long-term debt	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	3,551,526
Bond issuance costs	-	-	-	-	-	-	-	-	183,567	179,468
Total governmental activities expenses	<u>97,194,417</u>	<u>89,515,837</u>	<u>81,828,935</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>	<u>83,639,813</u>
Business-type activities:										
Water and sewer	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	21,456,454
Transit service	921,626	924,440	853,081	910,514	964,912	-	-	-	-	-
Total business-type activities expenses	<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>	<u>21,456,454</u>
Total primary government expenses	<u>\$ 109,776,775</u>	<u>\$ 103,308,185</u>	<u>\$ 97,110,005</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>	<u>\$ 105,096,267</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 672,473	\$ 681,154	\$ 732,219	\$ 795,459	\$ 254,535	\$ 276,960	\$ 269,955	\$ 113,965	\$ 147,384	\$ 154,503
Judicial administration	383,212	371,968	359,633	204,413	630,433	781,054	837,066	683,121	634,692	653,086
Public safety	127,567	1,008,032	895,701	888,450	992,875	1,031,282	961,651	1,226,999	1,193,298	1,254,909
Public works	480,784	615,990	603,778	1,064,374	341,284	788,258	1,193,772	1,158,991	1,071,780	1,494,206
Health and welfare	71,388	78,634	83,304	90,838	75,357	70,083	61,555	52,875	52,008	55,214
Parks, recreation, and culture	591,651	593,557	620,699	607,476	781,612	732,187	777,314	665,747	833,837	874,561
Community development	616,498	557,807	444,174	277,349	441,569	312,354	279,155	302,148	316,428	390,299
Operating grants and contributions	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	12,993,980
Capital grants and contributions	484,819	1,497,526	723,220	1,835,430	16,184,324	36,524	1,904,428	1,141,420	1,921,832	1,134,183
Total governmental activities revenues	<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>	<u>19,004,941</u>
Business-type activities:										
Charges for services:										
Water and sewer	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	25,686,701
Transit service	84,029	67,579	60,070	79,959	89,482	-	-	-	-	-
Operating grants and contributions	449,306	415,530	542,664	560,688	-	-	-	-	-	-
Capital grants and contributions	401,660	1,828,777	178,293	3,412,273	1,583,104	498,821	3,882,896	2,809,805	1,400,500	1,237,760
Total business-type activities revenues	<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>	<u>26,924,461</u>
Total primary government revenues	<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>	<u>\$ 45,929,402</u>

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

Table 2 (Continued)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental activities	\$ (84,463,931)	\$ (74,430,174)	\$ (68,059,313)	\$ (63,425,141)	\$ (44,311,616)	\$ (60,982,019)	\$ (59,656,538)	\$ (62,861,664)	\$ (84,008,363)	\$ (64,634,872)
Business-type activities	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	5,468,007
Total primary government net expense	<u>\$ (82,600,081)</u>	<u>\$ (71,253,847)</u>	<u>\$ (66,522,589)</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>	<u>\$ (59,166,865)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 38,692,668
Sales taxes	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	8,859,376
Utility taxes	3,433,690	2,832,613	2,015,744	1,991,193	1,915,234	1,987,027	1,616,764	2,015,264	2,233,337	2,048,531
Business license taxes	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	6,096,072
Franchise taxes	543,864	557,228	276,598	293,529	329,097	349,004	302,554	360,030	402,711	407,787
Hotel and meals taxes	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	8,343,827
E-911 taxes	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	2,142,416
Other local taxes	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	2,443,144
Sale of right-of-way	-	-	-	-	-	250,000	386,296	-	-	-
Unrestricted grants and contributions	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	3,051,563
Investment earnings	875,864	1,322,717	1,458,202	460,609	281,219	146,478	138,851	68,675	70,590	78,070
Miscellaneous	459,032	799,216	512,011	527,737	-	4,304	31,860	47,216	33,441	16,349
Gain on sale of capital assets	734,856	70,364	-	22,781	-	-	-	-	-	-
Special item	-	-	-	-	-	-	-	-	3,451,777	-
Transfers	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	1,600,000
Total governmental activities	<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>67,973,567</u>	<u>73,234,712</u>	<u>73,779,803</u>
Business-type activities:										
Investment earnings	400,403	567,522	273,073	125,725	56,010	12,746	32,925	20,577	426	1,833
Miscellaneous	37,456	134,639	28,017	10,617	53,060	45,146	6,516	5,825	6,694	2,858
Transfers	(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)	(1,600,000)
Total business-type activities	<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>	<u>(1,595,309)</u>
Total primary government	<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>\$ 66,129,969</u>	<u>\$ 71,641,832</u>	<u>\$ 72,184,494</u>
Change in Net Position										
Governmental activities	\$ (20,073,561)	\$ (8,387,405)	\$ 396,440	\$ 1,954,580	\$ 18,885,440	\$ 5,103,946	\$ 6,031,493	\$ 5,111,903	\$ (10,773,651)	\$ 9,144,931
Business-type activities	(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	3,872,698
Total primary government	<u>\$ (21,449,159)</u>	<u>\$ (6,009,194)</u>	<u>\$ 414,287</u>	<u>\$ 5,774,791</u>	<u>\$ 20,100,988</u>	<u>\$ 4,843,195</u>	<u>\$ 9,366,440</u>	<u>\$ 7,194,686</u>	<u>\$ (6,787,795)</u>	<u>\$ 13,017,629</u>

