

Winchester
Virginia

COMPREHENSIVE ANNUAL
FINANCIAL
REPORT



Fiscal Year
Ending
June 30, 2017

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CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

Prepared by:

City of Winchester, Virginia
Finance Department

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**CITY OF WINCHESTER, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2017**

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

John D. Smith, Jr., 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, Commonwealth's Attorney

OTHER OFFICIALS

Anthony C. Williams
Mary M. Blowe

Paula A. Nofsinger
Tyler B. Schenck

Celeste R. Broadstreet

Shawn P. Hershberger
Perry A. Eisenach
Kelly S. Rice
Allen W. Baldwin
Jennifer E. Bell

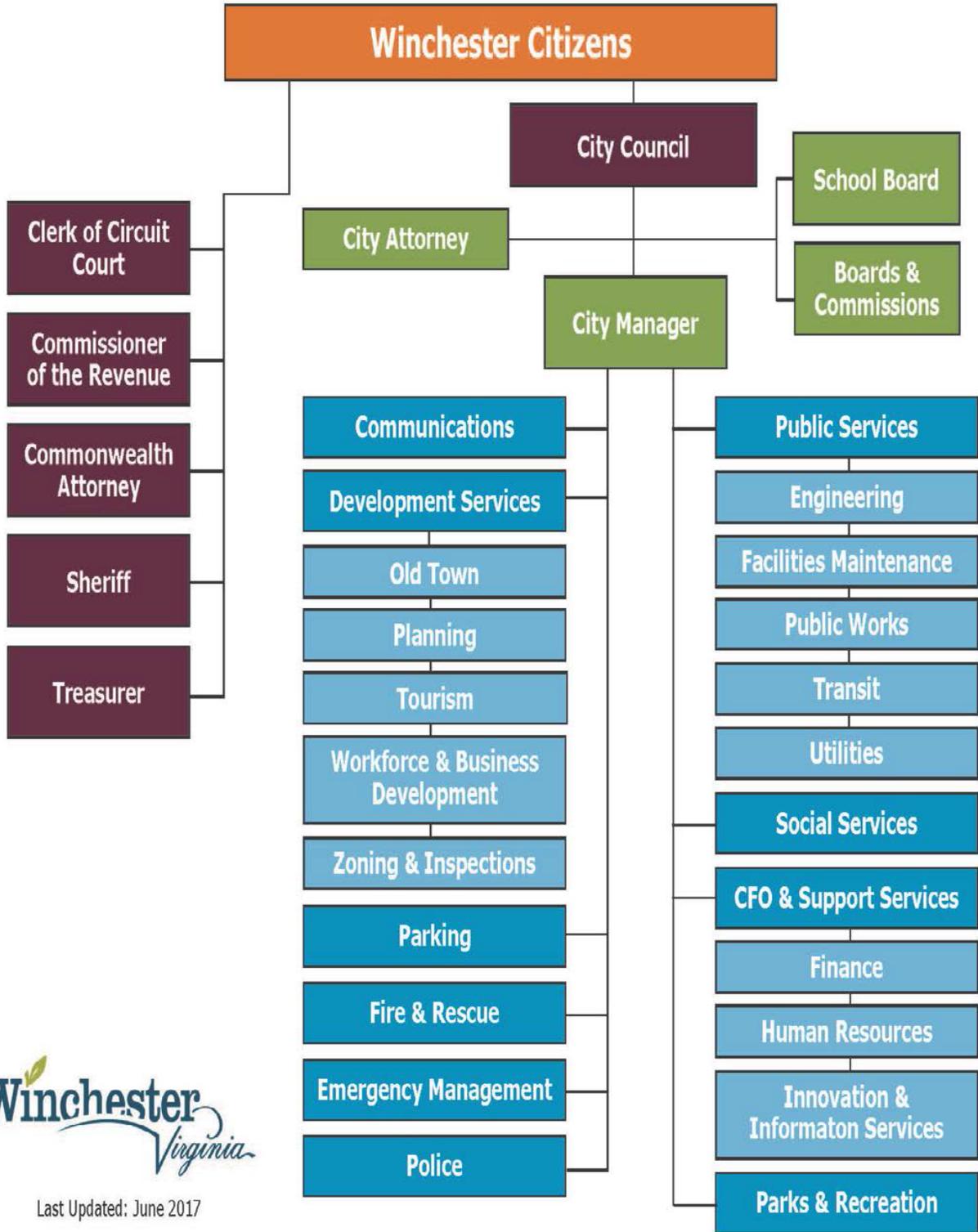
Lynn A. Miller
Amber Dopkowski
Dr. Jason Van Heukelum
Samantha R. Anderson

Justin R. Kerns

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

City Attorney
Chief Financial Officer/ Director
of Support Services
Director of Human Resources
Acting Innovation and Information
Services Director
Financial Services Director/Real
Estate Administrator
Development Services Director
Public Services Director
Acting Police Chief
Fire and Rescue Chief
Downtown Manager, Old Town
Winchester
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

**City of Winchester
Organizational Chart**



Last Updated: June 2017

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Winchester, VA 22601

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November 27, 2017

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, 2017 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, 2017. 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 Uniform Guidance. 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 resident population of approximately 27,743. 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, MD, 97 miles away. As a regional employment and health care center, the City's daytime population increases to approximately 75,000.

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 workforce 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 Valley Health Systems, which owns and operates the Winchester Medical Center and five smaller primary care hospitals in the region 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 455-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 a 52,000 square foot, \$28.5 million dollar Cancer Center facility on the Winchester Medical Center campus.

Located within 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 100 programs of study at the undergraduate, graduate, doctorate and professional levels in seven schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, School of Nursing, and School of Education and Human Development. The University has continued to grow its presence in downtown Winchester through the creation of housing, administrative and classroom facilities.

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

Local Economy (Continued)

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 over 80 stores, specialty merchants and restaurants. Plazas such as Apple Blossom Corners, Winchester Crossing, Winchester Station and Winchester Plaza house Martin's, Staples, Hobby Lobby, Kohl's, HomeGoods, Books-A-Million, Michael's, Old Navy, Bed Bath and Beyond, Dick's Sporting Goods, Planet Fitness and the recently opened Fresh Market. 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 boutiques, specialty shops and restaurants and is often viewed as the cultural center of the community. There are also several anchorless retail centers and one life style center that house Ann Taylor Loft, Talbots, Jos A Bank Clothier, and other high-end retail stores. The city is also 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. These companies provide over 1,400 jobs to Winchester.

The City's Development Services Team and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development and growth within 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 2016, the EDA acquired the Winchester Towers property (a 35,000 square foot building and parking lot) at 200 North Cameron Street for the purpose of demolishing the structure and pursuing the development of a luxury hotel and event center in downtown Winchester. 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, focused 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 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 (25.1% of General Fund expenditures) exceeds the policy guidelines set by Council for planning purposes. Twenty percent is the adopted minimum target for the City's General Fund balance. Amounts that exceed 25% are transferred to the capital reserve account up to the funding maximum of \$2.0 million, as currently established by City Council.

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 2038. Factored into the financial planning model are anticipated future major capital projects. The City is planning for several road improvement projects that will leverage state revenue sharing funds and general obligation bonds. In addition, the complete renovation of the Douglas Community Learning Center facility to convert it to the Winchester Public School central office is planned with a \$6.0 million bond issuance or lease buyback in the near future. Also, Frederick Douglas Elementary School will require a future bond issuance of approximately \$3.4 million within the next 5-10 years for renovation of its mechanical, engineering, and plumbing systems. Winchester Public Schools projects that enrollment will grow by approximately 300 students by 2022-2023 to an anticipated total enrollment of over 4,600. Current educational facilities are adequately sized at the elementary level for such growth, but secondary level assets will be strained by student enrollment in grades 7-12. 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 also currently reviewing options for the future usage of the former John Kerr Elementary School.

Relevant Financial Policies

In December 2003, along with the fund balance policy (updated in August 2016), City Council adopted a debt obligation policy, which states that net debt as a percentage of assessed value will not exceed 4%. General obligation debt service and capital lease payments as a percentage of general governmental expenditures will not exceed 15%.

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

Major Initiatives

A. Hope Drive Extension

The final design of Hope Drive Extension is nearly completed and the right-of-way acquisition process has started. This project will extend Hope Drive from Wilson Boulevard eastward to Pleasant Valley Road. In addition, Papermill Road will be realigned and Tevis Street will be modified and will end at a cul-de-sac west of the railroad tracks. Construction on this \$9.5 million project is expected to begin by the first part of 2019. Half of the costs of this project will be paid for using VDOT Revenue Sharing funds.

B. Valley Avenue Drainage and Sidewalk Improvements

The final design to construct drainage and sidewalks along Valley Avenue between Middle Road and the southern City limits is also nearly completed. This project will correct the significant drainage problem near the intersection of Valley/Tevis and will also install sidewalks on both sides of the roadway where none currently exist. Construction on this \$7.4 million project is expected to begin at the same time as the Hope Drive project. Half of the costs of this project will also be paid for using VDOT Revenue Sharing funds.

Major Initiatives (Continued)

C. Tevis Street Extension

Construction on this \$1.6 million project that will extend Tevis Street from Legge Blvd east to where a future bridge will be constructed over Interstate-81 is underway and is expected to be completed in the summer of 2018. Half of the cost of this project is being paid for using VDOT Revenue Sharing funds. The adjacent property owner is paying for the other half of the project cost.

D. Sidewalk and Street Improvements

Making improvements to existing streets and sidewalks is one of the highest priorities for Winchester residents and City Council. In FY18, the City is completing \$1 million in street repaving improvements and \$250,000 in sidewalk replacements. The City is also pursuing a possible Section 408 loan from CDBG to complete \$1 million of sidewalk replacements.

E. Green Circle Trail

The City continues to work towards completing the Green Circle Trail. The final design of the section of the trail along Jubal Early between just west of Harvest Drive and just east of Valley Avenue is nearly completed and construction is expected to begin in the summer of 2018. In addition, the City has been awarded \$3,092,000 in Smart Scale funds from VDOT to complete the final section of the trail along Jubal Early between Plaza Drive and Millwood Avenue, but these funds will not be available until 2021.

F. Wentworth Drive Improvements

The City has been awarded \$450,000 in federal funds through VDOT to construct new sidewalks along Wentworth Drive as part of the Safe Routes to School program. The City is currently exploring design options for the project.

G. Winchester Towers

The Winchester Towers property located at the intersection of Cameron and Piccadilly and was sold by the City to the Economic Development Authority (EDA). The EDA has demolished the building as the first step towards redeveloping the property with a proposed event center/hotel.

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, 2016. This was the twenty-fifth 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.

Awards and Acknowledgment (Continued)

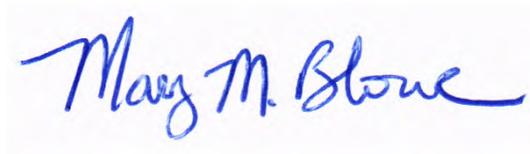
The preparation of this report was made possible by the dedicated and effective efforts of City and Schools Finance staff, and staff in other departments throughout the City who assisted in gathering the information for this report. Many hours of hard work are represented herein, and we extend our sincere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

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

Respectfully submitted,



Eden E. Freeman
City Manager



Mary M. Blowe
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, 2016

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 *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 from 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 of Winchester, Virginia, as of June 30, 2017, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied 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 27, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2017

City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

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, 2017. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

Financial Highlights

- The assets of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2017 by \$90.0 million (net position).
- The City's total net position increased approximately \$11.1 million over the course of this year's operations. Net position of governmental activities increased \$6.3 million, and net position of business-type activities increased \$4.8 million over the prior year.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34.4 million, an increase of \$6.8 million in comparison with the prior year. Approximately 60.5% of this amount, \$20.8 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 \$19.8 million. This amount represents 25.1% of total general fund expenditures.
- The City's total debt decreased by \$4.6 million, or 2.3%. The City's general obligation bond debt and revenue bond debt decreased by \$1.2 million and \$2.6 million respectively, for a total decrease of \$3.8 million, from the prior year.

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. The capital projects fund is also 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 - 80 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 81 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 in excess of liabilities) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by \$90.0 million at the close of fiscal year 2017.

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

Government-wide Financial Analysis (Continued)

**Table 1
City of Winchester's Net Position
Fiscal Year ended June 30, 2017
(in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Current and other assets	\$ 48.0	\$ 43.4	\$ 9.8	\$ 6.5	\$ 57.8	\$ 49.9	\$ 11.4	\$ 13.1
Capital assets	94.5	94.4	167.3	171.8	261.8	266.2	123.0	124.9
Total Assets	142.5	137.8	177.1	178.3	319.6	316.1	134.4	138.0
Deferred Outflows of Resources								
Deferred charge on refunding	4.6	5.2	1.7	1.9	6.3	7.1	-	-
Subsequent pension contributions	3.6	2.2	0.3	0.3	3.9	2.5	8.7	4.2
Teacher cost sharing pool	-	-	-	-	-	-	-	1.4
Total Deferred outflows of resources	8.2	7.4	2.0	2.2	10.2	9.6	8.7	5.6
Liabilities								
Current and other liabilities	4.8	7.0	2.5	2.8	7.3	9.8	6.0	7.5
Long-term liabilities	117.3	114.0	112.7	118.2	230.0	232.2	55.5	50.0
Total Liabilities	122.1	121.0	115.2	121.0	237.3	242.0	61.5	57.5
Deferred Inflows of Resources								
Property taxes	1.0	1.0	-	-	1.0	1.0	-	-
Net Pension Plan Investments	1.4	3.3	0.1	0.5	1.5	3.8	1.8	3.7
Total Deferred outflows of resources	2.4	4.3	0.1	0.5	2.5	4.8	1.8	3.7
Net Position								
Net investment in capital assets	69.9	66.9	57.7	57.0	127.6	123.9	123.0	124.9
Restricted	0.4	-	-	-	0.4	-	0.3	0.8
Unrestricted	(44.1)	(47.0)	6.1	2.0	(38.0)	(45.0)	(43.5)	(43.3)
Total Net Position	\$ 26.2	\$ 19.9	\$ 63.8	\$ 59.0	\$ 90.0	\$ 78.9	\$ 79.8	\$ 82.4

Governmental activities. As shown in Table 1, net position for governmental activities increased from \$19.9 million at the end of FY 2016 to \$26.2 million (\$6.3 million increase) at the end of FY 2017. This increase is the result of strong local tax revenue collections which increased \$1.7 million over the previous year together with less than budgeted expenditures in public safety and education. In FY 2015, the City began complying with the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This standard requires the City for the first time to report a net pension liability for the Defined Benefit Pension Plan that is offered to City employees. For detailed information on the Defined Benefit Pension Plan see Note 11, page 48.

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.

Government-wide Financial Analysis (Continued)

If the debt related to the construction of schools (\$64.8 million) were not presented in Table 2, the net position for the governmental activities would be \$91.0 million and the total net position for the primary government would be \$154.8 million.

Table 2
Changes in the City of Winchester's Net Assets
Fiscal Year ended June 30, 2017
(in millions)

	Governmental		Business-Type		Total Primary		Component Unit	
	Activities		Activities		Government		School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues								
Program Revenues								
Charges for services	\$ 5.1	\$ 5.1	\$ 28.9	\$ 26.8	\$ 34.0	\$ 31.9	\$ 0.8	\$ 0.7
Operating grants and contributions	14.0	15.3	0.2	-	14.2	15.3	28.5	27.8
Capital grants and contributions	1.4	3.8	0.3	0.2	1.7	4.0	0.4	0.5
General Revenues								
Property taxes	40.1	39.2	-	-	40.1	39.2	-	-
Sales taxes	9.4	9.0	-	-	9.4	9.0	-	-
Other taxes	22.6	22.2	-	-	22.6	22.2	-	-
Grants and contributions not								
restricted to specific programs	3.1	3.0	-	-	3.1	3.0	-	-
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Other	0.1	0.1	-	-	0.1	0.1	29.3	29.8
Total revenues	\$ 95.9	\$ 97.8	\$ 29.4	\$ 27.0	\$ 125.3	\$ 124.8	\$ 59.1	\$ 58.9
Expenses								
General government administration	5.4	5.3	-	-	5.4	5.3	-	-
Judicial administration	3.9	3.5	-	-	3.9	3.5	-	-
Public safety	22.1	20.8	-	-	22.1	20.8	-	-
Public works	12.1	11.2	-	-	12.1	11.2	-	-
Health and welfare	9.0	7.8	-	-	9.0	7.8	-	-
Education	29.2	29.7	-	-	29.2	29.7	61.7	59.0
Parks, recreation and culture	3.5	3.4	-	-	3.5	3.4	-	-
Community development	2.4	1.6	-	-	2.4	1.6	-	-
Interest on long-term debt	3.5	3.6	-	-	3.5	3.6	-	-
Bond issuance costs	0.1	0.1	-	-	0.1	0.1	-	-
Water and sewer	-	-	23.0	22.1	23.0	22.1	-	-
Total expenses	91.2	87.0	23.0	22.1	114.2	109.1	61.7	59.0
Increase (decrease) in net assets								
before transfers	4.7	10.8	6.4	4.9	11.1	15.7	(2.6)	(0.1)
Transfers	1.6	1.6	(1.6)	(1.6)	-	-	-	-
Increase (decrease) in net assets	6.3	12.4	4.8	3.3	11.1	15.7	(2.6)	(0.1)
Net Assets - beginning	19.9	7.5	59.0	55.7	78.9	63.2	82.4	82.5
Net Assets - ending	\$ 26.2	\$ 19.9	\$ 63.8	\$ 59.0	\$ 90.0	\$ 78.9	\$ 79.8	\$ 82.4

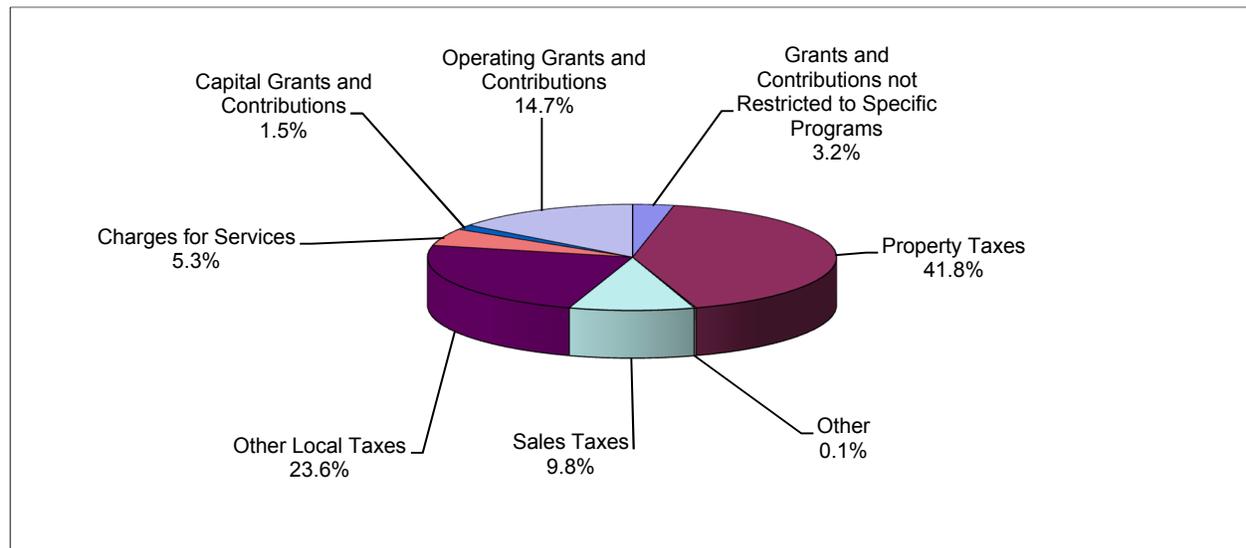
Government-wide Financial Analysis (Continued)

As shown in Table 2, the City's revenues from governmental activities totaled \$95.9 million for FY 2017, a decrease of \$1.9 million from FY 2016. Operating grants and contributions decreased \$1.3 million from the prior year mainly due to a decrease in revenue sharing grants for road improvement projects which were completed in FY 2016 including National Avenue Gateway, Valley Avenue and Meadowbranch Avenue. Capital grants and contributions decreased by \$2.4 million mainly due to the decrease in capital revenue associated with the completion of the Joint Judicial Center renovation project. Winchester's general revenues increased by \$1.8 million from the prior year continuing the trend of steady growth in local revenues based on a strong local economy. Governmental activities expenditures increased by \$4.2 million from the prior year. Increases include public safety totaling \$1.3 million; \$1.2 million in Health and Welfare, due to rising social service costs; and \$0.9 million in Public Works including additional funding for building improvements and infrastructure projects such as paving and sidewalks.

As shown in Figure A, the City received 75.2% of its revenue from taxes. The major source of revenue for the City was property taxes (\$40.1 million or 41.8%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY 2017 increased by approximately 5.5% from the prior year. The increase in real property values is due to the reassessment of real property which was effective January 1, 2017. 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 \$0.8 million from the prior year.

