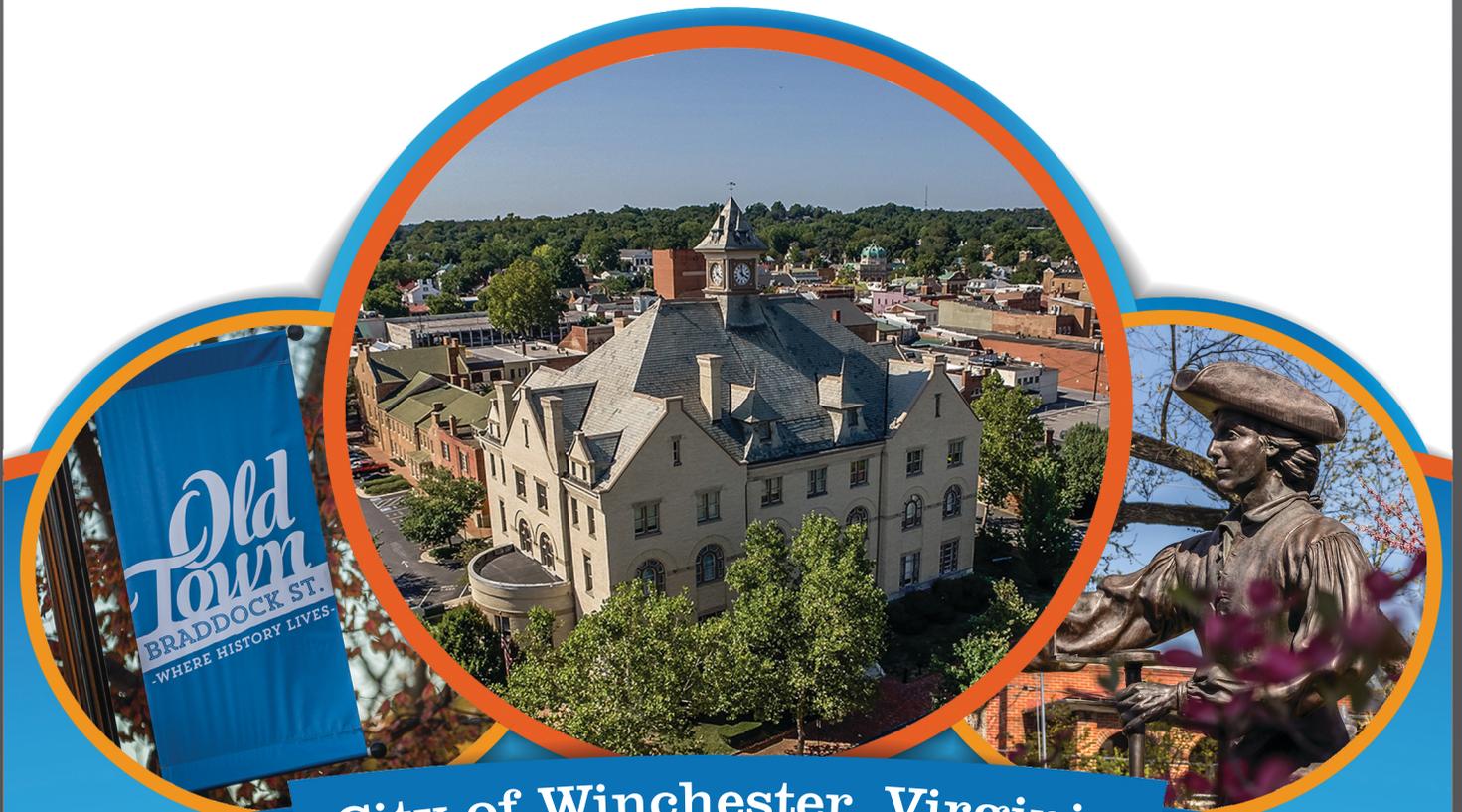


Winchester
Virginia

Comprehensive Annual
FINANCIAL REPORT



City of Winchester, Virginia



Fiscal Year Ending
June 30, 2016

CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

Prepared by:

City of Winchester, Virginia
Finance Department

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**CITY OF WINCHESTER, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2016**

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

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

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

John W. Hill
Kevin G. McKannan

OFFICIALS

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

CONSTITUTIONAL OFFICERS

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

OTHER OFFICIALS

Anthony C. Williams
Mary M. Blowe

Paula A. Nofsinger

Thomas D. Lloyd

Celeste R. Broadstreet

Tyler B. Schenck

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

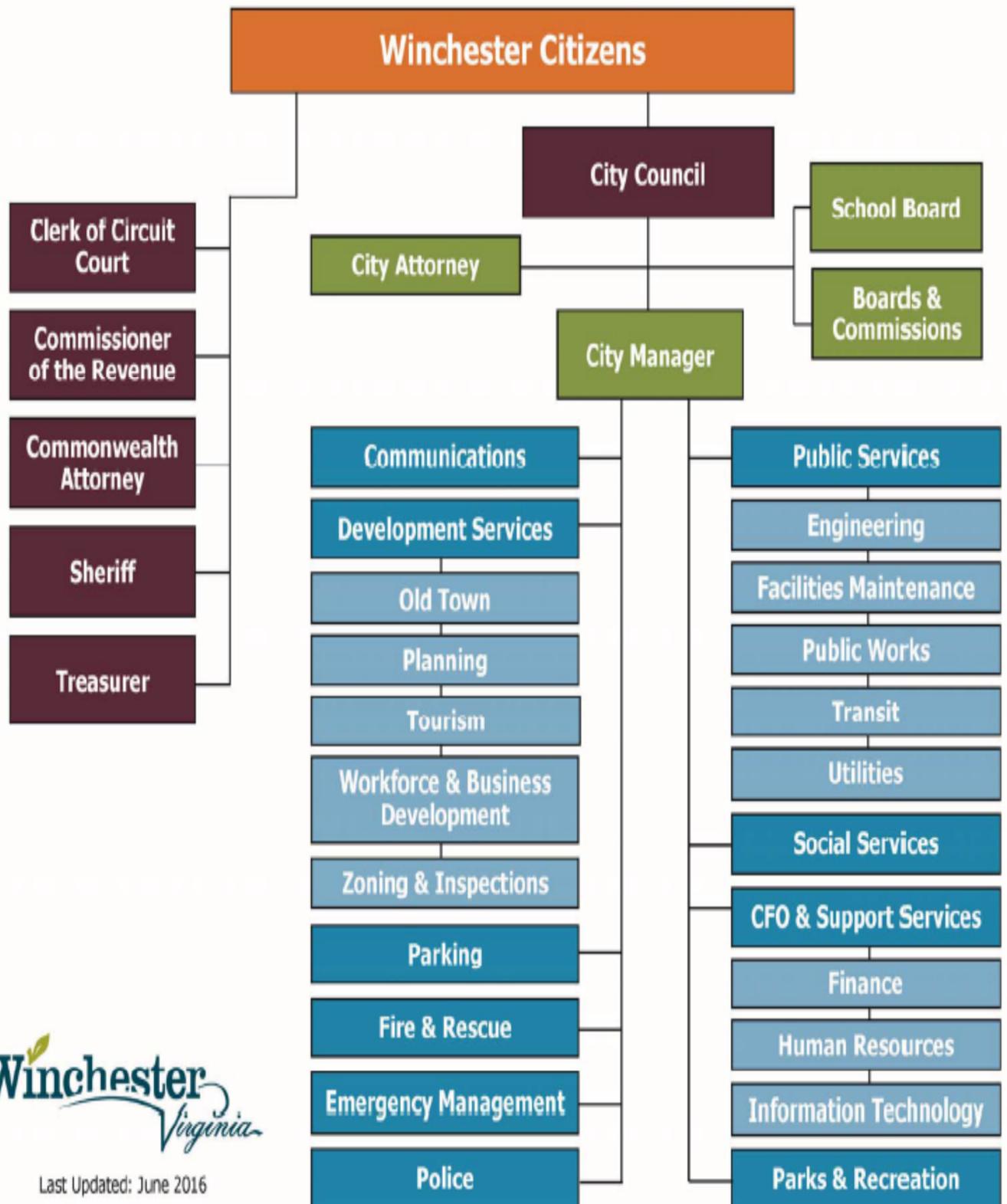
Lynn A. Miller

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
Information Technology
Director
Financial Services Director/Real
Estate Administrator
Acting Development Services
Director
Public Services Director
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