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

Table 2 (Continued)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
School Board Component Unit:										
Education	\$ 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	\$ 56,430,750
Total School Board component unit expenses	<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>	<u>56,430,750</u>
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	949,126	963,824	924,387	957,618	880,847	880,295	869,102	734,401	697,971	773,193
Operating grants and contributions	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	25,339,877
Capital grants and contributions	33,689,828	22,501,915	7,577,965	1,471,063	3,031,845	2,216,821	390,328	137,927	248,673	335,570
Total School Board component unit revenues	<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>	<u>26,448,640</u>
Net (Expense)/Revenue										
School Board Component Unit	<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>	<u>(29,982,110)</u>
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	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	27,521,529
Investment earnings	998,705	1,211,760	1,110,082	216,949	165,518	79,639	73,813	80,761	115,791	105,585
Miscellaneous	281,299	3,788,082	3,815,962	1,185,769	145,137	236,623	215,316	214,500	243,541	220,122
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total School Board Component Unit	<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>	<u>27,847,236</u>
Change in Net Position										
School Board Component Unit	<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>	<u>\$ (2,134,874)</u>

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

Table 3

	2006	2007	2008	2009	2010
Pre-GASB 54 implementation:					
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 13,465
Unreserved	25,075,724	28,957,466	26,842,432	20,577,901	17,253,692
Total general fund	<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	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Unreserved, reported in:					
Special revenue funds	1,468,954	1,704,636	1,820,531	-	1,811,642
Capital projects funds	6,847,195	2,969,046	1,842,195	4,279,791	824,558
Debt service funds	342,947	217,166	102,003	49,876	-
Total all other governmental funds	<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	2015
Post-GASB 54 implementation:					
General Fund					
Nonspendable	\$ 11,950	\$ 7,081	\$ 8,408	\$ 11,916	\$ 12,488
Restricted	441,131	476,780	486,062	495,790	457,025
Committed	950,000	1,300,000	1,218,750	1,926,988	1,811,912
Assigned	931,312	5,410,412	4,405,933	3,722,604	2,620,451
Unassigned	18,651,925	15,145,625	16,071,618	16,084,160	17,180,500
Total general fund	<u>\$ 20,986,318</u>	<u>\$ 22,339,898</u>	<u>\$ 22,190,771</u>	<u>\$ 22,241,458</u>	<u>\$ 22,082,376</u>
All Other Governmental Funds					
Nonspendable	\$ 40,000	\$ 190,000	\$ 182,500	\$ 167,500	\$ 152,500
Restricted	-	-	-	4,013,360	138,891
Committed	-	-	-	-	-
Assigned	2,068,984	3,172,645	2,316,213	1,493,250	4,134,658
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>	<u>\$ 4,426,049</u>