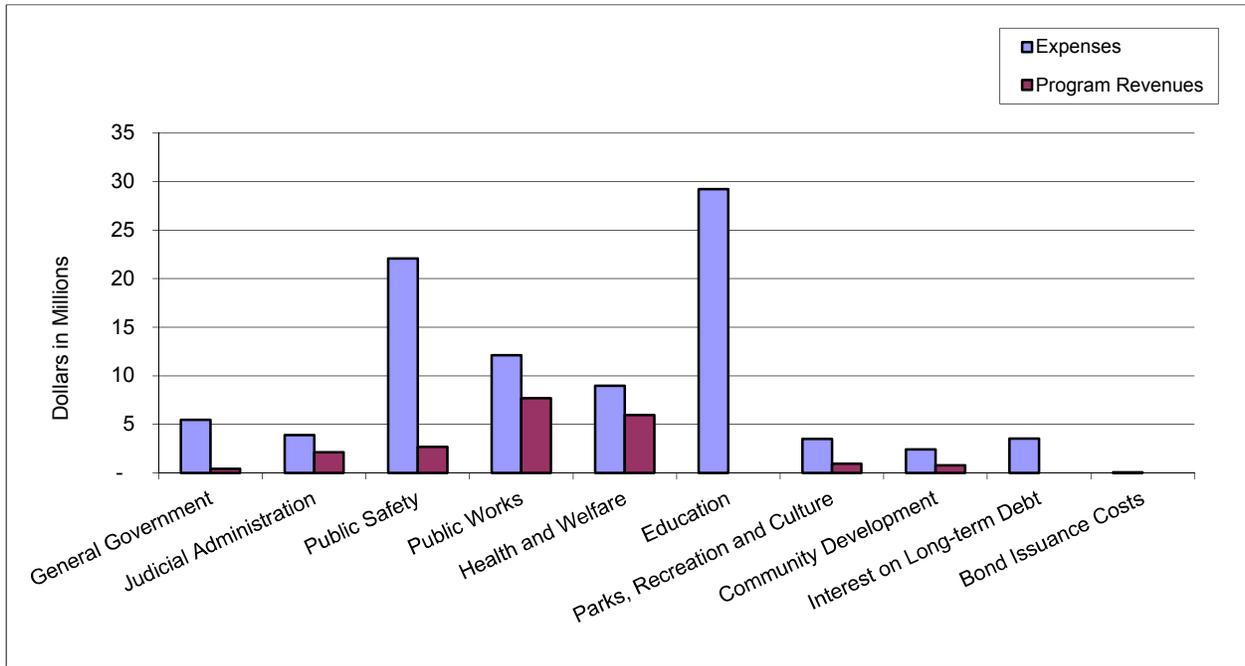
The City's expenses from governmental activities totaled \$91.2 million (Table 2) for the fiscal year ended June 30, 2017, an increase of \$4.2 million from the prior year. As shown in Figure B, education was the largest expense at \$29.2 million or 32.0% of total governmental expenses. Public safety was the second largest expense at \$22.1 million or 24.2% 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 \$63.8 million (Table 2) an increase of \$4.8 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 \$28.9 million or 97.9% of the total revenues for business-type activities, an increase of \$2.1 million from the prior year. Expenses of the business-type activities totaled \$23.0 million (Table 2) an increase from the prior year of \$0.9 million. This increase in expenses is mainly due to an increase in debt service payments for FY 2017.

Government-wide Financial Analysis (Continued)

Figure C
Revenues by Source – Business-type Activities

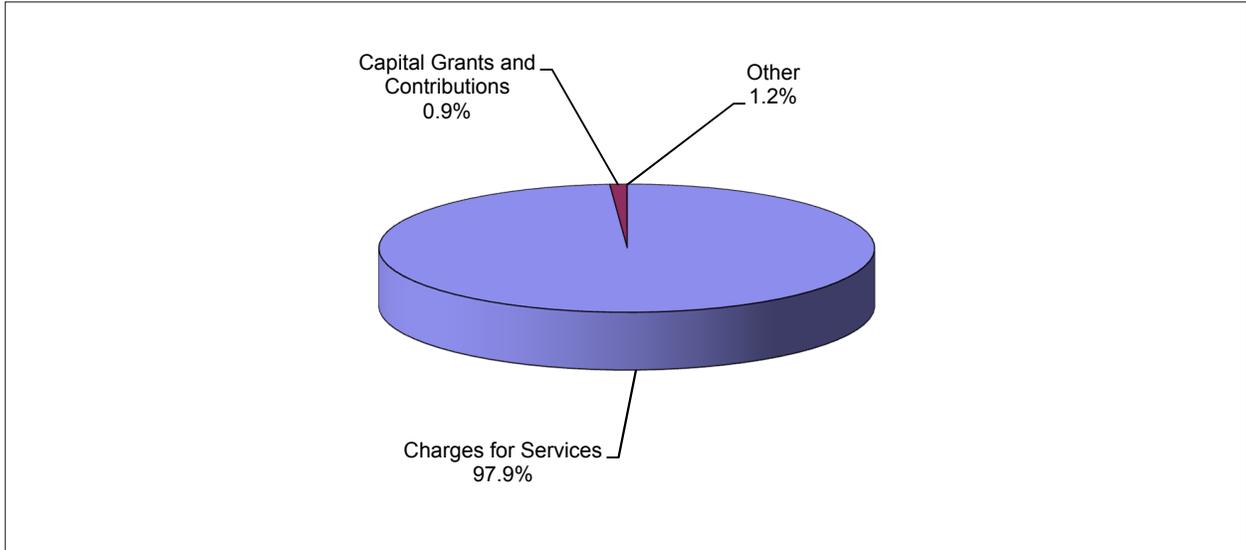
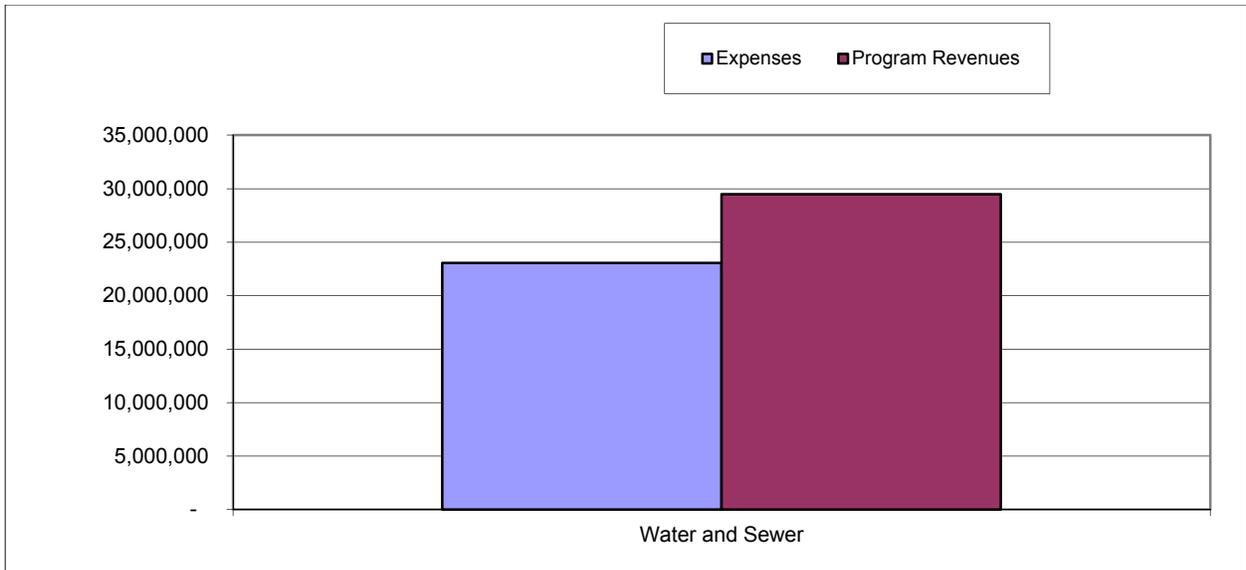


Figure D
Expenses and Program Revenues – Business-type Activities



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, 2017, the City's governmental funds reported combined fund balances of \$34.4 million, an increase of \$6.8 million in comparison with the prior year. Approximately \$19.8 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, 2017, the unassigned fund balance of the general fund was \$19.8 million, while total fund balance reached \$25.0 million. Unassigned fund balance represents 25.1% of total general fund expenditures, which serves as a measure of the general fund's liquidity. Fund balance in the City's general fund increased by \$1.9 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, 2017, amounted to \$6.1 million, an increase of \$4.1 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 \$1.9 million, mainly due to carryforward of school excess funds for capital improvement projects and community development grants from FY 2016.

Actual revenues were more than final budget amounts by \$1.1 million, and actual expenditures were \$2.8 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 \$1.1 million primarily due to strong meals tax and business license revenues indicating that the local economy in Winchester continues to show positive signs of growth.
- Revenues from general property taxes were \$0.5 million more than budgeted amounts mainly due to personal property tax revenues.
- Actual combined general government, judicial administration, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were \$1.3 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 \$0.2 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, 2017, amounts to \$261.8 million net of depreciation, which represents a decrease of \$4.4 million, or 1.7% 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 7 to the financial statements.

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

- Completion of the renovation of the Joint Judicial Center totaled \$3.4 million
- Completion of Phase II of the Green Circle Trail totaled \$1.4 million
- Emergency Communications System Upgrade project totaled \$5.0 million.
- Replacement of public safety and public works equipment totaled \$1.4 million, including police vehicles, public works equipment and defibrillators.

Capital Assets and Debt Administration (Continued)

Table 3 summarizes the City's capital assets as of June 30, 2016 and 2017.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 7,305,583	\$ 7,305,583	\$ 1,201,485	\$ 1,201,485	\$ 8,507,068	\$ 8,507,068
Construction in progress	2,304,174	9,987,004	-	208,845	2,304,174	10,195,849
Buildings	22,555,367	20,384,295	-	-	22,555,367	20,384,295
Treatment plants	-	-	38,058,611	38,959,276	38,058,611	38,959,276
Improvements other than buildings	8,282,094	6,791,542	2,711	3,166	8,284,805	6,794,708
Infrastructure	43,438,482	44,742,977	89,202,906	90,432,001	132,641,388	135,174,978
Machinery & Equipment	10,630,992	5,263,869	1,001,069	738,998	11,632,061	6,002,867
FWSA purchased capacity	-	-	37,883,864	40,299,562	37,883,864	40,299,562
Total Capital Assets	\$ 94,516,692	\$ 94,475,270	\$ 167,350,646	\$ 171,843,333	\$ 261,867,338	\$ 266,318,603

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of \$197.0 million, for the fiscal year ended June 30, 2017, a decrease of \$4.6 million from the fiscal year ended June 30, 2016. This entire amount is backed by the full faith and credit of the City, with \$105.2 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2017, the City retired \$8.6 million of outstanding general obligation bond principal and issued \$7.4 million for net decrease of \$1.2 million. The obligations payable amount decreased by \$0.7 million in FY 2017 and the revenue bonds payable decreased by \$2.6 million due to scheduled retirement of principal. More detailed information regarding the City's long-term debt can be found in Note 9 to the financial statements.

Table 4
City of Winchester's Outstanding Debt
Fiscal Year ended June 30, 2017

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 91,836,844	\$ 91,122,575	\$ 12,612,614	\$ 14,563,264	\$ 104,449,458	\$ 105,685,839
Revenue Bonds	-	-	55,090,531	57,725,751	55,090,531	57,725,751
Obligations payable	-	200,000	37,505,135	38,040,156	37,505,135	38,240,156
Total Outstanding Debt	\$ 91,836,844	\$ 91,322,575	\$ 105,208,280	\$ 110,329,171	\$ 197,045,124	\$ 201,651,746

The City's General Obligation Bonds have been rated AAA by Standard & Poor's Corporation, Aa2 by Moody's Investors Service, and AA+ from Fitch Ratings. 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 of Winchester's legal debt limit is \$300 million. As of June 30, 2017, the City of Winchester's total debt applicable to the limitation totaled \$104.4 million, leaving a legal debt margin of \$195.5 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 by increasing cultural, recreational and tourism opportunities; enhance and maintain infrastructure; and promote and improve public safety; 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.
- The City has adopted 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 become more stringent in the next 10 years and will require the City to undertake additional activities related to storm water management. One of these requirements is that the City must accurately map the storm water system. This effort is progressing and should be completed within the next two years. City staff is also planning for potential storm water infrastructure projects that may be necessary to meet the new regulations.
- Due to the need to continue to replace aging water and sewer infrastructure, the City completed a comprehensive analysis of the existing utility rates. Based on this analysis and the 5-year capital improvement plan to complete approximately \$50 million of capital improvements for the utility system, City Council adopted a series of water and sewer rate increases that will begin on July 1, 2018. Annual increases will take effect on July 1 of each year until 2022. By 2023, it is anticipated that approximately \$5 million in cash revenue will be generated each year that will be dedicated to replacing old water and sewer infrastructure and will significantly lower the need to borrow funds for this purpose.
- The City of Winchester reassesses real property every two years; the next reassessment is effective January 1, 2019. Based on current trends, the 2019 overall assessment values are projected to show modest growth over 2017 values.
- For the month of June 2017, the City's unemployment rate was 3.8%, compared to the State's 3.9% and the Federal rate of 4.5%.

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.

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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, 2017

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash and cash equivalents	\$ 24,519,843	\$ 4,384,418	\$ 28,904,261	\$ 7,114,827	\$ 255,412
Investments	4,713,339	842,797	5,556,136	1,367,289	49,097
Receivables, net:					
Taxes, including penalties	2,623,811	-	2,623,811	-	-
Accounts	1,562,455	4,496,968	6,059,423	16,995	4,056
Promises to give	-	-	-	591,089	-
Due from other governments	6,021,321	13,372	6,034,693	1,970,751	-
Internal balances	94,187	(94,187)	-	-	-
Prepays	61,837	-	61,837	-	-
Inventories	169,612	103,257	272,869	69,107	-
Cash and cash equivalents - restricted	273,915	14,970	288,885	-	-
Investments - restricted	7,957,350	-	7,957,350	300,258	-
Capital assets:					
Nondepreciable	9,609,757	1,201,485	10,811,242	3,933,478	11,685
Depreciable, net	84,906,935	166,149,161	251,056,096	119,111,277	7,563,531
Total assets	<u>142,514,362</u>	<u>177,112,241</u>	<u>319,626,603</u>	<u>134,475,071</u>	<u>7,883,781</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	4,614,616	1,735,504	6,350,120	-	-
Pension related deferred outflows	3,601,439	330,193	3,931,632	8,735,374	43,176
Total deferred outflows of resources	<u>8,216,055</u>	<u>2,065,697</u>	<u>10,281,752</u>	<u>8,735,374</u>	<u>43,176</u>
LIABILITIES					
Accounts payable and other current liabilities	3,590,785	1,633,886	5,224,671	6,033,071	27,729
Accrued interest	1,234,050	914,653	2,148,703	-	155,180
Noncurrent liabilities:					
Net OPEB obligation	3,116,077	-	3,116,077	-	-
Net pension liability	11,777,524	1,079,805	12,857,329	53,470,007	141,196
Due within one year	8,941,774	6,880,865	15,822,639	112,850	247,580
Due in more than one year	93,472,864	104,697,776	198,170,640	1,944,317	7,472,760
Total liabilities	<u>122,133,074</u>	<u>115,206,985</u>	<u>237,340,059</u>	<u>61,560,245</u>	<u>8,044,445</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes collected in advance	993,439	-	993,439	-	-
Pension related deferred inflows	1,411,149	129,379	1,540,528	1,850,524	16,918
Total deferred inflows of resources	<u>2,404,588</u>	<u>129,379</u>	<u>2,533,967</u>	<u>1,850,524</u>	<u>16,918</u>
NET POSITION					
Net investment in capital assets	69,929,756	57,742,151	127,671,907	123,044,755	(89,251)
Restricted for:					
Unspent bond proceeds	-	-	-	300,258	-
Revenue for public safety programs	359,898	-	359,898	-	-
Public works	4,480	-	4,480	-	-
Unrestricted	(44,101,379)	6,099,423	(38,001,956)	(43,545,337)	(45,155)
Total net position	<u>\$ 26,192,755</u>	<u>\$ 63,841,574</u>	<u>\$ 90,034,329</u>	<u>\$ 79,799,676</u>	<u>\$ (134,406)</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

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	\$ 5,451,957	\$ 173,246	\$ 241,020	\$ -	\$ (5,037,691)		\$ (5,037,691)		
Judicial administration	3,874,647	624,795	1,479,296	-	(1,770,556)		(1,770,556)		
Public safety	22,064,479	1,261,688	1,410,300	-	(19,392,491)		(19,392,491)		
Public works	12,104,532	1,611,541	4,639,505	1,443,507	(4,409,979)		(4,409,979)		
Health and welfare	8,962,664	73,984	5,890,567	-	(2,998,113)		(2,998,113)		
Education	29,222,718	-	-	-	(29,222,718)		(29,222,718)		
Parks, recreation, and culture	3,497,835	913,764	14,678	-	(2,569,393)		(2,569,393)		
Community development	2,424,272	390,131	374,082	-	(1,660,059)		(1,660,059)		
Interest on long-term debt	3,526,095	-	-	-	(3,526,095)		(3,526,095)		
Bond issuance costs	55,800	-	-	-	(55,800)		(55,800)		
Total governmental activities	<u>91,184,999</u>	<u>5,049,149</u>	<u>14,049,448</u>	<u>1,443,507</u>	<u>(70,642,895)</u>		<u>(70,642,895)</u>		
Business-type activities:									
Water and sewer	23,053,441	28,894,070	269,203	321,400	-	\$ 6,431,232	6,431,232		
Total business-type activities	<u>23,053,441</u>	<u>28,894,070</u>	<u>269,203</u>	<u>321,400</u>	<u>-</u>	<u>6,431,232</u>	<u>6,431,232</u>		
Total primary government	<u>\$ 114,238,440</u>	<u>\$ 33,943,219</u>	<u>\$ 14,318,651</u>	<u>\$ 1,764,907</u>	<u>(70,642,895)</u>	<u>6,431,232</u>	<u>(64,211,663)</u>		
Component units:									
School board	\$ 61,691,194	\$ 795,911	\$ 28,511,661	\$ 389,555			\$ (31,994,067)	\$ -	
Parking authority	1,243,817	1,193,270	-	-			-	(50,547)	
Total component unit	<u>\$ 62,935,011</u>	<u>\$ 1,989,181</u>	<u>\$ 28,511,661</u>	<u>\$ 389,555</u>			<u>(31,994,067)</u>	<u>(50,547)</u>	
General revenues:									
Taxes:									
Property taxes					40,050,899	-	40,050,899	-	-
Sales taxes					9,431,564	-	9,431,564	-	-
Utility taxes					1,986,800	-	1,986,800	-	-
Business license taxes					6,541,576	-	6,541,576	-	-
Franchise taxes					408,904	-	408,904	-	-
Hotel and meals taxes					9,216,945	-	9,216,945	-	-
Communication taxes					2,020,045	-	2,020,045	-	-
Other local taxes					2,458,236	-	2,458,236	-	-
Loss on sale of property					(6,210)	-	(6,210)	-	-
Miscellaneous					51,170	9,299	60,469	138,369	4,519
Payments from City					-	-	-	29,158,944	-
Grants and contributions not restricted to specific programs					3,110,202	-	3,110,202	-	-
Unrestricted investment earnings					98,245	4,443	102,688	61,775	24
Transfers					1,600,000	(1,600,000)	-	-	-
Total revenues and transfers					<u>76,968,376</u>	<u>(1,586,258)</u>	<u>75,382,118</u>	<u>29,359,088</u>	<u>4,543</u>
Change in net position					6,325,481	4,844,974	11,170,455	(2,634,979)	(46,004)
Net position - beginning					<u>19,867,274</u>	<u>58,996,600</u>	<u>78,863,874</u>	<u>82,434,655</u>	<u>(88,402)</u>
Net position - ending					<u>\$ 26,192,755</u>	<u>\$ 63,841,574</u>	<u>\$ 90,034,329</u>	<u>\$ 79,799,676</u>	<u>\$ (134,406)</u>

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

FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

Exhibit 3

	General	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 19,013,418	\$ 435,804	\$ 805,898	\$ 20,255,120
Investments	3,654,863	83,773	154,914	3,893,550
Receivables, net:				
Taxes, including penalties	2,623,811	-	-	2,623,811
Accounts	1,181,621	48,881	322,112	1,552,614
Prepays	21,837	-	40,000	61,837
Inventories	18,424	-	-	18,424
Due from other funds	355,800	-	-	355,800
Due from other governments	4,103,848	486,876	1,430,597	6,021,321
Investments - restricted	-	7,957,350	-	7,957,350
	<u>30,973,622</u>	<u>9,012,684</u>	<u>2,753,521</u>	<u>42,739,827</u>
Total assets	<u>\$ 30,973,622</u>	<u>\$ 9,012,684</u>	<u>\$ 2,753,521</u>	<u>\$ 42,739,827</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 787,019	\$ 495,486	\$ 1,182,219	\$ 2,464,724
Deposits payable	85,212	-	-	85,212
Accrued payroll	461,500	-	106,228	567,728
Unearned revenue	-	76,051	-	76,051
Due to other funds	-	-	355,800	355,800
	<u>1,333,731</u>	<u>571,537</u>	<u>1,644,247</u>	<u>3,549,515</u>
Total liabilities	<u>1,333,731</u>	<u>571,537</u>	<u>1,644,247</u>	<u>3,549,515</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	993,439	-	-	993,439
Unavailable revenue	3,558,741	-	231,731	3,790,472
	<u>4,552,180</u>	<u>-</u>	<u>231,731</u>	<u>4,783,911</u>
Total deferred inflows of resources	<u>4,552,180</u>	<u>-</u>	<u>231,731</u>	<u>4,783,911</u>
FUND BALANCES				
Nonspendable	40,261	-	40,000	80,261
Restricted	359,898	7,957,957	4,480	8,322,335
Committed	816,327	-	-	816,327
Assigned	3,992,120	483,190	833,063	5,308,373
Unassigned	19,879,105	-	-	19,879,105
	<u>25,087,711</u>	<u>8,441,147</u>	<u>877,543</u>	<u>34,406,401</u>
Total fund balances	<u>25,087,711</u>	<u>8,441,147</u>	<u>877,543</u>	<u>34,406,401</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,973,622</u>	<u>\$ 9,012,684</u>	<u>\$ 2,753,521</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.				94,490,361
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				3,790,472
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.				2,026,677
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.				4,614,616
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Pension related deferred outflows				3,569,041
Pension related deferred inflows				(1,398,455)
Net pension liability				(11,671,576)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				
Bonds payable				(91,836,844)
Issuance premiums				(8,005,340)
Accrued interest				(1,234,050)
Compensated absences				(2,558,548)
Net position of governmental activities				<u>\$ 26,192,755</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit 4