Last Updated: June 2016

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15 North Cameron Street
Winchester, VA 22601

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Website: www.winchesterva.gov

March 20, 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, 2016 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, 2016. 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 27,543. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, 97 miles away. 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 445-bed facility offers a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services. The Winchester Medical Center recently completed a three-year \$161 million construction project enhancing critical care and women's services and 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 90 programs of study at the undergraduate, graduate, doctorate and professional levels in seven schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, School of Nursing, and School of Education and Human Development. The University has continued to grow its presence in downtown Winchester through the creation of housing, administrative and classroom facilities.

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

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 an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, Winchester Station and Winchester Plaza house Martin's, Staples, Kohl's, Home Goods, Books-A-Million, Michael's, Old Navy, Bed Bath and Beyond, HH Gregg, 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 Department of Economic Redevelopment and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development 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 August 2016, the EDA acquired the Winchester Towers property (a 35,000 square foot building and parking lot) at 200 North Cameron Street and recently received appropriate City board approval to demolish the building and facilitate the development of a 100+ room boutique luxury hotel and adjacent event center. In addition, the EDA continues to incentivize the redevelopment of several downtown properties and has collectively acquired over \$1,000,000 worth of property in the historic downtown. Also, through Enterprise Zone designation by the Virginia Department of Housing and Community Development, the EDA has created a valuable and comprehensive incentive package that facilitates the startup and expansion of Winchester businesses.

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

Long-term Financial Planning

Unassigned fund balance in the general fund (24.3% of General Fund expenditures) exceeds the policy guidelines set by Council for planning purposes. Twenty percent is the target for the City's General Fund balance.

Long-term Financial Planning (Continued)

As part of our strategic plan, the City has implemented a 20 year financial planning model to help project revenue and expenditures through the year 2036. 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 expansion and renovation of Frederick Douglas Elementary School will require a future bond issuance of approximately \$3.4 million. Winchester Public Schools projects that enrollment will grow by approximately 500 students by 2022-2023 to an anticipated total enrollment of over 4,600, and that the current facilities are inadequately sized to handle the increased number of students. These improvements should take us well into the future, allowing us to continue providing a quality education for all students in the City. The City is currently reviewing options for the future usage of the current John Kerr Elementary School as well as the Douglas Community Learning Center facility.

Relevant Financial Policies

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

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

Major Initiatives

A. Meadow Branch Extension

Meadow Branch Extension was successfully completed and opened in FY 2016 at a construction cost of approximately \$4 million. This roadway extension is approximately 0.6 miles in length and connected Meadow Branch between Merrimans Lane and Buckner Drive and serves the new John Kerr Elementary School which opened to students in August. This project provided a much needed North-South travel corridor to facilitate easy movement in the City.

B. National Avenue Gateway Improvements

Another project that was successfully completed in FY 2016 was the National Avenue Gateway Improvements Project. This project improved the safety of National Avenue entering downtown and also constructed gateway improvements on this major entryway. The City acquired twelve parcels of property in this area and realigned the roadways by constructing a roundabout. There were also significant landscaping improvements included with this \$1.4 million project.

C. Hope Drive Extension

The final design of Hope Drive Extension is currently underway. This project will extend Hope Drive from Wilson Blvd. eastward to the intersection of Pleasant Valley and Tevis. Once the design is approved by City Council, right-of-way acquisition for this anticipated \$9.5 million project is expected to begin in the second half of FY 2017. Construction is not expected to begin until the latter part of 2018. It is anticipated that half of the costs of this project will be paid for using VDOT Revenue Sharing funds.