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

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

Table 4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
General property taxes	\$ 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	\$ 38,656,808
Sales taxes	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	8,859,376
Other local taxes	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	21,481,775
Permits, privilege fees, and regulatory licenses	619,646	560,761	450,188	285,131	392,290	292,644	252,950	285,746	300,089	409,230
Fines and forfeitures	221,123	203,206	171,521	159,077	147,721	221,715	274,147	161,403	149,170	135,749
Revenues from use of money and property	897,306	1,357,831	1,504,587	529,863	439,521	315,006	292,403	219,226	194,025	212,093
Charges for services	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	2,465,271
Miscellaneous	436,721	763,945	465,622	444,901	453,621	764,927	1,157,315	1,044,782	1,132,586	1,127,260
Recovered costs	776,667	903,114	887,583	1,454,804	979,769	1,045,223	930,667	726,062	612,575	632,710
Intergovernmental	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	17,139,226
Total revenues	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	91,119,498
Expenditures										
General government administration	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	5,489,981
Judicial administration	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	3,288,665
Public safety	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	21,462,926
Public works	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	12,450,392
Health and welfare	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	7,522,062
Education	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	27,576,745
Parks, recreation, and culture	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	3,707,994
Community development	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	2,529,929
Capital projects	1,004,599	2,866,617	2,466,646	2,027,584	-	-	-	-	-	-
Debt service:										
Principal retirement	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	6,202,770
Interest and fiscal charges	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	3,923,059
Bond issuance costs	260,168	142,965	98,552	-	-	-	235,527	216,634	183,567	179,468
Advance refunding escrow	-	-	-	-	-	-	-	-	-	-
Total expenditures	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	94,333,991
Excess of revenues over (under) expenditures	(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)	(3,214,493)

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

Table 4 (Continued)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing Sources (Uses)										
Sale of property	\$ 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	16,349
Bonds issued	39,000,000	19,260,000	7,200,000	-	-	-	27,217,364	27,963,072	24,265,000	11,255,180
Premium on debt	1,230,047	772,124	88,710	-	-	-	3,995,350	-	1,926,248	1,309,592
Capital lease	282,000	360,425	441,500	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(30,975,567)	(26,730,493)	-	(12,373,771)
Transfers in	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	7,592,391
Transfers out	(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)	(5,992,391)
Total other financing sources and uses	<u>44,371,676</u>	<u>21,988,735</u>	<u>9,540,551</u>	<u>1,415,924</u>	<u>1,758,754</u>	<u>2,098,237</u>	<u>2,255,303</u>	<u>3,149,795</u>	<u>27,824,685</u>	<u>1,807,350</u>
Net change in fund balances	<u>\$ 11,936,695</u>	<u>\$ 82,490</u>	<u>\$ (3,241,153)</u>	<u>\$ (6,937,403)</u>	<u>\$ (3,726,401)</u>	<u>\$ 1,493,622</u>	<u>\$ 2,607,241</u>	<u>\$ (1,013,059)</u>	<u>\$ 3,226,084</u>	<u>\$ (1,407,143)</u>
Debt service as a percentage of noncapital expenditures	7.7%	10.0%	12.3%	12.8%	13.3%	12.6%	11.3%	11.3%	9.5%	11.8%

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			
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	
2015	(2) 1,744,437,672	1,170,855,700	0.91	66,459,087	0.91	269,176,193	4.5	32,033	4.5	136,394,356	1.3	218,148	0.91	3,387,573,189	1.21	

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 2007, 2009, 2011, 2013 and 2015 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	
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
2015	0.82	0.02	0.36	0.05	1.25

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, 2014			December 31, 2005		
	<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	\$ 49,411,400	1	1.69%	\$ 35,651,900	1	1.29%
Walmart Realty CO	24,375,000	2	0.84%	16,237,600	6	0.58%
BRE DDR BR Winchester VA LLC	21,930,200	3	0.75%			
PDK Winchester LC	20,989,400	4	0.72%	15,445,100	8	0.56%
Rubbermaid Commercial Prod Inc	20,389,000	5	0.70%	15,968,900	7	0.57%
DDRM Apple Blossom Corners LLC	16,428,100	6	0.56%			
National Fruit Product Co., Inc.	14,589,400	7	0.50%	16,932,800	5	0.61%
Stuart Hill Apartments	13,773,400	8	0.47%			
Pleasant Valley Market Place LLC	12,420,200	9	0.43%			
Lowe's Home Center Inc.	12,323,600	10	0.42%	11,687,400	9	0.42%
Winchester Medical Center				27,913,600	2	1.00%
Dev. Diversified Realty Corp				18,325,000	3	0.66%
Trout Segall & Doyle Winch Prop LLC				17,855,400	4	0.64%
Loveless Homes X, LLC				10,357,300	10	0.37%
Total	<u>\$ 206,629,700</u>		<u>7.08%</u>	<u>\$ 186,375,000</u>		<u>6.70%</u>