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 40,096,166	\$ -	\$ -	\$ 40,096,166
Other local taxes	32,064,070	-	-	32,064,070
Permits, privilege fees, and regulatory licenses	406,597	-	-	406,597
Fines and forfeitures	80,424	-	-	80,424
Revenues from use of money and property	198,355	68,106	8,619	275,080
Charges for services	1,384,426	-	1,403,588	2,788,014
Miscellaneous	1,021,672	-	104,085	1,125,757
Recovered costs	711,548	356,983	-	1,068,531
Intergovernmental:				
Frederick County	-	-	150,000	150,000
Commonwealth	6,161,126	524,184	6,849,490	13,534,800
Federal	532,676	343,456	3,560,144	4,436,276
Total revenues	<u>82,657,060</u>	<u>1,292,729</u>	<u>12,075,926</u>	<u>96,025,715</u>
EXPENDITURES				
Current:				
General government administration	5,278,350	-	-	5,278,350
Judicial administration	3,646,583	-	27,262	3,673,845
Public safety	20,193,404	-	1,258,910	21,452,314
Public works	3,635,675	-	5,141,065	8,776,740
Health and welfare	831,790	-	8,132,564	8,964,354
Education	29,222,718	-	-	29,222,718
Parks, recreation, and culture	3,037,578	-	-	3,037,578
Community development	2,054,871	-	359,545	2,414,416
Capital outlay	686,729	4,037,473	756,538	5,480,740
Debt service:				
Principal retirement	6,885,730	-	-	6,885,730
Interest and fiscal charges	3,818,856	-	-	3,818,856
Bond issuance costs	-	55,800	-	55,800
Total expenditures	<u>79,292,284</u>	<u>4,093,273</u>	<u>15,675,884</u>	<u>99,061,441</u>
Excess (deficiency) of revenues over expenditures	<u>3,364,776</u>	<u>(2,800,544)</u>	<u>(3,599,958)</u>	<u>(3,035,726)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	795,000	-	-	795,000
Insurance recoveries	51,170	-	-	51,170
Issuance of bonds	-	7,400,000	-	7,400,000
Transfers in	1,600,000	353,618	3,498,000	5,451,618
Transfers out	(3,851,618)	-	-	(3,851,618)
Total other financing sources (uses)	<u>(1,405,448)</u>	<u>7,753,618</u>	<u>3,498,000</u>	<u>9,846,170</u>
Net change in fund balances	1,959,328	4,953,074	(101,958)	6,810,444
Fund balance - beginning	<u>23,128,383</u>	<u>3,488,073</u>	<u>979,501</u>	<u>27,595,957</u>
Fund balance - ending	<u>\$ 25,087,711</u>	<u>\$ 8,441,147</u>	<u>\$ 877,543</u>	<u>\$ 34,406,401</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, 2017

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$	6,810,444
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, \$5,480,740 exceeded depreciation, \$4,715,368, in the current period.		765,372
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		82,155
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.		(801,210)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(246,963)
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	1,842,376	
Pension expense	(1,627,959)	214,417
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 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.		
Principal repayments		6,885,730
Issuance of bonds		(7,400,000)
Amortization of issuance premium		863,191
Amortization of deferred charge on refunding		(573,702)
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.		
Compensated absences		(85,249)
Accrued interest		3,272
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 internal service funds is allocated between governmental and business-type activities in the Statement of Activities.		
Net revenue (expense) of internal service funds		(213,439)
Allocation of net revenue (expense) to business-type activities		21,463
Change in net position of governmental activities	\$	6,325,481

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

Exhibit 6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 39,581,800	\$ 39,581,800	\$ 40,096,166	\$ 514,366
Other local taxes	30,907,000	30,907,000	32,064,070	1,157,070
Permits, privilege fees, and regulatory licenses	366,900	366,900	406,597	39,697
Fines and forfeitures	133,000	133,000	80,424	(52,576)
Revenues from use of money and property	220,000	220,000	198,355	(21,645)
Charges for services	1,470,800	1,478,800	1,384,426	(94,374)
Miscellaneous	984,000	1,006,000	1,021,672	15,672
Recovered costs	799,000	863,510	711,548	(151,962)
Intergovernmental:				
Commonwealth	6,121,100	6,225,928	6,161,126	(64,802)
Federal	631,000	687,810	532,676	(155,134)
Total revenues	<u>81,214,600</u>	<u>81,470,748</u>	<u>82,657,060</u>	<u>1,186,312</u>
EXPENDITURES				
Current:				
General government administration:				
Legislative	238,800	238,800	233,089	5,711
General and financial administration	5,385,295	5,265,295	4,858,624	406,671
Board of elections	309,100	309,100	290,868	18,232
Total general government administration	<u>5,933,195</u>	<u>5,813,195</u>	<u>5,382,581</u>	<u>430,614</u>
Judicial administration:				
Courts	2,359,800	2,405,500	2,381,139	24,361
Commonwealth attorney	1,183,900	1,334,200	1,332,787	1,413
Total judicial administration	<u>3,543,700</u>	<u>3,739,700</u>	<u>3,713,926</u>	<u>25,774</u>
Public safety:				
Law enforcement and traffic control	8,028,600	8,167,696	7,737,687	430,009
Fire and rescue services	5,632,837	5,753,537	5,558,414	195,123
Correction and detention	5,054,903	5,156,203	5,148,128	8,075
Inspections	540,200	540,200	525,585	14,615
Other protection	1,748,550	1,755,670	1,563,269	192,401
Total public safety	<u>21,005,090</u>	<u>21,373,306</u>	<u>20,533,083</u>	<u>840,223</u>
Public Works:				
Maintenance of highways, streets, bridges and sidewalks	259,300	259,300	206,430	52,870
Sanitation and waste removal	1,672,200	1,672,200	1,641,067	31,133
Maintenance of buildings and grounds	1,955,900	1,955,900	2,032,394	(76,494)
Total public works	<u>3,887,400</u>	<u>3,887,400</u>	<u>3,879,891</u>	<u>7,509</u>
Health and welfare:				
Health	324,000	324,000	324,000	-
Chapter X board	202,096	202,096	202,096	-
Welfare/Social Services	323,000	323,000	305,694	17,306
Total health and welfare	<u>849,096</u>	<u>849,096</u>	<u>831,790</u>	<u>17,306</u>
Education:				
Contributions to community college	63,990	63,990	63,990	-
Contributions to School Board	29,230,302	30,084,158	29,158,728	925,430
Total education	<u>29,294,292</u>	<u>30,148,148</u>	<u>29,222,718</u>	<u>925,430</u>
Parks, recreation, and cultural:				
Parks and recreation	2,740,800	2,770,800	2,439,818	330,982
Cultural enrichment	110,000	110,000	110,000	-
Contribution to Regional Library	419,020	419,020	419,020	-
Total parks, recreation, and cultural	<u>3,269,820</u>	<u>3,299,820</u>	<u>2,968,838</u>	<u>330,982</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Exhibit 6 (Continued)
	Original	Final	Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Current: (continued)				
Community development:				
Planning and community development	\$ 1,713,162	\$ 2,283,646	\$ 2,054,871	\$ 228,775
Total community development	<u>1,713,162</u>	<u>2,283,646</u>	<u>2,054,871</u>	<u>228,775</u>
Debt service:				
Principal retirement	6,864,400	6,889,400	6,885,730	3,670
Interest and fiscal charges	3,899,700	3,816,575	3,818,856	(2,281)
Total debt service	<u>10,764,100</u>	<u>10,705,975</u>	<u>10,704,586</u>	<u>1,389</u>
Total expenditures	<u>80,259,855</u>	<u>82,100,286</u>	<u>79,292,284</u>	<u>2,808,002</u>
Excess of revenues over expenditures	<u>954,745</u>	<u>(629,538)</u>	<u>3,364,776</u>	<u>3,994,314</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	795,000	795,000
Insurance recoveries	-	10,000	51,170	41,170
Transfers in	1,600,000	1,600,000	1,600,000	-
Transfers out	(3,870,145)	(4,660,145)	(3,851,618)	808,527
Appropriation of fund balance	<u>1,315,400</u>	<u>3,679,683</u>	<u>-</u>	<u>(3,679,683)</u>
Total other financing sources (uses)	<u>(954,745)</u>	<u>629,538</u>	<u>(1,405,448)</u>	<u>(2,034,986)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,959,328</u>	<u>\$ 1,959,328</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

Exhibit 7

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,384,418	\$ 4,264,723
Investments	842,797	819,789
Accounts receivable, net	4,496,968	9,841
Due from other governments	13,372	-
Inventories	103,257	151,188
Cash and cash equivalents - restricted	14,970	273,915
Total current assets	<u>9,855,782</u>	<u>5,519,456</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	1,201,485	-
Depreciable, net	166,149,161	26,331
Total capital assets, net	<u>167,350,646</u>	<u>26,331</u>
Total noncurrent assets	<u>167,350,646</u>	<u>26,331</u>
Total assets	<u>177,206,428</u>	<u>5,545,787</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,735,504	-
Pension related deferred outflows	330,193	32,398
Total deferred outflows of resources	<u>2,065,697</u>	<u>32,398</u>
LIABILITIES		
Current liabilities:		
Accounts payable	980,916	390,538
Customer deposits	576,035	-
Accrued payroll	76,935	6,532
Accrued interest	914,653	-
Compensated absences - current	92,558	5,859
Bonds payable and other obligations - current	6,788,307	-
Total current liabilities	<u>9,429,404</u>	<u>402,929</u>
Noncurrent liabilities:		
Compensated absences	127,114	8,047
Net OPEB obligation	-	3,116,077
Net pension liability	1,079,805	105,948
Bonds payable and other obligations	104,570,662	-
Total noncurrent liabilities	<u>105,777,581</u>	<u>3,230,072</u>
Total liabilities	<u>115,206,985</u>	<u>3,633,001</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	129,379	12,694
Total deferred inflows of resources	<u>129,379</u>	<u>12,694</u>
NET POSITION		
Net investment in capital assets	57,742,151	26,331
Unrestricted	6,193,610	1,906,159
Total net position	<u>63,935,761</u>	<u>\$ 1,932,490</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>(94,187)</u>	
Net position of business-type activities	<u>\$ 63,841,574</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Exhibit 8

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 23,901,564	\$ 2,315,647
Miscellaneous	9,299	-
Recovered costs	4,992,506	-
Total operating revenues	<u>28,903,369</u>	<u>2,315,647</u>
OPERATING EXPENSES		
Personal services	3,811,993	998,703
Contractual services	4,565,497	396,657
Other supplies and expenses	4,822,402	714,020
Insurance claims and expenses	-	419,427
Depreciation	5,276,285	4,892
Total operating expenses	<u>18,476,177</u>	<u>2,533,699</u>
Operating income (loss)	<u>10,427,192</u>	<u>(218,052)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental:		
Federal	269,203	-
Investment earnings	4,443	4,613
Interest and fiscal charges	(4,522,933)	-
Loss on disposal of capital assets	(32,868)	-
Total nonoperating revenues (expenses)	<u>(4,282,155)</u>	<u>4,613</u>
Income (loss) before contributions and transfers	6,145,037	(213,439)
CAPITAL CONTRIBUTIONS	321,400	-
TRANSFERS OUT	<u>(1,600,000)</u>	<u>-</u>
Change in net position	4,866,437	(213,439)
Total net position - beginning	<u>59,069,324</u>	<u>2,145,929</u>
Total net position - ending	<u>\$ 63,935,761</u>	<u>\$ 1,932,490</u>
Change in net position	\$ 4,866,437	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(21,463)</u>	
Change in net position of business-type activities	<u>\$ 4,844,974</u>	

**CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017**

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	\$ 24,382,573	\$ -
Cash received from internal services provided	-	2,460,420
Cash paid to suppliers	(9,193,245)	(1,169,027)
Cash paid for internal services received	(187,551)	-
Cash paid to employees	(4,457,558)	(630,391)
Premiums paid	-	(354,084)
Recovered costs and other receipts	<u>5,002,805</u>	<u>-</u>
Net cash provided by operating activities	<u>15,547,024</u>	<u>306,918</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	<u>(1,600,000)</u>	<u>-</u>
Net cash used in noncapital financing activities	<u>(1,600,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(390,732)	-
Principal paid on capital debt	(5,531,787)	-
Interest paid on capital debt	(4,968,961)	-
Proceeds from debt refundings	14,798,766	-
Escrow payment for bond refundings	(14,392,179)	-
Proceeds from federal grants	<u>269,203</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(10,215,690)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchases) of investments, net	(404,948)	574,947
Investment income	<u>4,443</u>	<u>4,613</u>
Net cash provided by (used in) investing activities	<u>(400,505)</u>	<u>579,560</u>
Net increase in cash and cash equivalents	3,330,829	886,478
Cash and cash equivalents - beginning of year	<u>1,068,559</u>	<u>3,652,160</u>
Cash and cash equivalents - end of year	<u>\$ 4,399,388</u>	<u>\$ 4,538,638</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash and cash equivalents	\$ 4,384,418	\$ 4,264,723
Restricted cash	<u>14,970</u>	<u>273,915</u>
Total	<u>\$ 4,399,388</u>	<u>\$ 4,538,638</u>

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

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 (loss)	\$ 10,427,192	\$ (218,052)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	5,276,285	4,892
Pension expense, net of employer contributions	(521,087)	(10,858)
(Increase) decrease in:		
Accounts receivable	442,319	144,773
Prepays	-	388,540
Due from other governments	1,000	-
Inventories	(7,411)	(32,508)
Increase (decrease) in:		
Accounts payable	55,380	(349,039)
Customer deposits	38,690	(11,081)
Accrued payroll	(156,702)	(3,749)
Net OPEB obligation	-	394,000
Compensated absences	(8,642)	-
Total adjustments	5,119,832	524,970
Net cash provided by operating activities	\$ 15,547,024	\$ 306,918
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions of water and sewer lines from developers	\$ 321,400	\$ -
Change in capital asset purchases included in accounts payable at year end	\$ (146,561)	\$ -
Debt incurred for acquisition of intangible asset	\$ 250,895	\$ -
Cost of disposed capital assets	\$ 32,868	\$ -

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

Exhibit 10

Total
Agency
Funds

ASSETS

Cash and cash equivalents	\$	1,176,961
Investments		1,477,150
Prepays		1,751
Total assets	\$	<u>2,655,862</u>

LIABILITIES

Accounts payable	\$	30,146
Accrued payroll		45,339
Amounts held for others		2,580,377
Total liabilities	\$	<u>2,655,862</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 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.

Joint Ventures:

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 9. Separate financial statements for this joint venture may be obtained at the entity’s administrative offices at P.O. Box 43, Winchester, Virginia 22604.

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 2017, the City provided total support of \$63,432. Separate financial statements for this joint venture may be obtained at the entity’s administrative offices at 491 Airport Road, Winchester, Virginia 22602.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Joint Ventures (Continued):

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 2017, the City provided total support of \$464,997. 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 2017, the City provided total support of \$4,429,906. 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 \$419,020 to the Board for operating support for 2017. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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. 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.

Property taxes, franchise taxes, 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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

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 benefits, 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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/Fund Balance

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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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 20 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 20/December 5

Property Taxes - Motor Vehicles

The City employs a system providing for both proration and monthly billing/assessment for personal property taxes on motor vehicles. Property is assessed on a monthly cycle based on the date which a vehicle gains situs in the City, using its value as of the starting month and year of the vehicle’s twelve-month billing cycle. 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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, 2017 consisted of the following:

General Fund (property taxes, penalties, and interest)	\$	1,532,055
Emergency Medical Service Fund		233,317
Water and Sewer Fund		235,609
	\$	2,000,981

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.

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.

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 8 hours 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.

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.

School Board Debt/Capital Asset Reporting

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The City has the following items that qualify for reporting in this category:

- Deferred charge on refunding. A deferred loss 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. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.
- Differences between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over the closed five year period.
- Changes in proportion and differences between employer contributions and the proportionate share of employer contributions, resulting from participation in the Virginia Retirement System's teacher cost sharing pool, are reported as a deferred outflow.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources (Continued)

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 the following items that qualify for reporting under this category:

- Property taxes collected in advance of the period for which they were levied. These amounts are recognized as revenue in the period for which they were levied.
- Governmental funds report unavailable revenue from property taxes and other receivables not collected within the availability period. These amounts are recognized as an inflow of resources in the period they become available.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the closed five year period.

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, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balances (Continued)

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.

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.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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.

Note 2. 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 2. Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

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 Improvements 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 improvements 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), with the exception of appropriations of prior fund balance, which are treated as revenue sources on the budgetary basis.
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 required budget amendments during the year, which increased total appropriations in the General Fund by \$2,630,431.

Excess of expenditures over appropriations

The Emergency Medical Services special revenue fund's expenditures exceeded appropriations by \$191,910 as a result of required payments under the memorandum of understanding between the City and the volunteer stations.

Note 3. 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, 2017

Note 3. Deposits and Investments (Continued)

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>S & P Credit Rating</u>	<u>Weighted Average Maturity*</u>
Federal Agency Bonds and Notes	\$ 1,988,140	AA+	3.66
LGIP	320,297	AAAm	0.23
SNAP	8,257,608	AAAm	0.23
Negotiable certificates of deposit	<u>4,013,475</u>	N/A	2.06
Total investments	<u>14,579,520</u>		
Cash and cash equivalents	40,810,000		
Nonnegotiable certificates of deposit	<u>991,842</u>		
Total deposits	<u>41,801,842</u>		
Total deposits and investments	<u><u>56,381,362</u></u>		

* - Average Maturity in Years

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

	<u>Component Units</u>			<u>Total</u>
	<u>Primary Government</u>	<u>School Board</u>	<u>Winchester Parking Authority</u>	
Statement of Net Position:				
Cash and cash equivalents	\$ 28,904,261	\$ 7,114,827	\$ 255,412	\$ 36,274,500
Investments	5,556,136	1,367,289	49,097	6,972,522
Cash and cash equivalents - restricted	288,885	-	-	288,885
Investments - restricted	7,957,350	300,258	-	8,257,608
Fiduciary:				
Cash and cash equivalents	1,176,961	1,336,670	-	2,513,631
Investments	<u>1,477,150</u>	<u>597,066</u>	<u>-</u>	<u>2,074,216</u>
Total	<u><u>\$ 45,360,743</u></u>	<u><u>\$ 10,716,110</u></u>	<u><u>\$ 304,509</u></u>	<u><u>\$ 56,381,362</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3. Deposits and Investments (Continued)

Investments (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of June 30, 2017, the City’s investments in negotiable certificates of deposit and federal agency bonds and notes were valued using Level 2 inputs.

Neither LGIP nor SNAP are registered with the SEC, but are overseen by the Treasurer of Virginia and the State Treasury Board. The value of the City’s position in the pools is the same as the value of the pool shares and is reported within the guidelines of GASB Statement No. 79.

The City has no investment policy that would further limit its investment choices.

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, mutual funds, the State Treasurer’s Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Concentration of Credit Risk - The City held investments at June 30 issued by the Federal Home Loan Mortgage Corporation totaling approximately 13.64% of all investments. These investments were not considered by management to represent a risk to the City.

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.

Restricted cash and investments:

Restricted cash and investments consist of the following:

	Primary Government	School Board
Unspent bond proceeds restricted for capital projects	\$ 7,972,320	\$ 300,258
Flexible spending accounts held for benefit of employees	273,915	-

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 4. Due from Other Governments

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

	Primary Government	Component Unit – School Board
Federal and Commonwealth of Virginia:		
State sales tax	\$ -	\$ 772,539
Title VI-B	-	149,722
Title I	-	374,376
Virginia Preschool Initiative Plus	-	235,440
Other federal and state school funds	-	438,674
Local sales tax	1,617,820	-
Transit grants	409,410	-
Highway construction funds	553,214	-
Welfare grants	725,544	-
Communication tax	167,895	-
Other federal and state funds	556,784	-
Total due from federal and state sources	4,030,667	1,970,751
Frederick County:		
Joint Judicial Center – debt service	1,755,830	-
Joint Judicial Center – operating expenses	146,376	-
Other receivables	101,820	-
Total due from other governments	\$ 6,034,693	\$ 1,970,751

Note 5. Promises to Give

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

Receivable in less than one year	\$ 142,704
Receivable in one to five years	305,833
Receivable in five to ten years	215,000
Receivable in ten to fifteen years	34,753
Total unconditional promises to give	698,290
Less discounts to present value	(107,201)
Net unconditional promises to give	\$ 591,089

The discount rate used on long-term promises to give is 5%. Amounts above are net of uncollectable amounts.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. 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>\$ 355,800</u>
Component Unit – School Board	
Due to school operating fund from:	
Federal grants fund	<u>\$ 606,964</u>

Interfund receivables and payables are generally used by the City and School Board to cover temporary cash deficits in individual funds until grant or similar resources are received.