Major Initiatives (Continued)

D. 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 underway. 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 million project is expected to begin at the same time as the Hope Drive project. It is anticipated that half of the costs of this project will be paid for using VDOT Revenue Sharing funds.

E. Tevis Street Extension

The final design of 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. Half of the cost of this project will be paid for using VDOT Revenue Sharing funds. The adjacent property owner will be paying for the other half of the project cost. Construction on the project is expected to begin in the summer of 2017.

F. Sidewalk and Street Improvements

As a part of the City's Strategic Plan, the City developed both a Sidewalk Master Plan and Street Maintenance Master Plan in 2013 to be used as a guide for future sidewalk improvements within the City and the City's street maintenance program. In FY 2017, the City will be completing \$1 million of street repaving on numerous streets throughout the City and \$565,000 of sidewalk improvements.

G. Green Circle Trail

The City is working diligently towards completing the Green Circle Trail. The section of the trail along Town Run between Pall Mall Street and Cecil Street has been successfully completed at a cost of approximately \$1.2 million. The final sections of the Green Circle along Jubal Early Drive between Harvest Drive and Millwood Avenue are in the design phase and funding applications have been submitted to VDOT for financial assistance to complete the construction of these sections.

H. Winchester Towers

The Winchester Towers property located at the intersection of Cameron and Piccadilly was recently sold by the City to the Economic Development Authority (EDA). The EDA is demolishing the building as the first step of redeveloping the property with a proposed conference 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, 2015. This was the twenty-fourth 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)

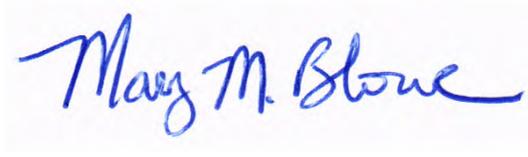
The preparation of this report was made possible by the dedicated and effective efforts of City and Schools Finance staff, and staff in other departments throughout the City who assisted in gathering the information for this report. Many hours of hard work are represented herein, and we extend our sincere 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, 2015

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2016, 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 March 20, 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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 20, 2017

**City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016**

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, 2016. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$78.9 million (net position).
- The City's total net position increased approximately \$15.7 million over the course of this year's operations. Net position of governmental activities increased \$12.4 million, and net position of business-type activities increased \$3.3 million over the prior year. The increase in net position by the governmental activities is the result of the increase in capital assets in the City including road and building improvements, as well as an increase in intergovernmental grants and tax revenues.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27.6 million, an increase of \$1.1 million in comparison with the prior year. Approximately 67.7% of this amount, \$18.7 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 \$18.7 million. This amount represents 24.3% of total general fund expenditures.
- The City's total debt increased by \$20.0 million, or 11.0%. The City's general obligation bond debt and revenue bond debt decreased by \$0.5 million and \$2.7 million respectively, for a total decrease of \$3.2 million, from the prior year. Obligations payable increased by \$23.2 million for the City's share, paid by user fees, for the Green Energy project at the wastewater treatment plant.

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 and deferred outflows of resources in excess of liabilities and deferred inflows of resources) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by \$78.9 million at the close of fiscal year 2016.