Source:

City of Winchester, Commissioner of the Revenue

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
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%	1,659,190	37,619,596	101.82%
2015	38,073,722	-	38,073,722	36,997,618	97.17%	-	36,997,618	97.17%

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			
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%	7,684
2015	99,712,411	400,000	17,963,960	65,703,296	14,597,808	198,377,475	18.96%	7,202

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)
2006	117,137,103	342,947	116,794,156	4.11%	4,650
2007	135,150,065	217,166	134,932,899	3.63%	5,341
2008	135,742,274	102,003	135,640,271	3.64%	5,271
2009	128,722,719	49,876	128,672,843	3.75%	4,969
2010	121,315,345	-	121,315,345	3.52%	4,609
2011	113,889,041	-	113,889,041	3.68%	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
2015	117,676,371	-	117,676,371	3.47%	4,272

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, 2015

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	\$ 100,112,411	100%	\$ 100,112,411

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 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	\$ 298,175,246
Total net debt applicable to limit	<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>	<u>106,210,407</u>
Legal debt margin	<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>	<u>\$ 191,964,839</u>
Total net debt applicable to the limit as a percentage of debt limit	45.81%	39.44%	39.62%	42.53%	38.60%	40.89%	37.97%	38.03%	40.30%	35.62%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value of Real Property	\$ 2,981,752,459
Debt Limit - 10%	298,175,246
Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>106,210,407</u>
Legal Debt Margin	<u>\$ 191,964,839</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 Seven Fiscal Years

Table 13

Water and Sewer Revenue Bonds							
Fiscal Year	Water and Sewer		Net Available Revenue	Debt Service		Coverage	
	Charges and Other	Less: Operating Expenses		Principal	Interest		
2009	\$ 17,632,035	\$ 12,955,277	\$ 4,676,758	\$ -	\$ 230,006	20.33	
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	3.15	
2012	20,226,377	12,299,426	7,926,951	1,245,000	2,383,018	2.18	
2013	22,417,068	12,860,026	9,557,042	1,715,000	3,247,700	1.93	
2014	24,821,441	12,413,786	12,407,655	2,436,879	3,204,543	2.20	
2015	25,689,559	13,326,754	12,362,805	2,538,184	3,102,309	2.19	

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)	High School Graduate or higher	Educational attainment (4) Bachelor's Degree or higher	School enrollment(5)	Unemployment rate (3)
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%
2015	27,543	1,046,056	37,979	35.3	83.8%	28.6%	4,135	4.80%

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, 2014</u>			<u>December 31, 2005</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	7.33%	1,000 and over	1	7.32%
Shenandoah University	500 - 999	2	3.66%	500 - 999	5	3.66%
Winchester City Public Schools	500 - 999	3	3.66%	500 - 999	4	3.66%
Rubbermaid Commercial Products	500 - 999	4	3.66%	500 - 999	2	3.66%
Wal Mart	500 - 999	5	3.66%	500 - 999	3	3.66%
City of Winchester	500 - 999	6	3.66%	250 - 499	7	1.83%
U.S. Federal Bureau of Investigation	500 - 999	7	3.66%			
U.S. Department of Defense	500 - 999	8	3.66%			
Osullivan Films Inc	250 - 499	9	1.83%			
Onsite Engineering & Mana Inc.	250 - 499	10	1.83%			
Axiom Staffing Group				500 - 999	6	3.66%
Kohl's Department Stores				250 - 499	10	1.83%
Kraft Foods				250 - 499	9	1.83%
Polyone Engineered Films				250 - 499	8	1.83%
Total	<u>5,000</u>		<u>36.63%</u>	<u>4,500</u>		<u>32.93%</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 Ten Fiscal Years

Table 16

	Full-Time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function/Program										
General government administration	45	46	46	43	41	37	39	38	44	41
Judicial administration	38	38	38	42	41	46	46	44	45	48
Public safety	228	243	234	200	204	219	223	228	216	234
Public works	39	59	60	58	59	61	59	61	56	53
Health and welfare	45	41	43	43	44	46	44	40	43	46
Parks, recreation, and culture	50	40	50	53	52	58	55	46	46	42
Community development	13	20	19	14	13	13	11	12	12	19
Water and sewer	60	64	67	61	58	66	66	67	61	65
Transit service	15	13	13	13	13	14	14	15	18	19
Parking authority	12	10	8	8	8	8	6	6	6	6
Schools	685	685	687	687	683	677	687	668	674	689
Total	1,230	1,259	1,265	1,222	1,216	1,245	1,250	1,225	1,221	1,262

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.