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>
Transfers to capital improvements fund from:	
General fund	<u>\$ 353,618</u>
Transfers to non-major governmental funds from:	
General fund	<u>\$ 3,498,000</u>

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, 2017

Note 7. 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	\$ 7,305,583	\$ -	\$ -	\$ 7,305,583
Construction in progress	9,987,004	1,119,456	(8,802,286)	2,304,174
	<u>17,292,587</u>	<u>1,119,456</u>	<u>(8,802,286)</u>	<u>9,609,757</u>
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Buildings	31,807,313	3,585,097	(797,617)	34,594,793
Improvements other than buildings	11,291,470	1,901,857	-	13,193,327
Infrastructure	71,843,463	1,302,851	-	73,146,314
Equipment	15,692,194	6,455,916	(989,261)	21,158,849
	<u>130,634,440</u>	<u>13,245,721</u>	<u>(1,786,878)</u>	<u>142,093,283</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(11,423,018)	(645,654)	29,246	(12,039,426)
Improvements other than buildings	(4,499,928)	(411,305)	-	(4,911,233)
Infrastructure	(27,100,486)	(2,607,346)	-	(29,707,832)
Equipment	(10,428,325)	(1,055,955)	956,423	(10,527,857)
	<u>(53,451,757)</u>	<u>(4,720,260)</u>	<u>985,669</u>	<u>(57,186,348)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>77,182,683</u>	<u>8,525,461</u>	<u>(801,209)</u>	<u>84,906,935</u>
Governmental activities capital assets, net	<u>\$ 94,475,270</u>	<u>\$ 9,644,917</u>	<u>\$ (9,603,495)</u>	<u>\$ 94,516,692</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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	\$ 184,957
Judicial administration	179,962
Public safety	560,044
Public works	3,324,617
Health and welfare	15,689
Parks, recreation, and cultural	447,069
Community development	<u>7,922</u>
Total depreciation expense – governmental activities	<u>\$ 4,720,260</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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 assets, not being depreciated:				
Land	\$ 1,201,485	\$ -	\$ -	\$ 1,201,485
Construction in progress	208,845	-	(208,845)	-
Total capital assets not being depreciated	<u>1,410,330</u>	<u>-</u>	<u>(208,845)</u>	<u>1,201,485</u>
Capital assets, being depreciated:				
Treatment plants	45,043,669	-	-	45,043,669
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	119,080,353	635,016	(61,856)	119,653,513
Equipment	2,640,117	415,290	-	3,055,407
FWSA purchased capacity	52,496,047	-	-	52,496,047
Total capital assets being depreciated	<u>219,379,023</u>	<u>1,050,306</u>	<u>(61,856)</u>	<u>220,367,473</u>
Less accumulated depreciation for:				
Treatment plants	(6,084,393)	(900,665)	-	(6,985,058)
Improvements other than buildings	(115,671)	(455)	-	(116,126)
Infrastructure	(28,648,352)	(1,831,242)	28,987	(30,450,607)
Equipment	(1,901,119)	(153,219)	-	(2,054,338)
FWSA purchased capacity	(12,196,485)	(2,415,698)	-	(14,612,183)
Total accumulated depreciation	<u>(48,946,020)</u>	<u>(5,301,279)</u>	<u>28,987</u>	<u>(54,218,312)</u>
Total capital assets being depreciated, net	<u>170,433,003</u>	<u>(4,250,973)</u>	<u>(32,869)</u>	<u>166,149,161</u>
Business-type activities capital assets, net	<u>\$ 171,843,333</u>	<u>\$ (4,250,973)</u>	<u>\$ (241,714)</u>	<u>\$ 167,350,646</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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	\$ 5,276,285
Add: Accumulated depreciation of assets transferred from governmental activities	24,994
Total additions to accumulated depreciation – water and sewer fund	\$ 5,301,279

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 have 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:

	Total Contracts	Total Payments	Future Amounts to be Expended
Primary Government			
JJC Renovations	\$ 341,075	\$ -	\$ 341,075
School Board			
Handley Cafeteria Renovation	\$ 142,285	\$ 70,112	\$ 72,173

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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	\$ 3,758,028	\$ -	\$ -	\$ 3,758,028
Construction in progress	19,239,518	169,699	(19,233,767)	175,450
	<u>22,997,546</u>	<u>169,699</u>	<u>(19,233,767)</u>	<u>3,933,478</u>
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Buildings	130,290,369	18,412,582	-	148,702,951
Improvements other than buildings	3,873,957	825,862	-	4,699,819
Equipment	6,500,799	1,458,069	(74,317)	7,884,551
	<u>140,665,125</u>	<u>20,696,513</u>	<u>(74,317)</u>	<u>161,287,321</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(31,848,241)	(2,875,710)	-	(34,723,951)
Improvements other than buildings	(2,155,704)	(141,421)	-	(2,297,125)
Equipment	(4,726,233)	(503,052)	74,317	(5,154,968)
	<u>(38,730,178)</u>	<u>(3,520,183)</u>	<u>74,317</u>	<u>(42,176,044)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>101,934,947</u>	<u>17,176,330</u>	<u>-</u>	<u>119,111,277</u>
School board capital assets, net	<u>\$ 124,932,493</u>	<u>\$ 17,346,029</u>	<u>\$(19,233,767)</u>	<u>\$ 123,044,755</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Capital Assets (Continued)

Component Unit – Parking Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Total capital assets not being depreciated	<u>11,685</u>	<u>-</u>	<u>-</u>	<u>11,685</u>
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	751,143	33,322	-	784,465
Total capital assets being depreciated	<u>10,558,721</u>	<u>33,322</u>	<u>-</u>	<u>10,592,043</u>
Less accumulated depreciation for:				
Buildings	(2,255,200)	(194,849)	-	(2,450,049)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	(461,420)	(60,864)	-	(522,284)
Total accumulated depreciation	<u>(2,772,799)</u>	<u>(255,713)</u>	<u>-</u>	<u>(3,028,512)</u>
Total capital assets being depreciated, net	<u>7,785,922</u>	<u>(222,391)</u>	<u>-</u>	<u>7,563,531</u>
Parking Authority capital assets, net	<u>\$ 7,797,607</u>	<u>\$ (222,391)</u>	<u>\$ -</u>	<u>\$ 7,575,216</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	<u>\$ 3,520,183</u>
Business-type activities:	
Parking Authority	<u>\$ 255,713</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Unavailable Revenue

Unavailable revenue reported in the general fund is comprised of the following:

Property taxes not collected within 45 days after year-end	\$ 1,802,911
Uncollected joint judicial commission debt service billings	<u>1,755,830</u>
Total general fund unavailable revenue	<u><u>\$ 3,558,741</u></u>

Note 9. Long-Term Debt

Primary Government

Changes in Long-Term Debt

The following is a summary of changes in the long-term liabilities of the City for the year ended June 30:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 91,122,574	\$ 7,400,000	\$ 6,685,730	\$ 91,836,844	\$ 7,020,569
Obligations payable	200,000	-	200,000	-	-
Unamortized bond premium	8,868,531	-	863,191	8,005,340	837,306
Compensated absences	2,490,955	1,131,059	1,049,560	2,572,454	1,083,899
	<u>\$ 102,682,060</u>	<u>\$ 8,531,059</u>	<u>\$ 8,798,481</u>	<u>\$ 102,414,638</u>	<u>\$ 8,941,774</u>
Governmental activities long-term liabilities	<u>\$ 102,682,060</u>	<u>\$ 8,531,059</u>	<u>\$ 8,798,481</u>	<u>\$ 102,414,638</u>	<u>\$ 8,941,774</u>
Business-type Activities:					
General obligation bonds	\$ 14,563,264	\$ -	\$ 1,950,650	\$ 12,612,614	\$ 2,084,170
Revenue bonds	57,725,751	13,115,000	15,750,220	55,090,531	2,981,670
Obligations payable FWSA	38,040,156	1,357,360	1,892,381	37,505,135	1,117,615
Unamortized bond premium	6,441,357	1,683,766	1,974,434	6,150,689	604,852
Compensated absences	228,314	87,558	96,200	219,672	92,558
	<u>\$ 116,998,842</u>	<u>\$ 16,243,684</u>	<u>\$ 21,663,885</u>	<u>\$ 111,578,641</u>	<u>\$ 6,880,865</u>
Business-type activities long-term liabilities	<u>\$ 116,998,842</u>	<u>\$ 16,243,684</u>	<u>\$ 21,663,885</u>	<u>\$ 111,578,641</u>	<u>\$ 6,880,865</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

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, \$13,906 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund and special revenue funds.

	Governmental Activities	Business-type Activities
<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	\$ 737,229	\$ 737,229
\$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	340,000	-
\$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	24,630,870	4,079,130
\$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	21,436,485	5,518,515
\$24,265,000 General Obligation Public Improvement Bond, 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	22,520,000	-

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
<u>Details of Long-Term Indebtedness (Continued)</u>		
\$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	\$ 7,992,260	\$ 2,277,741
\$7,075,000 General Obligation Public Improvement Bond, Series 2015, issued October 28, 2015, maturing annually beginning May 1, 2017 through May 1, 2035, interest payable semi-annually at rate of 2.45%. Purpose: General capital projects	6,780,000	-
\$7,400,000 General Obligation Public Improvement Bond, Series 2016, issued July 14, 2016, maturing annually beginning July 15, 2017 through July 15, 2036, interest payable semi-annually at rate of 2.12%. Purpose: General capital projects	7,400,000	-
Total General Obligation Bonds	\$ 91,836,844	\$ 12,612,614
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	\$ -	\$ 1,140,000
\$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	-	1,585,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
<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	\$ -	\$ 9,375,000
\$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	-	9,865,000
\$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	-	1,365,531
\$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	-	3,930,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
<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	\$ -	\$ 14,715,000
\$13,115,000 Virginia Resources Authority Revenue Bond, Series 2017A, issued March 31, 2017, maturing annually beginning November 1, 2017 through November 1, 2032, interest payable semi-annually at rates of 3.13%-5.13%. Purpose: Refund certain outstanding bonds	-	13,115,000
Total Revenue Bonds	\$ -	\$ 55,090,531
Obligations Payable:		
\$26,452,442 FWSA Opequon 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	\$ -	\$ 12,412,634
\$25,092,500 FWSA Green Energy Project obligations, commencing June 30, 2016, maturing annually through October 1, 2038 interest payable monthly at rates of 3.13%-5.13%. Purpose: Utilities capital projects	-	25,092,500
Total Obligations Payable	\$ -	\$ 37,505,134

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

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

	<u>Governmental Activities</u>	
	<u>General Obligation</u>	
	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 7,020,569	\$ 3,608,481
2019	7,388,901	3,288,584
2020	7,741,602	2,924,179
2021	7,803,671	2,609,888
2022	8,096,642	2,308,912
2023-2027	34,335,459	6,774,652
2028-2032	12,380,000	2,339,356
2033-2037	7,070,000	338,880
	<u>\$ 91,836,844</u>	<u>\$ 24,192,932</u>

	<u>Business-type Activities</u>					
	<u>General Obligation</u>		<u>Revenue Bonds</u>		<u>Obligations Payable</u>	
	<u>Bonds</u>				<u>FWSA</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,084,170	\$ 514,696	\$ 2,981,670	\$ 2,548,154	\$ 1,117,615	\$ 1,469,540
2019	2,175,818	427,688	3,092,393	2,442,854	1,229,128	1,426,400
2020	1,883,398	325,267	3,208,523	2,300,711	1,428,944	1,379,183
2021	1,371,329	257,941	3,329,687	2,144,388	1,372,289	1,325,428
2022	1,423,358	201,764	3,490,887	1,947,112	1,426,571	1,270,186
2023-2027	3,674,541	382,099	19,948,737	6,959,007	8,119,844	5,475,541
2028-2032	-	-	16,914,655	1,903,059	9,412,499	3,592,092
2033-2037	-	-	1,736,340	105,984	9,171,825	1,919,801
2038-2042	-	-	349,718	35,185	4,226,419	204,338
2043	-	-	37,921	569	-	-
	<u>\$ 12,612,614</u>	<u>\$ 2,109,455</u>	<u>\$ 55,090,531</u>	<u>\$ 20,414,023</u>	<u>\$ 37,505,134</u>	<u>\$ 18,062,509</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

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.

In November 2013, the City, along with the FWSA, the County of Frederick, and the Frederick County Sanitation Authority, approved the Green Energy Project (the "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. In late fiscal year 2016, the Project began accepting waste. The City has assumed responsibility for a portion of the related debt service in the approximate amount of \$25,092,500.

Current Year Refunding of Debt

In May 2017, the City issued a taxable water and sewer system revenue bond totaling \$14,798,766 for the purpose of partially refunding \$14,392,179 of outstanding series 2011B bonds. 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 \$1,069,107, resulting in an economic gain of \$871,746.

Prior Defeasance of Debt

In addition to the current year refunding, the City also defeased certain outstanding general obligation and revenue bonds payable in prior years. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2017, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds				
PIB Series 2006	\$ 14,663,000	\$ -	\$ 14,663,000	\$ -
PIB Series 2007	4,335,000	-	-	4,335,000
Revenue bonds				
VRA VFPF 2008B	7,655,000	-	-	7,655,000
VRA VFPF 2011B	-	12,955,000	-	12,955,000
	<u>\$ 26,653,000</u>	<u>\$ 12,955,000</u>	<u>\$ 14,663,000</u>	<u>\$ 24,945,000</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. 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	\$ 2,112,426	\$ 60,622	\$ 115,881	\$ 2,057,167	\$ 112,850

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	\$ 7,690,000	\$ -	\$ 200,000	\$ 7,490,000	\$ 210,000
Unamortized bond premium	188,893	-	14,426	174,467	14,037
Compensated absences	50,089	26,890	21,106	55,873	23,543
Parking authority long-term liabilities	<u>\$ 7,928,982</u>	<u>\$ 26,890</u>	<u>\$ 235,532</u>	<u>\$ 7,720,340</u>	<u>\$ 247,580</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

\$ 7,490,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Long-Term Debt (Continued)

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

	Parking Authority	
	Revenue Bonds	
	Principal	Interest
2018	\$ 210,000	\$ 369,250
2019	220,000	358,500
2020	230,000	347,250
2021	245,000	335,375
2022	255,000	322,875
2023-2027	1,480,000	1,404,500
2028-2032	1,885,000	986,125
2033-2037	2,410,000	451,750
2038	555,000	13,875
	\$ 7,490,000	\$ 4,589,500

Note 10. Contingent Liabilities and Commitments

Federal programs in which the City participates were audited in accordance with provisions of the *Uniform Guidance*. 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the City, (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 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.

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 as follows:

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service –**
 - **Defined Benefit Component –** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component –** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
 - **Defined Benefit Component –** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component –** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component –** See definition under Plan 1.
 - **Defined Contribution Component –** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher or 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

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

	<u>City</u>	<u>WPA</u>	<u>School Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	<u>235</u>	<u>3</u>	<u>34</u>
Inactive members:			
Vested inactive members	64	1	3
Non-vested inactive members	120	1	15
Inactive members active elsewhere in VRS	<u>150</u>	<u>2</u>	<u>13</u>
Total inactive members	334	4	31
Active members	<u>437</u>	<u>5</u>	<u>87</u>
Total covered employees	<u>1,006</u>	<u>12</u>	<u>152</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. 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 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City and WPA's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. The School Board Non-Professional Employee Plan's contractually required contribution rate for the year ended June 30, 2017 was 6.55% of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2015.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,029,550 and \$2,540,983 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions to the pension plan from the WPA were \$22,288 and \$26,174 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions to the pension plan from School Board Non-Professional Employee Plan were \$143,042 and \$183,396 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

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

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

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

Long-Term Expected Rate of Return

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

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

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

Discount Rate

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2015	\$ 81,959,107	\$ 72,010,571	\$ 9,948,536
Changes for the year:			
Service cost	2,478,637	-	2,478,637
Interest	5,594,106	-	5,594,106
Differences between expected and actual experience	(246,659)	-	(246,659)
Contributions – employer	-	2,523,652	(2,523,652)
Contributions – employee	-	1,090,184	(1,090,184)
Net investment income	-	1,277,800	(1,277,800)
Benefit payments, including refunds of employee contributions	(3,677,145)	(3,677,145)	-
Administrative expenses	-	(44,226)	44,226
Other changes	-	69,881	(69,881)
Net changes	4,148,939	1,240,146	2,908,793
Balances at June 30, 2016	\$ 86,108,046	\$ 73,250,717	\$ 12,857,329

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. 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, 2015	\$ 888,599	\$ 786,122	\$ 102,477
Changes for the year:			
Service cost	27,220	-	27,220
Interest	61,433	-	61,433
Differences between expected and actual experience	(2,709)	-	(2,709)
Contributions – employer	-	27,714	(27,714)
Contributions – employee	-	11,972	(11,972)
Net investment income	-	14,032	(14,032)
Benefit payments, including refunds of employee contributions	(40,381)	(40,381)	-
Administrative expenses	-	(486)	486
Other changes	-	(6,007)	6,007
Net changes	45,563	6,844	38,719
Balances at June 30, 2016	\$ 934,162	\$ 792,966	\$ 141,196

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. 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, 2015	\$ 7,128,561	\$ 6,816,590	\$ 311,971
Changes for the year:			
Service cost	239,831	-	239,831
Interest	487,897	-	487,897
Differences between expected and actual experience	(182,415)	-	(182,415)
Contributions – employer	-	182,973	(182,973)
Contributions – employee	-	104,368	(104,368)
Net investment income	-	118,191	(118,191)
Benefit payments, including refunds of employee contributions	(317,220)	(317,220)	-
Administrative expenses	-	(4,204)	4,204
Other changes	-	(51)	51
Net changes	228,093	84,057	144,036
Balances at June 30, 2016	\$ 7,356,654	\$ 6,900,647	\$ 456,007

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	\$ 24,919,712	\$ 12,857,329	2,942,402
WPA's net pension liability	273,662	141,196	32,313
School Board Non-Professional Employee Plan's net pension liability (asset)	1,327,639	456,007	(279,801)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$1,283,186. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,540,528
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,902,082	-
Employer contributions subsequent to the measurement date	2,029,550	-
Total	\$ 3,931,632	\$ 1,540,528

The \$2,029,550 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ (636,560)
2019	(636,560)
2020	893,060
2021	741,614
2022	-
Thereafter	-

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. 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, 2017, the WPA recognized pension expense of \$21,728. At June 30, 2017, the WPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 16,918
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	20,888	-
Employer contributions subsequent to the measurement date	22,288	-
Total	\$ 43,176	\$ 16,918

The \$22,288 reported as deferred outflows of resources related to pensions resulting from WPA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ (6,991)
2019	(6,991)
2020	9,807
2021	8,145
2022	-
Thereafter	-

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. 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, 2017, the School Board Non-Professional Employee Plan recognized pension expense of \$107,524. At June 30, 2017, the School Board Non-Professional Employee Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 133,524
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	184,366	
Employer contributions subsequent to the measurement date	143,042	-
Total	\$ 327,408	\$ 133,524

The \$143,042 reported as deferred outflows of resources related to pensions resulting from the School Board Non-Professional Employee Plan's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ (44,548)
2019	(44,505)
2020	68,340
2021	71,555
2022	-
Thereafter	-

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

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

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2017, approximately \$19,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll for the City and the WPA.

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 11.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing 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 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 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$4,205,966 and \$4,021,395 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$53,014,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017 and 2016, the school division's proportion was 0.38%.

For the year ended June 30, 2017, the school division recognized pension expense of \$4,899,395. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,717,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	3,028,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,174,000	-
Employer contributions subsequent to the measurement date	4,205,966	-
Total	\$ 8,407,966	\$ 1,717,000

The \$4,205,966 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

Year Ending June 30,	Reduction to Pension Expense
2018	\$ (711,845)
2019	(711,845)
2020	2,504,569
2021	1,621,952
2022	(217,831)
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division’s proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 75,571,614	\$ 53,014,000	\$ 34,431,960

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2017, approximately \$633,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll for the Teacher Cost Sharing Plan and School Board Non-Professional Employee Plan combined.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 13. 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 2017 was 0.13% of annual covered payroll. The School Board contribution rate for 2017 was 0.25% of annual covered payroll of non-professional employees.

Actuarial Methods and Assumptions

The required contributions for the City and the School Board (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2016 using the entry age normal cost method. The actuarial assumptions at June 30, 2016 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, 2016 was 27 years.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 13. VRS Health Insurance Credit (Continued)

**Schedule of Employer Contributions
City**

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2017	\$ 25,846	100%	\$ -
June 30, 2016	29,175	100%	-
June 30, 2015	31,157	100%	-

**Schedule of Employer Contributions
School Board (non-professional employees)**

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2017	\$ 5,323	100%	\$ -
June 30, 2016	5,319	100%	-
June 30, 2015	5,275	100%	-

Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the VRS health insurance credit program was 65.4% and 64.7% funded for the City and School Board (non-professional employees), respectively. The actuarial liability for the City and School Board (non-professional employees) benefits were \$554,850 and \$106,496, respectively, and the actuarial value of assets were \$362,595 and \$68,905, resulting in an unfunded actuarial liability (UAAL) of \$192,255 and \$37,591 for the City and the School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$20,040,178 and \$2,129,168 and ratio of the UAAL to the covered payroll was 1.0% and 1.8% 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 14. 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.