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, 2016
(in millions)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | | Component Unit School Board | |
|---|----------------------------|---------------|-----------------------------|----------------|-----------------------------|----------------|--------------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | | | | |
| Current and other assets | \$ 43.4 | \$ 39.0 | \$ 6.5 | \$ 5.0 | \$ 49.9 | \$ 44.0 | \$ 13.1 | \$ 25.4 |
| Capital assets | 94.4 | 86.3 | 171.8 | 150.2 | 266.2 | 236.5 | 124.9 | 114.6 |
| Total Assets | 137.8 | 125.3 | 178.3 | 155.2 | 316.1 | 280.5 | 138.0 | 140.0 |
| Deferred Outflows of Resources | | | | | | | | |
| Deferred charge on refunding | 5.2 | 5.7 | 1.9 | 2.2 | 7.1 | 7.9 | - | - |
| Subsequent pension contributions | 2.2 | 2.3 | 0.3 | 0.3 | 2.5 | 2.6 | 4.2 | 4.3 |
| Teacher cost sharing pool | - | - | - | - | - | - | 1.4 | 0.4 |
| Total Deferred outflows of resources | 7.4 | 8.0 | 2.2 | 2.5 | 9.6 | 10.5 | 5.6 | 4.7 |
| Liabilities | | | | | | | | |
| Current and other liabilities | 7.0 | 6.0 | 2.8 | 2.3 | 9.8 | 8.3 | 7.5 | 7.5 |
| Long-term liabilities | 114.0 | 115.0 | 118.2 | 99.4 | 232.2 | 214.4 | 50.0 | 46.1 |
| Total Liabilities | 121.0 | 121.0 | 121.0 | 101.7 | 242.0 | 222.7 | 57.5 | 53.6 |
| Deferred Inflows of Resources | | | | | | | | |
| Property taxes | 1.0 | 1.0 | - | - | 1.0 | 1.0 | - | - |
| Net Pension Plan Investments | 3.3 | 3.8 | 0.5 | 0.3 | 3.8 | 4.1 | 3.7 | 7.0 |
| Total Deferred outflows of resources | 4.3 | 4.8 | 0.5 | 0.3 | 4.8 | 5.1 | 3.7 | 7.0 |
| Net Position | | | | | | | | |
| Net investment in capital assets | 66.9 | 62.5 | 57.0 | 54.2 | 123.9 | 116.7 | 124.9 | 114.6 |
| Restricted | - | - | - | - | - | - | 0.8 | 13.4 |
| Unrestricted | (47.0) | (55.0) | 2.0 | 1.5 | (45.0) | (53.5) | (43.3) | (44.0) |
| Total Net Position | \$ 19.9 | \$ 7.5 | \$ 59.0 | \$ 55.7 | \$ 78.9 | \$ 63.2 | \$ 82.4 | \$ 84.0 |

Governmental activities. As shown in Table 1, net position for governmental activities increased from \$7.5 million at the end of FY 2015 to \$19.9 million (\$12.4 million increase) at the end of FY 2016. The primary reason for the increase in net position is the increase in capital assets, including renovations to the Joint Judicial Center and a new Emergency Communications System, as well as an increase in intergovernmental grants and tax revenues. 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 51.

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 (\$69.8 million) and the pension liabilities (\$11.2 million) were not presented in Table 2, the net position for the governmental activities would be \$99.5 million and the total net position for the primary government would be \$159.9 million.

Table 2
Changes in the City of Winchester's Net Position
Fiscal Year ended June 30, 2016
(in millions)