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

Table 17

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Building permits issued	780	762	600	486	470	942	1,508	1,463	1,709	1,732
Building inspections conducted (commercial and residential)	11,904	11,858	10,074	8,154	8,186	7,342	6,987	6,025	7,408	8,150
Police										
Physical arrests	4,855	3,567	2,701	3,231	2,611	2,854	4,090	3,018	3,802	2,838
Parking violations	8,524	8,048	7,647	7,429	6,634	7,128	5,977	4,526	4,226	3,542
Traffic violations	5,168	4,531	4,087	4,524	3,709	4,070	5,406	4,304	4,580	4,543
Fire										
Emergency responses	5,560	5,623	5,498	5,470	5,377	5,549	5,781	5,518	5,804	6,022
Structure fires	70	56	54	60	45	87	43	57	55	54
On-site fire inspections	378	97	143	334	361	388	360	377	486	333
Fire suppression inspection tests	112	167	106	152	112	45	64	61	82	63
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	6,451
Recyclables collected (tons per year -- does not include cardboard or yard waste)	1,923	2,015	2,032	2,117	2,908	2,931	3,252	3,312	3,068	3,076
Recyclable scrap	-	11	19	9	21	20	18	21	13	10
Other Public Works										
Street resurfacing (miles)	2	5	3	7	7	1	2	6	5	21
Parks and Recreation										
Shelter permits issued	493	448	681	472	821	839	911	691	493	352
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	23,349
Racquetball court users (1)	2,774	1,341	1,345	1,196	2,474	2,407	2,324	2,506	2,445	2,711
Indoor fitness room users (1)	7,280	6,077	8,136	5,167	13,487	9,901	9,316	7,375	6,067	5,797
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	6.43 mgd
New connections	179	38	55	32	42	40	28	26	28	38
Total connections	10,930	10,824	10,879	10,911	10,953	10,993	11,021	11,047	11,075	11,113
Water main breaks	58	55	60	56	30	55	40	29	42	48
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	5.4 mgd
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	4.70 mgd
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	25.47 mgd
Transit										
Passenger trips	149,796	148,169	139,672	130,494	120,656	128,876	136,501	130,190	120,758	126,122
Schools (2)										
Number of teachers, Elementary (K-4)	142	132	121	121	131	143	143	143	147	150
Number of teachers, Middle 5-8)	85	99	99	99	94	90	97	95	98	104
Number of teachers, Secondary (9-12)	94	100	102	102	99	96	96	98	99	101
Number of students, Elementary (K-4)	1,712	1,417	1,447	1,529	1,605	1,649	1,684	1,776	1,707	1,688
Number of students, Middle (5-8)	817	1,101	1,063	1,073	1,074	1,084	1,178	1,190	1,177	1,287
Number of students, Secondary (9-12)	1,113	1,190	1,142	1,112	1,066	1,096	1,117	1,119	1,263	1,190

Source: Various Departments in the City

Notes:

- (1) FY07 numbers exclude monthly pass users, due to loss of daily computer records.
- (2) In FY07, 5th grade was moved from Elementary totals to the Middle School totals.

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

Table 18

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	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	69
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection Trucks	8	8	7	7	7	7	7	7	7	8
Other Public Works										
Streets (miles)	284	205	205	219	221	221	221	221	221	221
Streetlights	72	72	72	63	63	63	63	63	63	63
Traffic signals	62	64	63	60	56	56	56	56	56	57
Parks and Recreation										
Number of parks	15	15	15	15	14	14	14	14	14	14
Acreage	241	248	248	248	248	248	248	248	247	247
Playgrounds	11	10	10	10	9	9	9	9	9	9
Community centers	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	8	9	8	9	9	9	9	9	9	9
Soccer/football fields	5	5	5	6	6	6	9	9	9	9
Basketball courts	7	7	7	7	7	7	7	7	7	7
Tennis courts	7	7	7	7	7	7	8	8	8	8
Volleyball court	1	1	1	1	1	-	-	-	-	-
Horseshoe courts	26	24	24	24	24	24	24	24	24	24
Water										
Miles of water mains	172	125	125	125	125	126	126	126	126	126
Fire hydrants	1,082	1,082	1,082	1,082	1,085	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	12mg
Wastewater										
Miles of storm sewers	80	80	80	81	82	82	82	82	82	82
Miles of sanitary sewers	122	122	122	122	122	122	122	122	122	122
Opequon wastewater treatment capacity (1)	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	7.1mgd
Transit										
Minibuses	9	8	8	7	7	7	7	7	7	6
Trolleys	2	2	2	2	2	2	2	2	2	1
Vans	2	2	2	2	2	2	2	2	1	2
Schools										
Attendance Centers, Elementary	4	4	4	4	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1	1	1	1	1
Number of classrooms, Elementary	164	164	123	123	123	123	127	127	127	127
Number of classrooms, Middle	85	90	90	90	90	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95	95	95	95	95