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 15. Related Party Transactions

The Social Services fund has a 15 year lease for property that commenced during 2009 for which the City paid \$480,000 in 2017. The lease calls for monthly lease payments of \$40,000, and an additional deposit of \$40,000 is being held by the lessor. One member of the City's Common Council had an economic interest in the leasing company.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 16. 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 is one grandfathered retiree 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 was \$247,000 for 2017.

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	\$ 681,000
Interest on net OPEB obligation	96,000
Adjustment to annual required contribution	<u>(136,000)</u>
Annual OPEB cost	641,000
Contributions made	<u>(247,000)</u>
Increase in net OPEB obligation	394,000
Net OPEB obligation – beginning of year	<u>2,722,077</u>
Net OPEB obligation – end of year	<u><u>\$ 3,116,077</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 16. 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.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 641,000	38.5%	\$ 3,116,077
June 30, 2016	737,000	34.9%	2,722,077
June 30, 2015	693,000	34.1%	2,242,077

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2016 was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,359,000
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,359,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%
Covered Payroll (Active Plan Members)	\$ 21,748,274
UAAL as a Percentage of Covered Payroll	31.6%

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, 2017

Note 16. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2016 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, 2016 was 23 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 5.9% to 5.5% per year. While medical costs have increased by a rate well in excess of 5.9% 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 2.3% per annum.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 17. Fund Balances and Net Position

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:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
Nonspendable:			
Prepays	\$ 21,837	\$ -	\$ 40,000
Inventories	18,424	-	-
Total nonspendable	<u>40,261</u>	<u>-</u>	<u>40,000</u>
Restricted for:			
Revenue for public safety programs	359,898	-	-
Public works	-	-	4,480
Debt proceeds not yet spent for projects	-	7,957,957	-
Total restricted	<u>359,898</u>	<u>7,957,957</u>	<u>4,480</u>
Committed to:			
Public safety	43,731	-	-
Community development	100,000	-	-
Parks, recreation & cultural	100,000	-	-
Other capital projects	572,596	-	-
Total committed	<u>816,327</u>	<u>-</u>	<u>-</u>
Assigned to:			
Health and welfare	-	-	14,886
Judicial administration	6,988	-	147,697
Public safety	64,302	-	450,000
Public works	-	-	192,789
Education	917,300	-	-
Parks, recreation and cultural	-	-	27,691
Subsequent year appropriation	3,003,500	483,190	-
Total assigned	<u>3,992,120</u>	<u>483,190</u>	<u>833,063</u>
Unassigned	<u>19,879,105</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 25,087,711</u>	<u>\$ 8,441,147</u>	<u>\$ 877,543</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 18. Subsequent Events

Subsequent to year end, the City approved the issuance of a \$16,660,000 general obligation public improvement refunding bonds with interest rates from 1.5%-5.0% and maturity in September 2033. The proceeds will be used to refund certain outstanding bonds.

Additionally in November 2017, the City adopted a resolution to establish an OPEB Trust with U.S. Bank.

Note 19. New Accounting Standards

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

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

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 19. New Accounting Standards (Continued)

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

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

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

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 19. New Accounting Standards (Continued)

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**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, 2014	\$ 337,000	\$ 511,213	\$ 174,213	65.9%	\$ 19,051,733	0.9%
June 30, 2015	356,018	542,153	186,135	65.7%	19,180,285	1.0%
June 30, 2016	362,595	554,850	192,255	65.4%	20,040,178	1.0%

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, 2014	\$ 63,884	\$ 92,315	\$ 28,431	69.2%	\$ 2,044,072	1.4%
June 30, 2015	67,528	102,035	34,507	66.2%	2,129,595	1.6%
June 30, 2016	68,905	106,496	37,591	64.7%	2,129,168	1.8%

CITY - RETIREE HEALTH PLAN

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 6,543,000	\$ 6,543,000	0.0%	\$ 20,700,320	31.6%
July 1, 2014	-	6,329,000	6,329,000	0.0%	21,217,828	29.8%
July 1, 2016	-	6,359,000	6,359,000	0.0%	21,748,274	29.2%

CITY OF WINCHESTER, VIRGINIA

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

	Primary Government and Winchester Parking Authority Plan Year Ended June 30,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 2,505,857	\$ 2,454,330	\$ 2,316,409
Interest on total pension liability	5,655,539	5,566,393	5,265,624
Benefit payments, including refunds of employee contributions	(3,717,526)	(3,463,806)	(3,782,051)
Difference between actual and expected experience	(249,368)	(2,623,418)	-
Net change in total pension liability	4,194,502	1,933,499	3,799,982
Total pension liability - beginning	82,847,706	80,914,207	77,114,225
Total pension liability - ending	<u>\$ 87,042,208</u>	<u>\$ 82,847,706</u>	<u>\$ 80,914,207</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 2,551,366	\$ 2,496,346	\$ 2,480,335
Contributions - employee	1,102,156	1,063,902	1,010,980
Net investment income	1,291,832	3,207,547	9,515,209
Benefit payments, including refunds of employee contributions	(3,717,526)	(3,463,806)	(3,782,051)
Administrative expenses	(44,712)	(43,206)	(50,971)
Other changes	63,874	(47,957)	502
Net change in plan fiduciary net position	1,246,990	3,212,826	9,174,004
Plan fiduciary net position - beginning	72,796,693	69,583,867	60,409,863
Plan fiduciary net position - ending	<u>\$ 74,043,683</u>	<u>\$ 72,796,693</u>	<u>\$ 69,583,867</u>
Net pension liability - ending	<u>\$ 12,998,525</u>	<u>\$ 10,051,013</u>	<u>\$ 11,330,340</u>
Plan fiduciary net position as a percentage of total pension liability	<u>85%</u>	<u>88%</u>	<u>86%</u>
Covered payroll	<u>\$ 22,043,861</u>	<u>\$ 21,352,682</u>	<u>\$ 20,509,189</u>
Net pension liability as a percentage of covered payroll	<u>59%</u>	<u>47%</u>	<u>55%</u>

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

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF WINCHESTER, VIRGINIA

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

	Schools -- Nonprofessional employees Plan Year Ended June 30,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 239,831	\$ 232,607	\$ 234,274
Interest on total pension liability	487,897	460,720	432,031
Benefit payments, including refunds of employee contributions	(317,220)	(291,762)	(221,176)
Difference between actual and expected experience	(182,415)	(597)	-
Net change in total pension liability	228,093	400,968	445,129
Total pension liability - beginning	7,128,561	6,727,593	6,282,464
Total pension liability - ending	<u>\$ 7,356,654</u>	<u>\$ 7,128,561</u>	<u>\$ 6,727,593</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 182,973	\$ 182,430	\$ 202,866
Contributions - employee	104,368	104,329	100,009
Net investment income	118,191	298,135	884,655
Benefit payments, including refunds of employee contributions	(317,220)	(291,762)	(221,176)
Administrative expenses	(4,204)	(4,031)	(4,659)
Other changes	(51)	(62)	46
Net change in plan fiduciary net position	84,057	289,039	961,741
Plan fiduciary net position - beginning	6,816,590	6,527,551	5,565,810
Plan fiduciary net position - ending	<u>\$ 6,900,647</u>	<u>\$ 6,816,590</u>	<u>\$ 6,527,551</u>
Net pension liability - ending	<u>\$ 456,007</u>	<u>\$ 311,971</u>	<u>\$ 200,042</u>
Plan fiduciary net position as a percentage of total pension liability	<u>94%</u>	<u>96%</u>	<u>97%</u>
Covered payroll	<u>2,127,334</u>	<u>2,109,954</u>	<u>\$ 2,044,072</u>
Net pension liability as a percentage of covered payroll	<u>21%</u>	<u>15%</u>	<u>10%</u>

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

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government and Winchester Parking Authority					
2017	\$ 2,051,838	\$ 2,051,838	-	\$ 22,001,965	9.33%
2016	2,567,157	2,567,157	-	22,043,861	11.65%
2015	2,638,462	2,638,462	-	21,352,682	12.36%
Schools - Nonprofessional Employees					
2017	\$ 143,042	\$ 143,042	-	\$ 2,245,349	6.37%
2016	183,396	183,396	-	2,127,334	8.62%
2015	182,815	182,815	-	2,109,954	8.66%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. 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, 2017

Plan 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 Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.38%	\$ 53,014,000	\$ 28,839,427	183.82%	68%
2015	0.38%	47,549,000	28,107,384	169.17%	71%
2014	0.37%	44,422,000	27,264,162	162.93%	71%

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

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 VRS TEACHER RETIREMENT PLAN
 June 30, 2017

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 4,205,966	\$ 4,205,966	\$ -	\$ 29,329,091	14.34%
2016	4,021,395	4,021,395	-	28,839,427	13.94%
2015	4,074,900	4,074,900	-	28,107,384	14.50%

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

CITY OF WINCHESTER, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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 poolfs

- 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.

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2017**

Exhibit 17

	Special Revenue Funds						Total
	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	
ASSETS							
Cash and cash equivalents	\$ 37,457	\$ 190,400	\$ 463,638	\$ 81	\$ 113,455	\$ 867	\$ 805,898
Investments	7,200	36,600	89,123	15	21,809	167	154,914
Accounts receivable, net	-	-	319,470	-	1,423	1,219	322,112
Prepays	40,000	-	-	-	-	-	40,000
Due from other governments	725,544	246,886	-	37,500	11,258	409,409	1,430,597
Total assets	\$ 810,201	\$ 473,886	\$ 872,231	\$ 37,596	\$ 147,945	\$ 411,662	\$ 2,753,521
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 700,845	\$ 293,951	\$ 180,607	\$ 4,731	\$ -	\$ 2,085	\$ 1,182,219
Accrued payroll	54,470	25,984	9,893	3,374	248	12,259	106,228
Due to other funds	-	-	-	1,800	-	354,000	355,800
Total liabilities	755,315	319,935	190,500	9,905	248	368,344	1,644,247
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	231,731	-	-	-	231,731
Fund balances:							
Nonspendable	40,000	-	-	-	-	-	40,000
Restricted	-	-	-	-	-	4,480	4,480
Assigned	14,886	153,951	450,000	27,691	147,697	38,838	833,063
Total fund balances	54,886	153,951	450,000	27,691	147,697	43,318	877,543
Total liabilities, deferred inflows of resources and fund balances	\$ 810,201	\$ 473,886	\$ 872,231	\$ 37,596	\$ 147,945	\$ 411,662	\$ 2,753,521

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit 18

	Special Revenue Funds						Total
	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	
REVENUES							
Revenues from use of money and property	\$ -	\$ 6,605	\$ 1,574	\$ 56	\$ 384	\$ -	\$ 8,619
Charges for services	-	-	1,253,259	-	35,575	114,754	1,403,588
Miscellaneous	398	15,249	-	82,250	-	6,188	104,085
Intergovernmental:							
Frederick County	-	-	-	150,000	-	-	150,000
Commonwealth	2,957,507	3,612,826	-	-	-	279,157	6,849,490
Federal	2,672,953	3,375	-	-	-	883,816	3,560,144
Total revenues	<u>5,630,858</u>	<u>3,638,055</u>	<u>1,254,833</u>	<u>232,306</u>	<u>35,959</u>	<u>1,283,915</u>	<u>12,075,926</u>
EXPENDITURES							
Current:							
Judicial administration	-	-	-	-	27,262	-	27,262
Public safety	-	-	1,258,910	-	-	-	1,258,910
Public works	-	4,229,269	-	-	-	911,796	5,141,065
Health and welfare	8,132,564	-	-	-	-	-	8,132,564
Community development	-	-	-	359,545	-	-	359,545
Capital outlay	35,991	127,021	-	-	-	593,526	756,538
Total expenditures	<u>8,168,555</u>	<u>4,356,290</u>	<u>1,258,910</u>	<u>359,545</u>	<u>27,262</u>	<u>1,505,322</u>	<u>15,675,884</u>
Excess (deficiency) of revenues over expenditures	<u>(2,537,697)</u>	<u>(718,235)</u>	<u>(4,077)</u>	<u>(127,239)</u>	<u>8,697</u>	<u>(221,407)</u>	<u>(3,599,958)</u>
OTHER FINANCING SOURCES							
Transfers in	2,522,000	605,000	-	150,000	-	221,000	3,498,000
Total other financing sources	<u>2,522,000</u>	<u>605,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>221,000</u>	<u>3,498,000</u>
Net change in fund balances	(15,697)	(113,235)	(4,077)	22,761	8,697	(407)	(101,958)
Fund balance - beginning	70,583	267,186	454,077	4,930	139,000	43,725	979,501
Fund balance - ending	<u>\$ 54,886</u>	<u>\$ 153,951</u>	<u>\$ 450,000</u>	<u>\$ 27,691</u>	<u>\$ 147,697</u>	<u>\$ 43,318</u>	<u>\$ 877,543</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, 2017

Social Services Fund				
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	398	398
Intergovernmental:				
Commonwealth	2,728,113	3,285,025	2,957,507	(327,518)
Federal	2,297,442	2,368,101	2,672,953	304,852
Total revenues	<u>5,025,555</u>	<u>5,653,126</u>	<u>5,630,858</u>	<u>(22,268)</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	7,300,000	8,267,571	8,168,555	99,016
Total expenditures	<u>7,300,000</u>	<u>8,267,571</u>	<u>8,168,555</u>	<u>99,016</u>
Excess (deficiency) of revenues over expenditures	<u>(2,274,445)</u>	<u>(2,614,445)</u>	<u>(2,537,697)</u>	<u>76,748</u>
OTHER FINANCING SOURCES				
Transfers in	2,233,445	2,573,445	2,522,000	(51,445)
Appropriation of fund balance	41,000	41,000	-	(41,000)
Total other financing sources	<u>2,274,445</u>	<u>2,614,445</u>	<u>2,522,000</u>	<u>(92,445)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,697)</u>	<u>\$ (15,697)</u>

Win-Fred Convention and Visitors Bureau Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 56	\$ 56
Charges for services	-	-	-	-
Miscellaneous	40,000	68,363	82,250	13,887
Intergovernmental:				
Frederick County	150,000	150,000	150,000	-
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>190,000</u>	<u>218,363</u>	<u>232,306</u>	<u>13,943</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	340,000	368,363	359,545	8,818
Total expenditures	<u>340,000</u>	<u>368,363</u>	<u>359,545</u>	<u>8,818</u>
Excess (deficiency) of revenues over expenditures	<u>(150,000)</u>	<u>(150,000)</u>	<u>(127,239)</u>	<u>22,761</u>
OTHER FINANCING SOURCES				
Transfers in	150,000	150,000	150,000	-
Appropriation of fund balance	-	-	-	-
Total other financing sources	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,761</u>	<u>\$ 22,761</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	\$ 6,605	\$ 5	\$ 2,000	\$ 2,000	\$ 1,574	\$ (426)
-	-	-	-	1,065,000	1,065,000	1,253,259	188,259
-	-	15,249	15,249	-	-	-	-
3,439,400	3,651,295	3,612,826	(38,469)	-	-	-	-
-	-	3,375	3,375	-	-	-	-
<u>3,446,000</u>	<u>3,657,895</u>	<u>3,638,055</u>	<u>(19,840)</u>	<u>1,067,000</u>	<u>1,067,000</u>	<u>1,254,833</u>	<u>187,833</u>
-	-	-	-	1,067,000	1,067,000	1,258,910	(191,910)
4,051,000	4,424,789	4,356,290	68,499	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,051,000</u>	<u>4,424,789</u>	<u>4,356,290</u>	<u>68,499</u>	<u>1,067,000</u>	<u>1,067,000</u>	<u>1,258,910</u>	<u>(191,910)</u>
(605,000)	(766,894)	(718,235)	48,659	-	-	(4,077)	(4,077)
605,000	605,000	605,000	-	-	-	-	-
-	161,894	-	(161,894)	-	-	-	-
605,000	766,894	605,000	(161,894)	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (113,235)</u>	<u>\$ (113,235)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,077)</u>	<u>\$ (4,077)</u>
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)
\$ -	\$ -	\$ 384	\$ 384	\$ -	\$ -	\$ -	\$ -
50,000	50,000	35,575	(14,425)	87,300	87,300	114,754	27,454
-	-	-	-	-	-	6,188	6,188
-	-	-	-	-	-	-	-
-	-	-	-	169,000	228,400	279,157	50,757
-	-	-	-	492,000	967,200	883,816	(83,384)
<u>50,000</u>	<u>50,000</u>	<u>35,959</u>	<u>(14,041)</u>	<u>748,300</u>	<u>1,282,900</u>	<u>1,283,915</u>	<u>1,015</u>
50,000	50,000	27,262	22,738	-	-	-	-
-	-	-	-	1,015,000	1,609,000	1,505,322	103,678
-	-	-	-	-	-	-	-
<u>50,000</u>	<u>50,000</u>	<u>27,262</u>	<u>22,738</u>	<u>1,015,000</u>	<u>1,609,000</u>	<u>1,505,322</u>	<u>103,678</u>
-	-	8,697	8,697	(266,700)	(326,100)	(221,407)	104,693
-	-	-	-	266,700	326,100	221,000	(105,100)
-	-	-	-	-	-	-	-
-	-	-	-	266,700	326,100	221,000	(105,100)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,697</u>	<u>\$ 8,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (407)</u>	<u>\$ (407)</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2017

Exhibit 20

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 68,106	\$ 68,106
Recovered costs	680,000	691,597	356,983	(334,614)
Intergovernmental:				
Commonwealth	5,780,000	6,404,192	524,184	(5,880,008)
Federal	50,000	576,678	343,456	(233,222)
Total revenues	<u>6,510,000</u>	<u>7,672,467</u>	<u>1,292,729</u>	<u>(6,379,738)</u>
EXPENDITURES				
Current:				
Public safety	700,000	1,545,420	459,602	1,085,818
Public works	13,815,000	17,252,383	3,098,546	14,153,837
Parks, recreation and culture	1,125,000	1,706,763	479,325	1,227,438
Debt service:				
Bond issuance costs	-	55,800	55,800	-
Total expenditures	<u>15,640,000</u>	<u>20,560,366</u>	<u>4,093,273</u>	<u>16,467,093</u>
Excess (deficiency) of revenues over expenditures	<u>(9,130,000)</u>	<u>(12,887,899)</u>	<u>(2,800,544)</u>	<u>10,087,355</u>
OTHER FINANCING SOURCES				
Proceeds from bond issuance	7,350,000	7,400,000	7,400,000	-
Transfers in	1,780,000	2,535,600	353,618	(2,181,982)
Appropriation of fund balance	-	2,952,299	-	(2,952,299)
Total other financing sources	<u>9,130,000</u>	<u>12,887,899</u>	<u>7,753,618</u>	<u>(5,134,281)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,953,074</u>	<u>\$ 4,953,074</u>

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, 2017

Exhibit 21

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,511,120	\$ 139,939	\$ 2,613,664	\$ 4,264,723
Investments	290,476	26,900	502,413	819,789
Accounts receivable, net	6,729	3,112	-	9,841
Inventories	-	151,188	-	151,188
Cash and cash equivalents - restricted	273,915	-	-	273,915
Total current assets	<u>2,082,240</u>	<u>321,139</u>	<u>3,116,077</u>	<u>5,519,456</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	-	26,331	-	26,331
Total assets	<u>2,082,240</u>	<u>347,470</u>	<u>3,116,077</u>	<u>5,545,787</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	-	32,398	-	32,398
Total deferred outflows of resources	<u>-</u>	<u>32,398</u>	<u>-</u>	<u>32,398</u>
LIABILITIES				
Current liabilities:				
Accounts payable	320,836	69,702	-	390,538
Accrued payroll	-	6,532	-	6,532
Compensated absences - current	-	5,859	-	5,859
Total current liabilities	<u>320,836</u>	<u>82,093</u>	<u>-</u>	<u>402,929</u>
Noncurrent liabilities:				
Compensated absences	-	8,047	-	8,047
Net OPEB obligation	-	-	3,116,077	3,116,077
Net pension liability	-	105,948	-	105,948
Total noncurrent liabilities	<u>-</u>	<u>113,995</u>	<u>3,116,077</u>	<u>3,230,072</u>
Total liabilities	<u>320,836</u>	<u>196,088</u>	<u>3,116,077</u>	<u>3,633,001</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	-	12,694	-	12,694
Total deferred inflows of resources	<u>-</u>	<u>12,694</u>	<u>-</u>	<u>12,694</u>
NET POSITION				
Net investment in capital assets	-	26,331	-	26,331
Unrestricted	1,761,404	144,755	-	1,906,159
Total net position	<u>\$ 1,761,404</u>	<u>\$ 171,086</u>	<u>\$ -</u>	<u>\$ 1,932,490</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, 2017