| | Governmental | | Business-Type | | Total Primary | | Component Unit | |
|--|----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|
| | Activities | | Activities | | Government | | School Board | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | | | |
| Program Revenues | | | | | | | | |
| Charges for services | \$ 5.1 | \$ 4.9 | \$ 26.8 | \$ 25.7 | \$ 31.9 | \$ 30.6 | \$ 0.7 | \$ 0.8 |
| Operating grants and contributions | 15.3 | 13.0 | - | - | 15.3 | 13.0 | 27.8 | 25.3 |
| Capital grants and contributions | 3.8 | 1.9 | 0.2 | 1.2 | 4.0 | 3.1 | 0.5 | 0.3 |
| General Revenues | | | | | | | | |
| Property taxes | 39.2 | 38.7 | - | - | 39.2 | 38.7 | - | - |
| Sales taxes | 9.0 | 8.8 | - | - | 9.0 | 8.8 | - | - |
| Other taxes | 22.2 | 21.4 | - | - | 22.2 | 21.4 | - | - |
| Grants and contributions not | | | | | | | | |
| restricted to specific programs | 3.0 | 3.0 | - | - | 3.0 | 3.0 | - | - |
| Unrestricted investment earnings | 0.1 | 0.1 | - | - | 0.1 | 0.1 | 0.1 | 0.1 |
| Other | 0.1 | 0.1 | - | - | 0.1 | 0.1 | 29.8 | 27.8 |
| Total revenues | \$ 97.8 | \$ 91.9 | \$ 27.0 | \$ 26.9 | \$ 124.8 | \$ 118.8 | \$ 58.9 | \$ 54.3 |
| Expenses | | | | | | | | |
| General government administration | 5.3 | 3.4 | - | - | 5.3 | 3.4 | - | - |
| Judicial administration | 3.5 | 3.0 | - | - | 3.5 | 3.0 | - | - |
| Public safety | 20.8 | 21.1 | - | - | 20.8 | 21.1 | - | - |
| Public works | 11.2 | 10.9 | - | - | 11.2 | 10.9 | - | - |
| Health and welfare | 7.8 | 7.4 | - | - | 7.8 | 7.4 | - | - |
| Education | 29.7 | 27.6 | - | - | 29.7 | 27.6 | 59.0 | 57.9 |
| Parks, recreation and culture | 3.4 | 4.0 | - | - | 3.4 | 4.0 | - | - |
| Community development | 1.6 | 2.5 | - | - | 1.6 | 2.5 | - | - |
| Interest on long-term debt | 3.6 | 3.5 | - | - | 3.6 | 3.5 | - | - |
| Bond issuance costs | 0.1 | 0.2 | - | - | 0.1 | 0.2 | - | - |
| Water and sewer | - | - | 22.1 | 21.4 | 22.1 | 21.4 | - | - |
| Total expenses | 87.0 | 83.6 | 22.1 | 21.4 | 109.1 | 105.0 | 59.0 | 57.9 |
| Increase (decrease) in net position | | | | | | | | |
| before transfers | 10.8 | 7.5 | 4.9 | 5.5 | 15.7 | 13.8 | (0.1) | (3.6) |
| Transfers | 1.6 | 1.6 | (1.6) | (1.6) | - | - | - | - |
| Increase (decrease) in net position | 12.4 | 9.1 | 3.3 | 3.9 | 15.7 | 13.8 | (0.1) | (3.6) |
| Net Position – beginning | 7.5 | (1.6) | 55.7 | 51.8 | 63.2 | 50.2 | 82.5 | 86.1 |
| Net Position - ending | \$ 19.9 | \$ 7.5 | \$ 59.0 | \$ 55.7 | \$ 78.9 | \$ 63.2 | \$ 82.4 | \$ 82.5 |

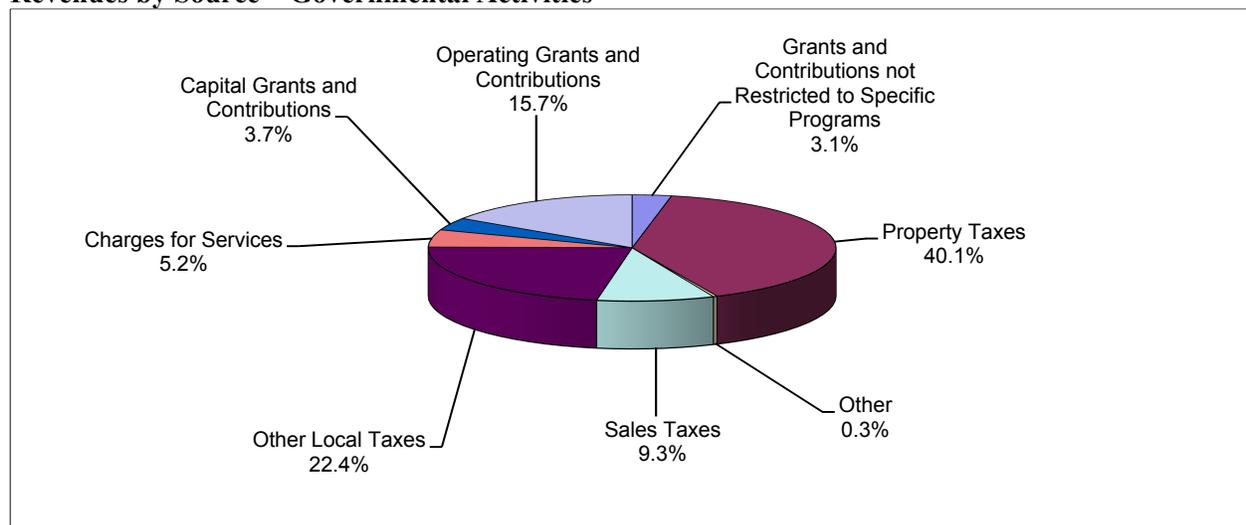
Government-wide Financial Analysis (Continued)