Source: Various Departments in the City

Notes:

(1) 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2015.

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 30, 2015

**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, 2015. 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, 2015.

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 30, 2015

CITY OF WINCHESTER, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

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, 2015

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
Special Education	84.027
Special Education – Preschool	84.173
Foster Care – Title IV-E	93.658

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, 2015

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

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		\$ 415,051
Department of Corrections:			
National School Lunch Program	10.555		37,121
Commonwealth of Virginia Department of Agriculture and Consumer Services			
National School Lunch Program	10.555	1,102,128	
National School Lunch Program - Commodities	10.555	124,332	
School Breakfast Program	10.553	314,928	
Total School Lunch Cluster			1,541,388
Fresh Fruits and Vegetables	10.582		60,818
Total U.S. Department of Agriculture			2,054,378
U.S. Department of Homeland Security			
Pass-through payments:			
Department of Emergency Management:			
Emergency Management Performance Grant	97.042		8,550
State Homeland Security Grant Program	97.073		14,637
Total U.S. Department of Homeland Security			23,187
U.S. Department of Housing and Urban Development			
Direct payments:			
Community Development Block Grants/Entitlement Grants	14.218		226,842
Total U.S. Department of Housing and Urban Development			226,842
U.S. Department of the Interior			
Pass-through payments:			
National Park Service			
Historic Preservation Fund Grants	15.904		23,114
Total U.S. Department of Justice			23,114
U.S. Department of Justice			
Pass-through payments:			
Department of Criminal Justice Services			
Crime Victim Assistance	16.575		77,282
Sexual Assault Services Grant	16.017		14,225
Total U.S. Department of Justice			91,507
U.S. Department of Transportation			
Direct payments:			
Federal Transit - Capital Investment Grants	20.500	404,009	
Federal Transit - Formula Grants	20.507	405,568	
Total Federal Transit Cluster:			809,577
Pass-through payments:			
Virginia Department of Motor Vehicles			
Alcohol Traffic Safety and Drunk Driving Prevention	20.601		21,642
Virginia Department of Transportation			
Highway Planning and Construction	20.205		258,062
Total U.S. Department of Transportation			1,089,281

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2015

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		\$ 16,366
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I - Grants to Local Educational Agencies	84.010		872,813
Special Education - Grants to States	84.027	809,922	
Special Education - Preschool Grants	84.173	28,983	
Special Education - Preschool Expansion Grant	84.419	8,885	
Total Special Education Cluster:			847,790
English Language Acquisition Grants	84.365		82,800
Improving Teacher Quality State Grants	84.367		137,329
Vocational Education - Basic Grants to States	84.048		66,289
Department of Behavioral Health and Developmental Services			
Early Intervention	84.181		163,794
Total U.S. Department of Education			2,187,181
Department of Health and Human Services:			
Pass-through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		16,037
Temporary Assistance to Needy Families	93.558		304,725
Refugee and Entrant Assistance	93.566		729
Low Income Home Energy Assistance	93.568		26,929
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		44,165
Chafee Education and Training Vouchers Program	93.599		922
Child Welfare Services	93.645		1,987
Foster Care - Title IV-E	93.658		312,909
Adoption Assistance	93.659		267,100
Social Service Block Grant	93.667		183,730
Chafee Foster Care Independence Program	93.674		5,043
Medical Assistance Program	93.778		476,356
State Children's Insurance Program	93.767		14,376
Total U.S. Department of Health and Human Services			1,655,008
Total Expenditures of Federal Awards			\$ 7,350,498

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 \$124,332 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, 2015 is \$1,434,937.