Exhibit 22

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
OPERATING REVENUES				
Charges for services	\$ 417,239	\$ 1,504,408	\$ 394,000	\$ 2,315,647
Total operating revenues	<u>417,239</u>	<u>1,504,408</u>	<u>394,000</u>	<u>2,315,647</u>
OPERATING EXPENSES				
Personal services	274,105	330,598	394,000	998,703
Contractual services	-	396,657	-	396,657
Other supplies and expenses	-	714,020	-	714,020
Insurance claims and expenses	419,427	-	-	419,427
Depreciation	-	4,892	-	4,892
Total operating expenses	<u>693,532</u>	<u>1,446,167</u>	<u>394,000</u>	<u>2,533,699</u>
Operating income (loss)	<u>(276,293)</u>	<u>58,241</u>	<u>-</u>	<u>(218,052)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	4,280	333	-	4,613
Change in net position	(272,013)	58,574	-	(213,439)
Total net position - beginning	<u>2,033,417</u>	<u>112,512</u>	<u>-</u>	<u>2,145,929</u>
Total net position - ending	<u>\$ 1,761,404</u>	<u>\$ 171,086</u>	<u>\$ -</u>	<u>\$ 1,932,490</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2017

Exhibit 23

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from internal services provided	\$ 565,020	\$ 1,501,400	\$ 394,000	\$ 2,460,420
Cash paid to suppliers	-	(1,169,027)	-	(1,169,027)
Cash paid to employees	(274,105)	(356,286)	-	(630,391)
Premiums paid	(354,084)	-	-	(354,084)
Net cash provided by (used in) operating activities	<u>(63,169)</u>	<u>(23,913)</u>	<u>394,000</u>	<u>306,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds (purchases) of investments, net	257,721	28,447	288,779	574,947
Investment income	4,280	333	-	4,613
Net cash provided by investing activities	<u>262,001</u>	<u>28,780</u>	<u>288,779</u>	<u>579,560</u>
Net increase in cash and cash equivalents	198,832	4,867	682,779	886,478
Cash and cash equivalents - beginning of year	<u>1,586,203</u>	<u>135,072</u>	<u>1,930,885</u>	<u>3,652,160</u>
Cash and cash equivalents - end of year	<u>\$ 1,785,035</u>	<u>\$ 139,939</u>	<u>\$ 2,613,664</u>	<u>\$ 4,538,638</u>
Cash and cash equivalents at end of year is comprised of the following:				
Cash and cash equivalents	\$ 1,511,120	\$ 139,939	\$ 2,613,664	\$ 4,264,723
Cash and cash equivalents - restricted	273,915	-	-	273,915
Total	<u>\$ 1,785,035</u>	<u>\$ 139,939</u>	<u>\$ 2,613,664</u>	<u>\$ 4,538,638</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (276,293)	\$ 58,241	\$ -	\$ (218,052)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	4,892	-	4,892
Pension expense, net of employer contributions	-	(10,858)	-	(10,858)
(Increase) decrease in:				
Accounts receivable	147,781	(3,008)	-	144,773
Prepays	388,540	-	-	388,540
Inventories	-	(32,508)	-	(32,508)
Increase (decrease) in:				
Accounts payable	(323,197)	(25,842)	-	(349,039)
Accrued payroll	-	(11,081)	-	(11,081)
Compensated absences	-	(3,749)	-	(3,749)
Net OPEB obligation	-	-	394,000	394,000
Total adjustments	<u>213,124</u>	<u>(82,154)</u>	<u>394,000</u>	<u>524,970</u>
Net cash provided by (used in) operating activities	<u>\$ (63,169)</u>	<u>\$ (23,913)</u>	<u>\$ 394,000</u>	<u>\$ 306,918</u>

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, 2017

Exhibit 24

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS				
Cash and cash equivalents	\$ 4,884	\$ -	\$ 1,172,077	\$ 1,176,961
Investments	-	1,251,847	225,303	1,477,150
Prepays	-	1,751	-	1,751
Total assets	<u>\$ 4,884</u>	<u>\$ 1,253,598</u>	<u>\$ 1,397,380</u>	<u>\$ 2,655,862</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 30,146	\$ 30,146
Accrued payroll	-	-	45,339	45,339
Amounts held for others	4,884	1,253,598	1,321,895	2,580,377
Total liabilities	<u>\$ 4,884</u>	<u>\$ 1,253,598</u>	<u>\$ 1,397,380</u>	<u>\$ 2,655,862</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2017

Exhibit 25

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Special Welfare Fund				
Assets:				
Cash	\$ 2,224	\$ 25,389	\$ 22,729	\$ 4,884
Total Assets	<u>\$ 2,224</u>	<u>\$ 25,389</u>	<u>\$ 22,729</u>	<u>\$ 4,884</u>
Liabilities:				
Amounts held for social services clients	\$ 2,224	\$ 25,389	\$ 22,729	\$ 4,884
Total Liabilities	<u>\$ 2,224</u>	<u>\$ 25,389</u>	<u>\$ 22,729</u>	<u>\$ 4,884</u>
Northwestern Regional Jail Authority Construction Fund				
Assets:				
Investments	\$ 1,245,152	\$ 1,229,025	\$ 1,222,330	\$ 1,251,847
Prepays	1,751	-	-	1,751
Total Assets	<u>\$ 1,246,903</u>	<u>\$ 1,229,025</u>	<u>\$ 1,222,330</u>	<u>\$ 1,253,598</u>
Liabilities:				
Amounts held for NRJA	\$ 1,246,903	\$ 1,229,025	\$ 1,222,330	\$ 1,253,598
Total Liabilities	<u>\$ 1,246,903</u>	<u>\$ 1,229,025</u>	<u>\$ 1,222,330</u>	<u>\$ 1,253,598</u>
Northwestern Regional Juvenile Detention Center Fund				
Assets:				
Cash	\$ 681,000	3,173,422	\$ 2,682,345	\$ 1,172,077
Investments	279,044	2,522	56,263	225,303
Accounts receivable	371,573	1,888,698	2,260,271	-
Total Assets	<u>\$ 1,331,617</u>	<u>\$ 5,064,642</u>	<u>\$ 4,998,879</u>	<u>\$ 1,397,380</u>
Liabilities:				
Accounts payable	\$ 30,780	\$ 378,940	\$ 379,574	\$ 30,146
Accrued payroll	121,830	2,289,066	2,365,557	45,339
Amounts held for NRJDC	1,179,007	2,396,636	2,253,748	1,321,895
Total Liabilities	<u>\$ 1,331,617</u>	<u>\$ 5,064,642</u>	<u>\$ 4,998,879</u>	<u>\$ 1,397,380</u>
Total All Agency Funds				
Assets:				
Cash	\$ 683,224	\$ 3,198,811	\$ 2,705,074	\$ 1,176,961
Investments	1,524,196	1,231,547	1,278,593	1,477,150
Accounts receivable	371,573	1,888,698	2,260,271	-
Prepays	1,751	-	-	1,751
Total Assets	<u>\$ 2,580,744</u>	<u>\$ 6,319,056</u>	<u>\$ 6,243,938</u>	<u>\$ 2,655,862</u>
Liabilities:				
Accounts payable	\$ 30,780	\$ 378,940	\$ 379,574	\$ 30,146
Accrued payroll	121,830	2,289,066	2,365,557	45,339
Amounts held for social services clients	2,224	25,389	22,729	4,884
Amounts held for NRJA	1,246,903	1,229,025	1,222,330	1,253,598
Amounts held for NRJDC	1,179,007	2,396,636	2,253,748	1,321,895
Total Liabilities	<u>\$ 2,580,744</u>	<u>\$ 6,319,056</u>	<u>\$ 6,243,938</u>	<u>\$ 2,655,862</u>

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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 Activity Funds – to account for funds received from extracurricular school activities, and from any and all school sponsored activities of the Schools that involve school personnel, students, or property.

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, 2017**

Exhibit 26

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,221,216	\$ 654,843	\$ 1,363,381	\$ 44,747	\$ 1,286,058	\$ 6,570,245
Investments	619,200	125,685	262,077	8,601	247,043	1,262,606
Receivables, net:						
Accounts	14,915	-	-	-	-	14,915
Promises to give	-	591,089	-	-	-	591,089
Due from other funds	606,964	-	-	-	-	606,964
Due from other governments	899,124	-	44,260	-	1,027,367	1,970,751
Inventories	-	-	-	-	69,107	69,107
Investments - restricted	-	-	-	300,258	-	300,258
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,361,419</u>	<u>\$ 1,371,617</u>	<u>\$ 1,669,718</u>	<u>\$ 353,606</u>	<u>\$ 2,629,575</u>	<u>\$ 11,385,935</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 845,955	\$ -	\$ 95,499	\$ 52,995	\$ 129,615	\$ 1,124,064
Accrued payroll	4,492,616	-	-	-	416,391	4,909,007
Due to other funds	-	-	-	-	606,964	606,964
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,338,571</u>	<u>-</u>	<u>95,499</u>	<u>52,995</u>	<u>1,152,970</u>	<u>6,640,035</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>3,150</u>	<u>591,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>594,239</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>3,150</u>	<u>591,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>594,239</u>
Fund balances:						
Nonspendable	-	-	-	-	69,107	69,107
Restricted:						
Debt proceeds not yet spent	-	-	-	300,258	-	300,258
Assigned	<u>19,698</u>	<u>780,528</u>	<u>1,574,219</u>	<u>353</u>	<u>1,407,498</u>	<u>3,782,296</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>19,698</u>	<u>780,528</u>	<u>1,574,219</u>	<u>300,611</u>	<u>1,476,605</u>	<u>4,151,661</u>
Total liabilities and fund balances	<u>\$ 5,361,419</u>	<u>\$ 1,371,617</u>	<u>\$ 1,669,718</u>	<u>\$ 353,606</u>	<u>\$ 2,629,575</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.	123,044,755
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	594,239
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.	651,345
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(2,057,167)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2017 employer contributions	4,349,008
Pension related deferred outflows	4,386,366
Pension related deferred inflows	(1,850,524)
Net pension liability	<u>(53,470,007)</u>
Net position of governmental activities	<u>\$ 79,799,676</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, 2017

Exhibit 27

	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	\$ 48,423	\$ 2,086	\$ 2,741	\$ 5,352	\$ 2,543	\$ 61,145
Charges for services	286,555	-	-	-	509,356	795,911
Miscellaneous	347,463	225,261	-	-	23,763	596,487
Recovered costs	879	-	137,490	-	-	138,369
Intergovernmental revenues:						
Local	28,304,872	-	603,856	-	250,216	29,158,944
Commonwealth	23,707,997	-	24,845	-	43,302	23,776,144
Federal	-	-	-	-	4,735,517	4,735,517
Total revenues	<u>52,696,189</u>	<u>227,347</u>	<u>768,932</u>	<u>5,352</u>	<u>5,564,697</u>	<u>59,262,517</u>
EXPENDITURES						
Current:						
Education	52,032,216	6,571	64,844	-	5,231,957	57,335,588
Capital outlay	<u>658,243</u>	<u>347,996</u>	<u>222,334</u>	<u>526,371</u>	<u>92,316</u>	<u>1,847,260</u>
Total expenditures	<u>52,690,459</u>	<u>354,567</u>	<u>287,178</u>	<u>526,371</u>	<u>5,324,273</u>	<u>59,182,848</u>
Excess (deficiency) of revenues over expenditures	<u>5,730</u>	<u>(127,220)</u>	<u>481,754</u>	<u>(521,019)</u>	<u>240,424</u>	<u>79,669</u>
Net change in fund balances	5,730	(127,220)	481,754	(521,019)	240,424	79,669
Fund balances - beginning	<u>13,968</u>	<u>907,748</u>	<u>1,092,465</u>	<u>821,630</u>	<u>1,236,181</u>	
Fund balances - ending	<u>\$ 19,698</u>	<u>\$ 780,528</u>	<u>\$ 1,574,219</u>	<u>\$ 300,611</u>	<u>\$ 1,476,605</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 depreciation (\$3,520,183) exceeded capital asset additions (\$1,632,445) in the current period.	(1,887,738)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(206,932)
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.	(17,326)
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.	
Compensated absences	55,259
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	4,349,008
Pension expense	<u>(5,006,919)</u>
Change in net position of governmental activities	<u>\$ (2,634,979)</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SCHOOL OPERATING FUND
For the Year Ended June 30, 2017

Exhibit 28

	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	\$ 48,423	\$ (6,577)
Charges for services	125,000	125,000	286,555	161,555
Miscellaneous	285,500	359,015	347,463	(11,552)
Recovered costs	91,134	91,134	879	(90,255)
Intergovernmental:				
Local	29,230,270	29,230,270	28,304,872	(925,398)
Commonwealth	23,322,589	23,759,698	23,707,997	(51,701)
Total revenues	<u>53,109,493</u>	<u>53,620,117</u>	<u>52,696,189</u>	<u>(923,928)</u>
EXPENDITURES				
Current:				
Education	53,035,443	52,966,163	52,032,216	933,947
Capital outlay	74,050	667,923	658,243	9,680
Total expenditures	<u>53,109,493</u>	<u>53,634,086</u>	<u>52,690,459</u>	<u>943,627</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(13,969)</u>	<u>5,730</u>	<u>19,699</u>
OTHER FINANCING USES				
Appropriation of fund balance	<u>-</u>	<u>13,969</u>	<u>-</u>	<u>(13,969)</u>
Total other financing uses	<u>-</u>	<u>13,969</u>	<u>-</u>	<u>(13,969)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,730</u>	<u>\$ 5,730</u>

**CITY OF WINCHESTER, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017**

Exhibit 29

	Special Revenue			Total Nonmajor Governmental Funds
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	
ASSETS				
Cash and cash equivalents	\$ 553,977	\$ -	\$ 732,081	\$ 1,286,058
Investments	106,319	-	140,724	247,043
Due from other governments	26,078	1,001,289	-	1,027,367
Inventories	69,107	-	-	69,107
	<u>69,107</u>	<u>-</u>	<u>-</u>	<u>69,107</u>
Total assets	<u>\$ 755,481</u>	<u>\$ 1,001,289</u>	<u>\$ 872,805</u>	<u>\$ 2,629,575</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 29,164	\$ 100,451	\$ -	\$ 129,615
Accrued payroll	122,517	293,874	-	416,391
Due to other funds	-	606,964	-	606,964
	<u>-</u>	<u>606,964</u>	<u>-</u>	<u>606,964</u>
Total liabilities	<u>151,681</u>	<u>1,001,289</u>	<u>-</u>	<u>1,152,970</u>
Fund balances:				
Nonspendable	69,107	-	-	69,107
Assigned	534,693	-	872,805	1,407,498
	<u>534,693</u>	<u>-</u>	<u>872,805</u>	<u>1,407,498</u>
Total fund balances	<u>603,800</u>	<u>-</u>	<u>872,805</u>	<u>1,476,605</u>
Total liabilities and fund balances	<u>\$ 755,481</u>	<u>\$ 1,001,289</u>	<u>\$ 872,805</u>	<u>\$ 2,629,575</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, 2017

Exhibit 30

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
REVENUES				
Revenues from use of money and property	\$ 1,126	\$ -	\$ 1,417	\$ 2,543
Charges for services	509,356	-	-	509,356
Miscellaneous	23,763	-	-	23,763
Intergovernmental revenues:				
Local	-	-	250,216	250,216
Commonwealth	43,302	-	-	43,302
Federal	1,700,749	3,034,768	-	4,735,517
Total revenues	<u>2,278,296</u>	<u>3,034,768</u>	<u>251,633</u>	<u>5,564,697</u>
EXPENDITURES				
Current:				
Education	2,196,845	3,034,768	344	5,231,957
Capital outlay	92,316	-	-	92,316
Total expenditures	<u>2,289,161</u>	<u>3,034,768</u>	<u>344</u>	<u>5,324,273</u>
Excess (deficiency) of revenues over expenditures	<u>(10,865)</u>	<u>-</u>	<u>251,289</u>	<u>240,424</u>
Net change in fund balances	(10,865)	-	251,289	240,424
Fund balance - beginning	<u>614,665</u>	<u>-</u>	<u>621,516</u>	<u>1,236,181</u>
Fund balance - ending	<u>\$ 603,800</u>	<u>\$ -</u>	<u>\$ 872,805</u>	<u>\$ 1,476,605</u>

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, 2017

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	\$ 1,500	\$ 1,500	\$ 1,126	\$ (374)
Charges for services	900,975	900,975	509,356	(391,619)
Miscellaneous	5,000	5,000	23,763	18,763
Intergovernmental:				
Local	-	-	-	-
Commonwealth	37,451	37,451	43,302	5,851
Federal	1,295,111	1,513,875	1,700,749	186,874
Total revenues	<u>2,240,037</u>	<u>2,458,801</u>	<u>2,278,296</u>	<u>(180,505)</u>
EXPENDITURES				
Current:				
Education	2,184,037	2,272,921	2,196,845	76,076
Capital outlay	56,000	185,880	92,316	93,564
Total expenditures	<u>2,240,037</u>	<u>2,458,801</u>	<u>2,289,161</u>	<u>169,640</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(10,865)</u>	<u>(10,865)</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>\$ (10,865)</u>	<u>\$ (10,865)</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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,417	\$ 1,417
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	250,000	250,216	216
-	-	-	-	-	-	-	-
<u>3,355,022</u>	<u>4,003,737</u>	<u>3,034,768</u>	<u>(968,969)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,355,022</u>	<u>4,003,737</u>	<u>3,034,768</u>	<u>(968,969)</u>	<u>-</u>	<u>250,000</u>	<u>251,633</u>	<u>1,633</u>
3,355,022	4,003,737	3,034,768	968,969	250,000	871,517	344	871,173
-	-	-	-	-	-	-	-
<u>3,355,022</u>	<u>4,003,737</u>	<u>3,034,768</u>	<u>968,969</u>	<u>250,000</u>	<u>871,517</u>	<u>344</u>	<u>871,173</u>
-	-	-	-	(250,000)	(621,517)	251,289	872,806
-	-	-	-	250,000	621,517	-	(621,517)
-	-	-	-	250,000	621,517	-	(621,517)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,289</u>	<u>\$ 251,289</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, 2017

	School Fundraising Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 2,086	\$ 2,086
Miscellaneous	375,000	375,000	225,261	(149,739)
Recovered costs	-	-	-	-
Intergovernmental:				
Local	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	<u>375,000</u>	<u>375,000</u>	<u>227,347</u>	<u>(147,653)</u>
EXPENDITURES				
Education	-	7,100	6,571	529
Capital outlay	375,000	367,900	347,996	19,904
Total expenditures	<u>375,000</u>	<u>375,000</u>	<u>354,567</u>	<u>20,433</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(127,220)</u>	<u>(127,220)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (127,220)</u>	<u>\$ (127,220)</u>

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	
\$ -	\$ -	\$ 2,741	\$ 2,741	\$ -	\$ -	\$ 5,352	\$ 5,352
-	-	-	-	-	-	-	-
-	-	137,490	137,490	-	-	-	-
-	603,856	603,856	-	300,000	821,630	-	(821,630)
-	25,331	24,845	(486)	-	-	-	-
-	629,187	768,932	139,745	300,000	821,630	5,352	(816,278)
200,000	648,897	64,844	584,053	-	-	-	-
265,000	1,072,757	222,334	850,423	300,000	821,630	526,371	295,259
465,000	1,721,654	287,178	1,434,476	300,000	821,630	526,371	295,259
(465,000)	(1,092,467)	481,754	1,574,221	-	-	(521,019)	(521,019)
465,000	1,092,467	-	(1,092,467)	-	-	-	-
465,000	1,092,467	-	(1,092,467)	-	-	-	-
\$ -	\$ -	\$ 481,754	\$ 481,754	\$ -	\$ -	\$ (521,019)	\$ (521,019)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
June 30, 2017

Exhibit 33

	School Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 544,582
Investments	104,683
Receivables, net	<u>2,080</u>
Total current assets	<u>651,345</u>
NET POSITION	
Unrestricted	<u>\$ 651,345</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, 2017

Exhibit 34

	School Insurance Fund
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 5,001,834
Total operating revenues	<u>5,001,834</u>
OPERATING EXPENSES	
Other supplies and expenses	143
Insurance claims and expenses	<u>5,019,647</u>
Total operating expenses	<u>5,019,790</u>
Operating loss	<u>(17,956)</u>
NONOPERATING REVENUES	
Investment earnings	<u>630</u>
Total nonoperating revenues	<u>630</u>
Change in net position	(17,326)
Total net position - beginning	<u>668,671</u>
Total net position - ending	<u><u>\$ 651,345</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, 2017

Exhibit 35

	School Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal services provided	\$ 4,999,908
Cash paid to suppliers	(143)
Premiums paid	(5,019,647)
Net cash used in operating activities	(19,882)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds (purchases) of investments, net	89,626
Interest and dividends received	630
Net cash provided by investing activities	90,256
Net increase in cash and cash equivalents	70,374
Cash and cash equivalents - beginning of year	474,208
Cash and cash equivalents - end of year	\$ 544,582
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (17,956)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(1,926)
Total adjustments	(1,926)
Net cash used in operating activities	\$ (19,882)

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2017

Exhibit 36

	Private-Purpose Trust Funds				Agency Funds		
	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total	School Activity Funds	School Employee Benefits Fund	Total
ASSETS							
Cash and cash equivalents	\$ 33,598	\$ 3,272	\$ 84,489	\$ 121,359	\$ 512,160	703,151	\$ 1,215,311
Investments	451,326	29,812	-	481,138	-	115,928	115,928
Total assets	<u>\$ 484,924</u>	<u>\$ 33,084</u>	<u>\$ 84,489</u>	<u>\$ 602,497</u>	<u>\$ 512,160</u>	<u>\$ 819,079</u>	<u>\$ 1,331,239</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 819,079	\$ 819,079
Amounts held for others	-	-	-	-	512,160	-	512,160
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 512,160</u>	<u>\$ 819,079</u>	<u>\$ 1,331,239</u>
NET POSITION							
Held in trust for scholarships	<u>\$ 484,924</u>	<u>\$ 33,084</u>	<u>\$ 84,489</u>	<u>\$ 602,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017