As shown in Table 2, the City's revenues from governmental activities totaled \$97.8 million for FY 2016, an increase of \$5.9 million from FY 2015. Charges for services revenue increased by \$0.2 million. Operating grants and contributions increased \$2.3 million from the prior year due to revenue sharing grants for road improvement projects including National Avenue Gateway, Valley Avenue and Meadowbranch Avenue. Capital grants and contributions increased by \$1.9 million due to the recognition of Frederick County's debt repayment share for the Frederick-Winchester Joint Judicial Center renovation project and contributions received from local sources for the Meadowbranch road extension project. Winchester's general revenues increased by \$1.5 million from the prior year continuing the trend of steady growth in local revenues based on a strong local economy. Governmental activities expenses increased by \$3.4 million from the prior year. The biggest increase being in education totaling \$2.1 million; this included a one-time transfer of bond proceeds (\$1 million) for the outfitting of a new elementary school and additional operating funds of \$1.1 million to support personnel and educational programs. Other increases include additional funding for building improvements and infrastructure projects such as paving and sidewalks.

As shown in Figure A, the City received 71.8% of its revenue from taxes. The major source of revenue for the City was property taxes (\$39.2 million or 40.1%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY 2015 increased by approximately 5.2% from the prior year. The increase in real property values is due to the reassessment of real property which was effective January 1, 2015. The City revalues real property every two years. The increase in real property values is another strong indicator of the City's continuing growth. Other tax revenues (sales and other taxes) increased \$0.7 million from the prior year.