Exhibit 37

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	\$ 99,904	\$ 3,000	\$ 35,244	\$ 138,148
Investment earnings:				
Interest	28	-	33	61
Dividends	13,700	1,459	-	15,159
Realized and unrealized losses on investments	13,025	70	-	13,095
Total additions	<u>126,657</u>	<u>4,529</u>	<u>35,277</u>	<u>166,463</u>
DEDUCTIONS				
Administrative expenses	8,055	91	-	8,146
Scholarships awarded	39,689	6,000	34,000	79,689
Total deductions	<u>47,744</u>	<u>6,091</u>	<u>34,000</u>	<u>87,835</u>
Change in net position	78,913	(1,562)	1,277	78,628
Net position - beginning	<u>406,011</u>	<u>34,646</u>	<u>83,212</u>	<u>523,869</u>
Net position - ending	<u>\$ 484,924</u>	<u>\$ 33,084</u>	<u>\$ 84,489</u>	<u>\$ 602,497</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, 2017

Exhibit 38

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
School Activity Funds				
Assets:				
Cash and cash equivalents	\$ 457,392	\$ 1,010,407	\$ 955,639	\$ 512,160
Total assets	<u>\$ 457,392</u>	<u>\$ 1,010,407</u>	<u>\$ 955,639</u>	<u>\$ 512,160</u>
Liabilities:				
Amounts held for others	457,392	1,010,407	955,639	512,160
Total liabilities	<u>\$ 457,392</u>	<u>\$ 1,010,407</u>	<u>\$ 955,639</u>	<u>\$ 512,160</u>
School Employee Benefits Fund				
Assets:				
Cash and cash equivalents	\$ 587,830	\$ 115,321	\$ -	\$ 703,151
Investments	202,183	-	86,255	115,928
Total assets	<u>\$ 790,013</u>	<u>\$ 115,321</u>	<u>\$ 86,255</u>	<u>\$ 819,079</u>
Liabilities:				
Accounts payable	\$ 790,013	\$ 115,321	\$ 86,255	\$ 819,079
Total liabilities	<u>\$ 790,013</u>	<u>\$ 115,321</u>	<u>\$ 86,255</u>	<u>\$ 819,079</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, 2017

Exhibit 39

Parking
Authority
Fund

ASSETS

Current assets:	
Cash and cash equivalents	\$ 255,412
Investments	49,097
Accounts receivable, net	<u>4,056</u>
Total current assets	<u>308,565</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	<u>7,563,531</u>
Total capital assets, net	<u>7,575,216</u>
Total noncurrent assets	<u>7,575,216</u>
Total assets	<u>7,883,781</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related deferred outflows	<u>43,176</u>
Total deferred outflows of resources	<u>43,176</u>

LIABILITIES

Current liabilities:	
Accounts payable	20,638
Accrued payroll	7,091
Accrued interest payable	155,180
Compensated absences - current	23,543
Revenue bonds payable - current	<u>224,037</u>
Total current liabilities	<u>430,489</u>
Noncurrent liabilities:	
Net pension liability	141,196
Compensated absences	32,330
Revenue bonds payable	<u>7,440,430</u>
Total noncurrent liabilities	<u>7,613,956</u>
Total liabilities	<u>8,044,445</u>

DEFERRED INFLOWS OF RESOURCES

Pension related deferred inflows	<u>16,918</u>
Total deferred inflows of resources	<u>16,918</u>

NET POSITION (DEFICIT)

Net investment in capital assets	(89,251)
Unrestricted	<u>(45,155)</u>
Total net position (deficit)	<u>\$ (134,406)</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2017

Exhibit 40

	Parking Authority Fund
OPERATING REVENUES	
Charges for services	\$ 1,193,270
Miscellaneous	4,519
Total operating revenues	1,197,789
OPERATING EXPENSES	
Personal services	367,940
Contractual services	108,021
Other supplies and expenses	150,963
Depreciation	255,713
Total operating expenses	882,637
Operating income	315,152
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	24
Interest and fiscal charges	(361,180)
Total nonoperating revenues (expenses)	(361,156)
Change in net position	(46,004)
Total net position (deficit) - beginning	(88,402)
Total net position (deficit) - ending	\$ (134,406)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2017

Exhibit 41

	Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 1,204,553
Cash paid to suppliers	(244,993)
Cash paid to employees	(373,420)
Net cash provided by operating activities	586,140
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(33,322)
Principal paid on capital debt	(200,000)
Interest paid on capital debt	(379,749)
Net cash used in capital and related financing activities	(613,071)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds (purchases) of investments, net	47,231
Investment income	24
Net cash provided by investing activities	47,255
Net decrease in cash and cash equivalents	20,324
Cash and cash equivalents - beginning of year	235,088
Cash and cash equivalents - end of year	\$ 255,412
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 315,152
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	255,713
Pension expense, net of employer contributions	(560)
(Increase) decrease in:	
Accounts receivable	6,764
Increase (decrease) in:	
Accounts payable	13,991
Accrued payroll	(10,704)
Compensated absences	5,784
Total adjustments	270,988
Net cash provided by operating activities	\$ 586,140

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.	122-128
<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.	129-132
<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.	133-137
<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	138-139
<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.....	140-142

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

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

Table 1

	2008	2009(1)	2010(1)	2011	2012	2013(1)	2014 (1)	2015 (2)	2016	2017
Governmental activities										
Net investment in capital assets	\$ 42,291,055	\$ 44,602,441	\$ 62,512,145	\$ 62,402,348	\$ 58,706,983	\$ 56,163,377	\$ 57,626,610	\$ 62,544,269	\$ 66,966,198	\$ 69,929,756
Restricted	102,003	49,876	-	-	-	-	-	-	-	364,378
Unrestricted	(58,705,920)	(59,010,599)	(58,030,587)	(50,945,522)	(41,218,664)	(33,564,155)	(46,366,141)	(55,025,188)	(47,098,924)	(44,101,379)
Total governmental activities net position	<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>	<u>\$ 19,867,274</u>	<u>\$ 26,192,755</u>
Business-type activities										
Net investment in capital assets	\$ 35,012,184	\$ 36,807,871	\$ 44,278,901	\$ 43,480,262	\$ 48,176,844	\$ 49,037,689	\$ 51,196,584	\$ 54,226,599	\$ 56,936,681	\$ 57,742,151
Restricted	2,000	2,000	-	-	-	-	-	-	-	-
Unrestricted	3,555,389	5,579,913	380,107	917,995	(443,640)	778,298	1,811,069	1,468,786	2,059,919	6,099,423
Total business-type activities net position	<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>	<u>\$ 58,996,600</u>	<u>\$ 63,841,574</u>
Primary government										
Net investment in capital assets	\$ 77,303,239	\$ 81,410,312	\$ 106,791,046	\$ 105,882,610	\$ 106,883,827	\$ 105,201,066	\$ 108,823,194	\$ 116,770,868	\$ 123,902,879	\$ 127,671,907
Restricted	104,003	51,876	-	-	-	-	-	-	-	364,378
Unrestricted	(55,150,531)	(53,430,686)	(57,650,480)	(50,027,527)	(41,662,304)	(32,785,857)	(44,555,072)	(53,556,402)	(45,039,005)	(38,001,956)
Total primary government net position	<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>	<u>\$ 78,863,874</u>	<u>\$ 90,034,329</u>
School Board Component Unit										
Net investment in capital assets	\$ 104,213,868	\$ 112,430,425	\$ 116,460,222	\$ 114,692,709	\$ 113,054,855	\$ 111,503,820	\$ 109,960,064	\$ 114,558,724	\$ 124,932,493	\$ 123,044,755
Restricted	3,731,987	1,767,727	-	-	-	575,798	20,371,300	13,403,506	821,630	300,258
Unrestricted	8,553,970	2,173,262	3,881,107	5,791,479	5,907,579	5,578,658	3,363,800	(43,930,728)	(43,319,468)	(43,545,337)
Total governmental activities net position	<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>	<u>\$ 82,434,655</u>	<u>\$ 79,799,676</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.

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

Table 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 4,963,448	\$ 4,646,225	\$ 4,023,701	\$ 3,951,051	\$ 4,450,987	\$ 4,098,528	\$ 4,847,983	\$ 4,568,861	\$ 5,329,460	\$ 5,451,957
Judicial administration	2,015,178	2,763,951	2,884,754	2,935,921	2,937,196	3,208,823	3,217,304	3,058,235	3,567,530	3,874,647
Public safety	16,781,824	18,323,978	17,585,438	17,771,948	18,061,684	19,051,218	19,691,104	19,887,873	20,791,778	22,064,479
Public works	7,940,266	7,067,534	7,766,233	9,257,342	11,502,592	10,462,004	12,276,087	10,879,509	11,195,268	12,104,532
Health and welfare	7,705,538	7,579,302	7,246,742	7,730,706	7,659,067	7,208,056	6,874,897	7,425,520	7,773,128	8,962,664
Education	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238	45,697,366	27,576,745	29,707,234	29,222,718
Parks, recreation, and culture	2,968,842	3,354,192	3,413,062	3,461,791	3,525,459	3,792,062	3,504,618	4,021,683	3,366,170	3,497,835
Community development	2,173,272	1,850,299	1,653,859	2,414,352	2,077,685	2,438,493	1,810,977	2,490,393	1,632,494	2,424,272
Interest on long-term debt	4,640,407	4,610,500	4,249,316	4,036,885	3,436,706	3,156,413	3,682,243	3,551,526	3,585,291	3,526,095
Bond issuance costs	-	-	-	-	-	-	183,567	179,468	75,256	55,800
Total governmental activities expenses	<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>	<u>87,023,609</u>	<u>91,184,999</u>
Business-type activities:										
Water and sewer	14,427,989	16,030,605	15,973,606	17,132,555	19,207,251	21,294,667	20,636,511	21,456,454	22,171,658	23,053,441
Transit service	853,081	910,514	964,912	-	-	-	-	-	-	-
Total business-type activities expenses	<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>	<u>22,171,658</u>	<u>23,053,441</u>
Total primary government expenses	<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>	<u>\$ 109,195,267</u>	<u>\$ 114,238,440</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 732,219	\$ 795,459	\$ 254,535	\$ 276,960	\$ 269,955	\$ 113,965	\$ 147,384	\$ 154,503	\$ 237,474	\$ 173,246
Judicial administration	359,633	204,413	630,433	781,054	837,066	683,121	634,692	653,086	707,512	624,795
Public safety	895,701	888,450	992,875	1,031,282	961,651	1,226,999	1,193,298	1,254,909	1,349,908	1,261,688
Public works	603,778	1,064,374	341,284	788,258	1,193,772	1,158,991	1,071,780	1,494,206	1,584,757	1,611,541
Health and welfare	83,304	90,838	75,357	70,083	61,555	52,875	52,008	55,214	67,621	73,984
Parks, recreation, and culture	620,699	607,476	781,612	732,187	777,314	665,747	833,837	874,561	839,602	913,764
Community development	444,174	277,349	441,569	312,354	279,155	302,148	316,428	390,299	352,184	390,131
Operating grants and contributions	9,306,894	8,931,591	10,225,614	11,927,468	13,093,099	11,914,905	11,606,524	12,993,980	15,312,212	14,049,448
Capital grants and contributions	723,220	1,835,430	16,184,324	36,524	1,904,428	1,141,420	1,921,832	1,134,183	3,775,641	1,443,507
Total governmental activities revenues	<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>	<u>24,226,911</u>	<u>20,542,104</u>
Business-type activities:										
Charges for services:										
Water and sewer	16,036,767	17,926,218	18,236,410	19,636,840	20,219,861	22,411,243	24,814,747	25,686,701	26,809,216	28,894,070
Transit service	60,070	79,959	89,482	-	-	-	-	-	-	-
Operating grants and contributions	542,664	560,688	-	-	-	-	-	-	-	269,203
Capital grants and contributions	178,293	3,412,273	1,583,104	498,821	3,882,896	2,809,805	1,400,500	1,237,760	252,812	321,400
Total business-type activities revenues	<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>	<u>27,062,028</u>	<u>29,484,673</u>
Total primary government revenues	<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>	<u>\$ 51,288,939</u>	<u>\$ 50,026,777</u>

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

Table 2 (Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental activities	\$ (68,059,313)	\$ (63,425,141)	\$ (44,311,616)	\$ (60,982,019)	\$ (59,656,538)	\$ (62,861,664)	\$ (84,008,363)	\$ (64,634,872)	\$ (62,796,698)	\$ (70,642,895)
Business-type activities	1,536,724	5,038,019	2,970,478	3,003,106	4,895,506	3,926,381	5,578,736	5,468,007	4,890,370	6,431,232
Total primary government net expense	<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>	<u>\$ (57,906,328)</u>	<u>\$ (64,211,663)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 33,279,510	\$ 34,178,174	\$ 34,168,510	\$ 33,797,432	\$ 34,768,213	\$ 35,952,587	\$ 37,597,733	\$ 38,692,668	\$ 39,173,337	\$ 40,050,899
Sales taxes	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682	8,119,431	8,859,376	9,086,187	9,431,564
Utility taxes	2,015,744	1,991,193	1,915,234	1,987,027	1,616,764	2,015,264	2,233,337	2,048,531	1,989,779	1,986,800
Business license taxes	5,727,230	5,458,468	5,236,568	5,451,253	5,678,324	5,736,888	6,016,529	6,096,072	6,373,410	6,541,576
Franchise taxes	276,598	293,529	329,097	349,004	302,554	360,030	407,711	407,787	417,860	408,904
Hotel and meals taxes	5,739,369	5,021,594	5,375,860	5,671,611	5,999,862	6,217,625	6,596,681	8,343,827	8,834,036	9,216,945
E-911 taxes	-	-	-	-	-	-	-	-	-	-
Communication sales taxes	2,423,466	2,277,662	2,207,059	2,260,141	2,142,639	2,199,696	2,145,662	2,142,416	2,070,870	2,020,045
Other local taxes	1,720,639	2,129,896	1,598,674	1,762,905	1,529,900	1,820,712	1,979,202	2,443,144	2,253,116	2,458,236
Gain on sale of capital assets	-	22,781	-	250,000	386,296	-	-	-	11,250	(6,210)
Unrestricted grants and contributions	3,735,644	3,626,897	2,831,277	2,997,533	3,007,083	2,966,192	2,987,618	3,051,563	3,036,203	3,110,202
Investment earnings	1,458,202	460,609	281,219	146,478	138,851	68,675	70,590	78,070	159,131	98,245
Miscellaneous	512,011	527,737	-	4,304	31,860	47,216	33,441	16,349	139,712	51,170
Special item	-	-	-	-	-	-	3,451,777	-	-	-
Transfers	1,819,967	1,354,150	1,864,000	3,321,749	1,600,000	1,870,000	1,600,000	1,600,000	1,600,000	1,600,000
Total governmental activities	<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>	<u>75,144,891</u>	<u>76,968,376</u>
Business-type activities:										
Investment earnings	273,073	125,725	56,010	12,746	32,925	20,577	426	1,833	7,565	4,443
Miscellaneous	28,017	10,617	53,060	45,146	6,516	5,825	6,694	2,858	3,280	9,299
Transfers	(1,819,967)	(1,354,150)	(1,864,000)	(3,321,749)	(1,600,000)	(1,870,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)
Total business-type activities	<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>	<u>(1,589,155)</u>	<u>(1,586,258)</u>
Total primary government	<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>	<u>\$ 73,555,736</u>	<u>\$ 75,382,118</u>
Change in Net Position										
Governmental activities	\$ 396,440	\$ 1,954,580	\$ 18,885,440	\$ 5,103,946	\$ 6,031,493	\$ 5,111,903	\$ (10,773,651)	\$ 9,144,931	\$ 12,348,193	\$ 6,325,481
Business-type activities	17,847	3,820,211	1,215,548	(260,751)	3,334,947	2,082,783	3,985,856	3,872,698	3,301,215	4,844,974
Total primary government	<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>	<u>\$ 15,649,408</u>	<u>\$ 11,170,455</u>

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

Table 2 (Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
School Board Component Unit:										
Education	\$ 47,890,837	\$ 51,428,596	\$ 47,296,567	\$ 48,837,882	\$ 49,246,256	\$ 53,609,858	\$ 54,649,291	\$ 56,430,750	\$ 59,044,154	\$ 61,691,194
Total School Board component unit expenses	<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>	<u>59,044,154</u>	<u>61,691,194</u>
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	924,387	957,618	880,847	880,295	869,102	734,401	697,971	773,193	711,854	795,911
Operating grants and contributions	18,058,555	19,567,683	21,252,219	19,926,049	20,824,041	23,468,737	23,720,228	25,339,877	27,795,460	28,511,661
Capital grants and contributions	7,577,965	1,471,063	3,031,845	2,216,821	390,328	137,927	248,673	335,570	542,786	389,555
Total School Board component unit revenues	<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>	<u>29,050,100</u>	<u>29,697,127</u>
Net (Expense)/Revenue										
School Board Component Unit	<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>	<u>(29,994,054)</u>	<u>(31,994,067)</u>
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	26,920,190	27,901,103	25,386,902	25,351,902	25,351,902	26,651,702	45,659,975	27,521,529	29,646,946	29,158,944
Investment earnings	1,110,082	216,949	165,518	79,639	73,813	80,761	115,791	105,585	133,071	61,775
Miscellaneous	3,815,962	1,185,769	145,137	236,623	215,316	214,500	243,541	220,122	136,115	138,369
Total School Board Component Unit	<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>	<u>29,916,132</u>	<u>29,359,088</u>
Change in Net Position										
School Board Component Unit	<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>	<u>\$ (77,922)</u>	<u>\$ (2,634,979)</u>

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

Table 3

	2007	2008	2009	2010			
Pre-GASB 54 implementation:							
General Fund							
Reserved	\$ -	\$ -	\$ -	\$ 13,465			
Unreserved	<u>28,957,466</u>	<u>26,842,432</u>	<u>20,577,901</u>	<u>17,253,692</u>			
Total general fund	<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	1,704,636	1,820,531	-	1,811,642			
Capital projects funds	2,969,046	1,842,195	4,279,791	824,558			
Debt service funds	217,166	102,003	49,876	-			
Total all other governmental funds	<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	2016	2017
Post-GASB 54 implementation:							
General Fund							
Nonspendable	\$ 11,950	\$ 7,081	\$ 8,408	\$ 11,916	\$ 12,488	\$ 23,986	\$ 40,261
Restricted	441,131	476,780	486,062	495,790	457,025	444,950	359,898
Committed	950,000	1,300,000	1,218,750	1,926,988	1,811,912	1,678,662	816,327
Assigned	931,312	5,410,412	4,405,933	3,722,604	2,620,451	2,311,176	3,992,120
Unassigned	<u>18,651,925</u>	<u>15,145,625</u>	<u>16,071,618</u>	<u>16,084,160</u>	<u>17,180,500</u>	<u>18,669,609</u>	<u>19,879,105</u>
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>	<u>\$ 23,128,383</u>	<u>\$ 25,087,711</u>
All Other Governmental Funds							
Nonspendable	\$ 40,000	\$ 190,000	\$ 182,500	\$ 167,500	\$ 152,500	\$ 40,000	\$ 40,000
Restricted	-	-	-	4,013,360	138,891	2,107,704	7,962,437
Committed	-	-	-	-	-	-	-
Assigned	2,068,984	3,172,645	2,316,213	1,493,250	4,134,658	2,319,870	1,316,253
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>	<u>\$ 4,467,574</u>	<u>\$ 9,318,690</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 33,045,144	\$ 33,704,350	\$ 33,821,252	\$ 33,942,158	\$ 34,607,227	\$ 36,115,435	\$ 37,746,991	\$ 38,656,808	\$ 39,043,098	\$ 40,096,166
Sales taxes	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682	8,119,431	8,859,376	9,086,187	9,431,564
Other local taxes	17,903,046	17,172,342	16,662,492	17,481,942	17,270,042	18,346,602	19,374,122	21,481,775	21,939,070	22,632,506
Permits, privilege fees, and regulatory licenses	450,188	285,131	392,290	292,644	252,950	285,746	300,089	409,230	359,045	406,597
Fines and forfeitures	171,521	159,077	147,721	221,715	274,147	161,403	149,170	135,749	103,149	80,424
Revenues from use of money and property	1,504,587	529,863	439,521	315,006	292,403	219,226	194,025	212,093	309,350	275,080
Charges for services	1,698,424	1,760,787	1,706,059	1,846,033	1,963,310	1,951,951	2,011,886	2,465,271	2,572,507	2,788,014
Miscellaneous	465,622	444,901	453,621	764,927	1,157,315	1,044,782	1,132,586	1,127,260	1,077,661	1,125,757
Recovered costs	887,583	1,454,804	979,769	1,045,223	930,667	726,062	612,575	632,710	1,700,831	1,068,531
Intergovernmental	13,849,118	14,393,918	14,754,690	14,737,288	17,742,776	15,888,838	15,711,958	17,139,226	19,412,471	18,121,076
Total revenues	79,722,606	77,942,204	76,746,973	78,733,464	82,976,522	83,458,727	85,352,833	91,119,498	95,603,369	96,025,715
Expenditures										
General government administration	4,420,565	3,999,143	3,803,786	3,690,586	4,304,202	4,607,388	5,046,842	5,489,981	5,314,055	5,278,350
Judicial administration	2,537,903	2,574,148	2,690,827	2,768,905	2,838,387	3,099,072	3,201,762	3,288,665	5,460,743	3,673,845
Public safety	16,592,044	17,907,345	16,963,980	17,471,623	18,028,989	19,021,960	19,944,482	21,462,926	24,408,681	21,452,314
Public works	9,579,042	8,611,361	10,526,541	6,958,722	9,708,681	10,215,038	14,011,949	12,450,392	14,757,732	8,776,740
Health and welfare	7,728,686	7,542,126	7,205,135	7,727,186	7,697,084	7,256,023	6,880,143	7,522,062	7,972,355	8,964,354
Education	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238	45,697,366	27,576,745	29,707,234	29,222,718
Parks, recreation, and culture	3,898,630	3,716,933	3,877,809	3,117,656	3,364,141	3,696,943	3,455,932	3,707,994	3,924,291	3,037,578
Community development	2,247,515	1,757,737	1,574,376	2,332,049	2,109,601	3,554,065	1,808,990	2,529,929	1,708,508	2,414,416
Capital outlay	2,466,646	2,027,584	-	-	-	-	-	-	-	5,480,740
Debt service:										
Principal retirement	5,702,316	5,544,227	5,829,665	5,760,991	5,519,489	6,064,266	6,047,562	6,202,770	6,127,933	6,885,730
Interest and fiscal charges	4,592,251	4,690,387	4,343,895	4,132,168	3,435,326	3,183,954	3,672,839	3,923,059	3,885,011	3,818,856
Bond issuance costs	98,552	-	-	-	235,527	216,634	183,567	179,468	75,256	55,800
Total expenditures	92,504,310	86,295,531	82,232,128	79,338,079	82,624,584	87,621,581	109,951,434	94,333,991	103,341,799	99,061,441
Excess of revenues over (under) expenditures	(12,781,704)	(8,353,327)	(5,485,155)	(604,615)	351,938	(4,162,854)	(24,598,601)	(3,214,493)	(7,738,430)	(3,035,726)

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

Table 4 (Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Sale of property	\$ 1,520	\$ 43,198	\$ -	\$ 250,000	\$ 386,296	\$ -	\$ -	\$ -	\$ 11,250	\$ 795,000
Insurance recoveries	14,015	18,576	114,754	4,304	31,860	47,216	33,437	16,349	139,712	51,170
Bonds issued	7,200,000	-	-	-	27,217,364	27,963,072	24,265,000	11,255,180	7,075,000	7,400,000
Premium on debt	88,710	-	-	-	3,995,350	-	1,926,248	1,309,592	-	-
Capital lease	441,500	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(30,975,567)	(26,730,493)	-	(12,373,771)	-	-
Transfers in	9,642,156	7,650,015	7,980,231	5,433,719	5,243,455	5,694,575	6,312,546	7,592,391	6,231,504	5,451,618
Transfers out	(7,847,350)	(6,295,865)	(6,336,231)	(3,589,786)	(3,643,455)	(3,824,575)	(4,712,546)	(5,992,391)	(4,631,504)	(3,851,618)
Total other financing sources and uses	9,540,551	1,415,924	1,758,754	2,098,237	2,255,303	3,149,795	27,824,685	1,807,350	8,825,962	9,846,170
Net change in fund balances	\$ (3,241,153)	\$ (6,937,403)	\$ (3,726,401)	\$ 1,493,622	\$ 2,607,241	\$ (1,013,059)	\$ 3,226,084	\$ (1,407,143)	\$ 1,087,532	\$ 6,810,444
Debt service as a percentage of noncapital expenditures	12.3%	12.8%	13.3%	12.6%	11.3%	11.3%	9.5%	11.6%	11.0%	12.4%

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

Table 5

Fiscal Year	Real Property (1)(3)					Personal Property (1)							Total Taxable Assessed Value	Total Direct Tax Rate	
	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
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
2016	1,749,683,800	1,177,102,900	0.91	68,938,755	0.91	281,484,105	4.5	25,661	4.5	158,636,967	1.3	238,845	0.91	3,436,111,033	1.22
2017 (2)	1,751,883,100	1,179,893,100	0.91	68,267,350	0.91	284,408,731	4.5	20,377	4.5	143,653,774	1.3	217,381	0.91	3,428,343,813	1.22

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 2009, 2011, 2013, 2015 and 2017 tax years.
- (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		
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	0.78	0.02	0.36	0.05		1.21
2016	0.78	0.02	0.37	0.06		1.23
2017	0.78	0.02	0.37	0.06		1.23

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>	<u>December 31, 2016</u>			<u>December 31, 2007</u>		
	<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	1.59%	45,217,100	1	1.31%
BRE DDR BR Winchester VA LLC	24,010,600	2	0.77%			
Wal-Mart Realty Company	23,541,800	3	0.76%	19,464,500	6	0.56%
PDK Winchester LC	20,989,400	4	0.68%	20,478,900	4	0.59%
Rubbermaid Commercial Prod Inc	20,389,000	5	0.66%	17,531,400	7	0.51%
Canterbury Hill LLC	20,180,700	6	0.65%			
DDRM Apple Blossom Corners LLC	18,405,900	7	0.59%			
PV Associates LLC	14,688,300	8	0.47%	12,455,000	10	0.36%
National Fruit Prod Co Inc	14,589,400	9	0.47%	14,589,400	8	0.42%
Lowe's Home Center Inc	12,189,500	10	0.39%			
Winchester Medical Center				42,421,300	2	1.23%
DEV Diversified Realty Corp				25,967,200	3	0.75%
Trout Segall & Doyle Winc Prop LLC				20,153,500	5	0.58%
Loveless Home X LLC J A				12,462,300	9	0.36%
Total	<u>\$ 218,396,000</u>		<u>7.03%</u>	<u>\$ 230,740,600</u>		<u>6.67%</u>

Source:
City of Winchester, Commissioner of the Revenue

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

Table 8

Year	Taxes Levied for the Tax 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
2008	32,821,957	323,565	33,145,522	31,689,196	96.55%	1,237,335	32,926,531	99.34%
2009	32,215,883	16,120	32,232,003	31,265,931	97.05%	820,322	32,086,253	99.55%
2010	32,491,201	(66,353)	32,424,848	31,529,273	97.04%	887,797	32,417,070	99.98%
2011	31,980,112	16,493	31,996,605	30,930,370	96.72%	926,329	31,856,699	99.56%
2012	34,956,380	(37,487)	34,918,893	33,776,010	96.62%	1,133,393	34,909,403	99.97%
2013	36,643,360	(51,623)	36,591,737	35,636,313	97.25%	885,240	36,521,553	99.81%
2014	37,341,756	54,608	37,396,364	36,358,575	97.37%	929,546	37,288,121	99.71%
2015	37,893,121	11,147	37,904,268	36,950,548	97.51%	372,114	37,322,662	98.47%
2016	35,951,558	39,665	35,991,223	34,356,973	95.56%	262,936	34,619,909	96.19%
2017	27,987,976	6,986	27,994,962	16,005,556	57.19%	-	16,005,556	57.17%

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			
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
2016	100,191,106	200,000	16,131,797	62,598,576	38,040,155	217,161,634	19.49%	7,884
2017	99,842,184	-	14,021,066	59,832,770	37,505,134	211,201,154	17.94%	7,613

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)
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
2016	116,322,903	-	116,322,903	3.39%	4,223
2017	113,863,250	-	113,863,250	3.32%	4,104

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, 2017

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	\$ 99,842,184	100%	\$ 99,842,184

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 342,316,836	\$ 302,560,266	\$ 314,296,963	\$ 278,558,244	\$ 281,568,882	\$ 282,603,133	\$ 283,454,957	\$ 298,175,246	\$ 299,572,546	\$ 300,004,355
Total net debt applicable to limit	<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>	<u>105,885,838</u>	<u>104,449,458</u>
Legal debt margin	<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>	<u>\$ 193,686,708</u>	<u>\$ 195,554,897</u>
Total net debt applicable to the limit as a percentage of debt limit	39.62%	42.53%	38.60%	40.89%	37.97%	38.03%	40.30%	35.62%	35.35%	34.82%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value of Real Property	\$ 3,000,043,550
Debt Limit - 10%	300,004,355
 Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>104,449,458</u>
 Legal Debt Margin	<u>\$ 195,554,897</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 Eight Fiscal Years**

Table 13

Water and Sewer Revenue Bonds						
Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				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
2016	26,812,496	14,285,299	12,527,197	2,724,187	2,884,045	2.23
2017	28,903,369	13,199,892	15,703,477	2,795,220	3,311,743	2.57

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	Popu- lation(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
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%
2016	27,543	1,114,280	40,456	35.7	83.3%	28.1%	4,227	3.80%
2017	27,743	1,177,302	42,436	36.8	84.2%	28.3%	4,255	3.80%

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, 2016</u>			<u>December 31, 2007</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	7.28%	1,000 and over	1	7.25%
Shenandoah University	500 - 999	2	3.64%	500 - 999	5	3.63%
Winchester City Public Schools	500 - 999	3	3.64%	500 - 999	3	3.63%
Ignite Holdings LLC	500 - 999	4	3.64%			
Wal Mart	500 - 999	5	3.64%	500 - 999	4	3.63%
U.S. Federal Bureau of Investigation	500 - 999	6	3.64%			
City of Winchester	500 - 999	7	3.64%	500 - 999	6	3.63%
U.S. Department of Defense	250 - 499	8	1.82%			
Grafton School Inc	100 - 249	9	0.73%			
Osullivan Films Inc	100 - 249	10	0.73%	250 - 499	8	1.81%
Martin's Food Market				250 - 499	10	1.81%
Rubbermaid				500 - 999	2	3.63%
Trex Company Inc & Subsid				250 - 499	7	1.81%
Axiom Staffing Group				250 - 499	9	1.81%
Total	<u>4,450</u>		<u>32.39%</u>	<u>4,500</u>		<u>32.64%</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
General government administration	46	43	41	37	39	38	44	41	42	43
Judicial administration	38	42	41	46	46	44	45	48	50	50
Public safety	234	200	204	219	223	228	216	234	233	226
Public works	60	58	59	61	59	61	56	53	59	71
Health and welfare	43	43	44	46	44	40	43	46	45	46
Parks, recreation, and culture	50	53	52	58	55	46	46	42	39	36
Community development	19	14	13	13	11	12	12	19	21	12
Water and sewer	67	61	58	66	66	67	61	65	70	63
Transit service	13	13	13	14	14	15	18	19	21	13
Parking authority	8	8	8	8	6	6	6	6	6	6
Schools	687	687	683	677	687	668	674	689	703	707
Total	1,265	1,222	1,216	1,245	1,250	1,225	1,221	1,262	1,289	1,273

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building permits issued	600	486	470	942	1,508	1,463	1,709	1,732	1,787	1,898
Building inspections conducted (commercial and residential)	10,074	8,154	8,186	7,342	6,987	6,025	7,408	8,150	8,858	8,829
Police										
Physical arrests	2,701	3,231	2,611	2,854	4,090	3,018	3,802	2,838	4,113	2,653
Parking violations	7,647	7,429	6,634	7,128	5,977	4,526	4,226	3,542	3,013	3,634
Traffic violations	4,087	4,524	3,709	4,070	5,406	4,304	4,580	4,543	4,534	5,190
Fire										
Emergency responses	5,498	5,470	5,377	5,549	5,781	5,518	5,804	6,022	6,282	6,784
Structure fires	54	60	45	87	43	57	55	54	52	48
On-site fire inspections	143	334	361	388	360	377	486	333	918	809
Fire suppression inspection tests	106	152	112	45	64	61	82	63	136	116
Refuse Collection										
Refuse collected (tons per year -- residential and non-residential)	7,117	6,649	6,537	6,430	6,520	6,681	6,608	6,451	6,534	6,629
Recyclables collected (tons per year -- does not include cardboard or yard waste)	2,032	2,117	2,908	2,931	3,252	3,312	3,068	3,076	3,094	3,051
Recyclable scrap	19	9	21	20	18	21	13	10	8	19
Other Public Works										
Street resurfacing (miles)	3	7	7	1	2	6	5	21	7	12
Parks and Recreation										
Shelter permits issued	681	472	821	839	911	691	493	352	390	386
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	38,061	43,154	48,108	49,774	47,201	25,156	25,776	23,349	33,515	33,163
Racquetball court users (1)	1,345	1,196	2,474	2,407	2,324	2,506	2,445	2,711	1,980	1,824
Indoor fitness room users (1)	8,136	5,167	13,487	9,901	9,316	7,375	6,067	5,797	2,535	3,128
Water										
Average daily production	7.9 mgd	6.85 mgd	6.34 mgd	6.43 mgd	6.83 mgd	6.14mgd	5.95mgd	6.43 mgd	6.55mgd	7.09 mgd
New connections	55	32	42	40	28	26	28	38	44	41
Total connections	10,879	10,911	10,953	10,993	11,021	11,047	11,075	11,113	11,157	11,198
Water main breaks	60	56	30	55	40	29	42	48	33	37
Average daily consumption	6.1 mgd	5.25 mgd	4.8 mgd	4.9 mgd	4.67 mgd	4.5mgd	5.09mgd	5.4 mgd	6.12 mgd	5.75 mgd
Wastewater										
Average daily flow (12 month period)	4.8 mgd	4.6 mgd	5.37 mgd	4.8 mgd	4.52 mgd	4.96mgd	4.87mgd	4.70 mgd	4.96 mgd	4.97 mgd
Peak Flow (12 month period)	9.8 mgd	9.8 mgd	8.45 mgd	9.8 mgd	23.1 mgd	22.0mgd	25.9mgd	25.47 mgd	18.49 mgd	20.1 mgd
Transit										
Passenger trips	139,672	130,494	120,656	128,876	136,501	130,190	120,758	126,122	138,961	143,208
Schools (2)										
Number of teachers, Elementary (K-4)	121	121	131	143	143	143	147	150	159	157
Number of teachers, Middle (5-8)	99	99	94	90	97	95	98	104	107	108
Number of teachers, Secondary (9-12)	102	102	99	96	96	98	99	101	102	104
Number of students, Elementary (K-4)	1,447	1,529	1,605	1,649	1,684	1,776	1,707	1,688	1,698	1,677
Number of students, Middle (5-8)	1,063	1,073	1,074	1,084	1,178	1,190	1,177	1,287	1,306	1,343
Number of students, Secondary (9-12)	1,142	1,112	1,066	1,096	1,117	1,119	1,263	1,190	1,259	1,269

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
SubStations	1	1	1	1	2	1	-	-	-	2
Patrol cars	76	77	76	76	79	76	73	69	74	85
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection Trucks	7	7	7	7	7	7	7	8	8	8
Other Public Works										
Streets (miles)	205	219	221	221	221	221	221	221	221	221
Streetlights	72	63	63	63	63	63	63	63	126	121
Traffic signals	63	60	56	56	56	56	56	57	59	55
Parks and Recreation										
Number of parks	15	15	14	14	14	14	14	14	14	14
Acreage	248	248	248	248	248	248	247	247	247	247
Playgrounds	10	10	9	9	9	9	9	9	9	9
Community centers	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	8	9	9	9	9	9	9	9	9	9
Soccer/football fields	5	6	6	6	9	9	9	9	9	9
Basketball courts	7	7	7	7	7	7	7	7	7	7
Tennis courts	7	7	7	7	8	8	8	8	8	8
Volleyball court	1	1	1	-	-	-	-	-	-	-
Horseshoe courts	24	24	24	24	24	24	24	24	24	24
Water										
Miles of water mains	125	125	125	126	126	126	126	126	127	127
Fire hydrants	1,082	1,082	1,085	1,085	1,085	1,085	1,085	1,085	1,088	1,290
Water storage capacity	11 mg	11 mg	11mg	12mg	12mg	12mg	12mg	12mg	12 mg	12 mg
Wastewater										
Miles of storm sewers	80	81	82	82	82	82	82	82	83	83
Miles of sanitary sewers	122	122	122	122	122	122	122	122	123	123
Opequon wastewater treatment capacity (1)	6.1 mgd	6.1 mgd	6.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1mgd	7.1mgd	7.1 mgd	7.1 mgd
Transit										
M minibuses	8	7	7	7	7	7	7	6	6	6
Trolleys	2	2	2	2	2	2	2	1	1	1
Vans	2	2	2	2	2	2	1	2	2	4
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	123	123	123	123	127	127	127	127	127	168
Number of classrooms, Middle	90	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

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 27, 2017.

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Members of City Council
City of 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 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City 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, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2017

CITY OF WINCHESTER, VIRGINIA

SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

June 30, 2017

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

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, 2017

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements 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 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 the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

Name of Program	<u>CFDA #</u>
Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Title I – Title I Grants to Local Educational Agencies	84.010

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
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, 2017**

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 PRIOR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

E. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

G. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2016-001: Commonwealth of Virginia Disclosure Statements

Condition:

We noted eight members of the City’s Boards and Commissions did not file statements of economic interest by the December deadline as set forth by the *Code of Virginia*.

Recommendation:

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

Management’s Response:

The auditee concurs with this recommendation.

Current Status:

Corrective action was taken.

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Passthrough 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	0010116/0040116		\$ 473,802
Department of Forest Service:				
Cooperative Forestry Assistance	10.664	0000106723		3,375
Department of Corrections:				
National School Lunch Program	10.555	APE402540	21,743	
Commonwealth of Virginia Department of Agriculture and Consumer Services				
National School Lunch Program	10.555	APE402540	1,257,475	
National School Lunch Program - Commodities	10.555	APE402540	130,418	
School Breakfast Program	10.553	APE405880	<u>376,012</u>	
Total School Lunch Cluster:				1,785,648
Fresh Fruits and Vegetables	10.582	APE402520		67,263
Total U.S. Department of Agriculture				<u>2,330,088</u>
U.S. Department of Homeland Security				
Pass-through payments:				
Department of Emergency Management:				
Emergency Management Performance Grant	97.042	62744		8,905
State Homeland Security Grant Program	97.073	7760200		<u>58,406</u>
Total U.S. Department of Homeland Security				<u>67,311</u>
U.S. Department of Housing and Urban Development				
Direct payments:				
Community Development Block Grants/Entitlement Grants	14.218	N/A		<u>199,349</u>
Total U.S. Department of Housing and Urban Development				<u>199,349</u>
U.S. Department of Justice				
Direct payments:				
Drug Court Discretionary Grant Program	16.585			88,358
Bulletproof Vest Partnership Program	16.607	N/A		13,278
Pass-through payments:				
Department of Criminal Justice Services				
Juvenile Accountability Block Grants	16.523			7,656
Edward Byrne Memorial Justice Assistance Grant Program	16.738			16,948
Internet Crimes Against Children Task Force Program	16.800			169
Crime Victim Assistance	16.575	86015		116,692
Sexual Assault Services Grant	16.017	47915		<u>7,089</u>
Total U.S. Department of Justice				<u>250,190</u>
U.S. Department of Transportation				
Direct payments:				
Federal Transit - Capital Investment Grants	20.500	N/A	475,960	
Federal Transit - Formula Grants	20.507	N/A	<u>407,856</u>	
Total Federal Transit Cluster:				
Pass-through payments:				
Virginia Department of Motor Vehicles				
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	55383		21,084
Virginia Department of Transportation				
Highway Planning and Construction	20.205	0000097834		343,457
Total U.S. Department of Transportation				<u>1,248,357</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Passthrough Number	Cluster Expenditures	Federal Expenditures
National Endowment for the Arts				
Direct payments:				
Promotion of the Arts Partnership Agreement	45.025	N/A		<u>5,000</u>
U.S. Department of Education				
Direct payments:				
McKinney-Vento Education for Homeless Children & Youth	84.387	N/A		26,776
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	APE42901		959,125
Special Education - Grants to States	84.027	APE43071	763,485	
Special Education - Preschool Grants	84.173	APE62521	<u>30,086</u>	
Total Special Education Cluster:				793,571
English Language Acquisition Grants	84.365	APE60512		73,930
Improving Teacher Quality State Grants	84.367	APE61480		100,212
Vocational Education - Basic Grants to States	84.048	APE61095		74,258
Preschool Development Grant	84.419	APE40002		1,006,896
Department of Behavioral Health and Developmental Services				
Early Intervention	84.181			<u>222,880</u>
Total U.S. Department of Education				<u>3,257,648</u>
Department of Health and Human Services:				
Pass-through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950115		20,112
Temporary Assistance to Needy Families	93.558	0400116		290,831
Refugee and Entrant Assistance	93.566	0500116		18,274
Low Income Home Energy Assistance	93.568	0600416		29,309
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116		52,314
Adoption and Legal Guardianship Incentive Payments	93.603	9160114		1,989
Child Welfare Services	93.645	0900116		504
Foster Care - Title IV-E	93.658	1100116		319,560
Adoption Assistance	93.659	1120116		348,227
Social Service Block Grant	93.667	1000116		269,069
Chafee Foster Care Independence Program	93.674	9150116		1,904
State Children's Insurance Program	93.767	0540116		19,410
Medical Assistance Program	93.778	1200116		<u>604,741</u>
Total U.S. Department of Health and Human Services				<u>1,976,244</u>
Total Expenditures of Federal Awards				<u>\$ 9,334,187</u>

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 \$130,418 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, 2017 is \$1,365,531.

Note 4: De Minimus Indirect Cost Rate

The City did not elect to use the 10% de minimus indirect cost rate.