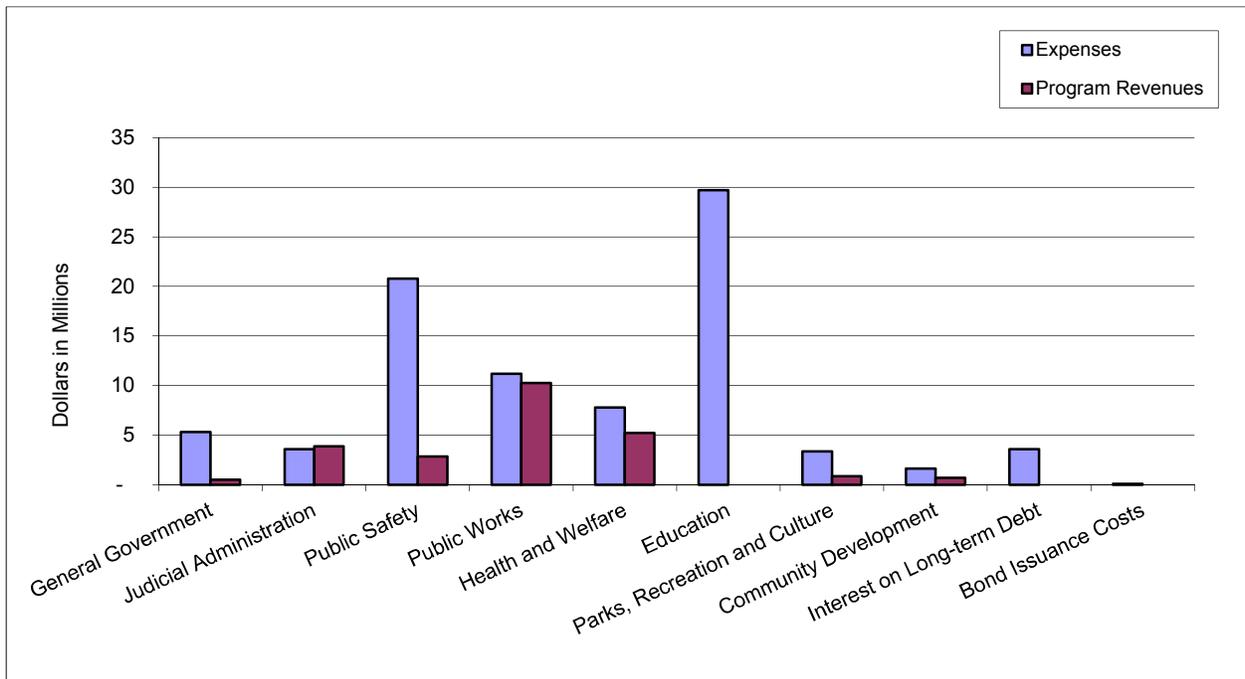
The City's expenses from governmental activities totaled \$87.0 million (Table 2) for the fiscal year ended June 30, 2016, an increase of \$3.4 million from the prior year. As shown in Figure B, education was the largest expense at \$29.7 million or 34.1% of total governmental expenses. Public safety was the second largest expense at \$20.8 million or 23.9% 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 \$59.0 million (Table 2) an increase of \$3.3 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 \$26.8 million or 99.0% of the total revenues for business-type activities. Capital grants and contributions decreased \$1.0 million from the prior year mainly due to a decrease in contributed capital in the form of water and sewer infrastructure to the City. Expenses of the business-type activities totaled \$22.1 million (Table 2) an increase from the prior year of \$0.8 million. This increase in expenses is mainly due to an increase in operating costs such as personnel and charges from the Frederick-Winchester Service Authority for wastewater operations and debt payments for FY 2016.

Government-wide Financial Analysis (Continued)

Figure C
Revenues by Source – Business-type Activities

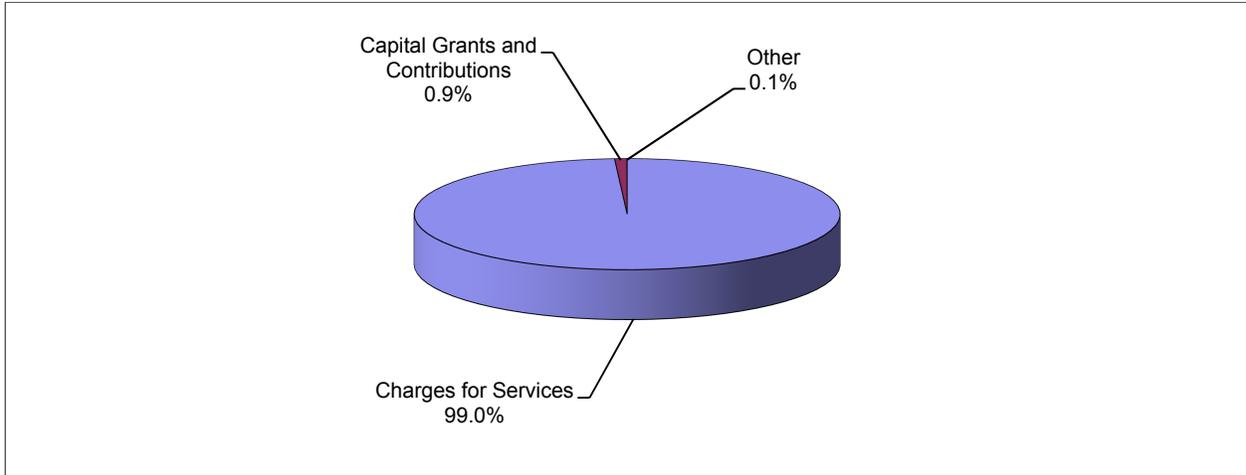
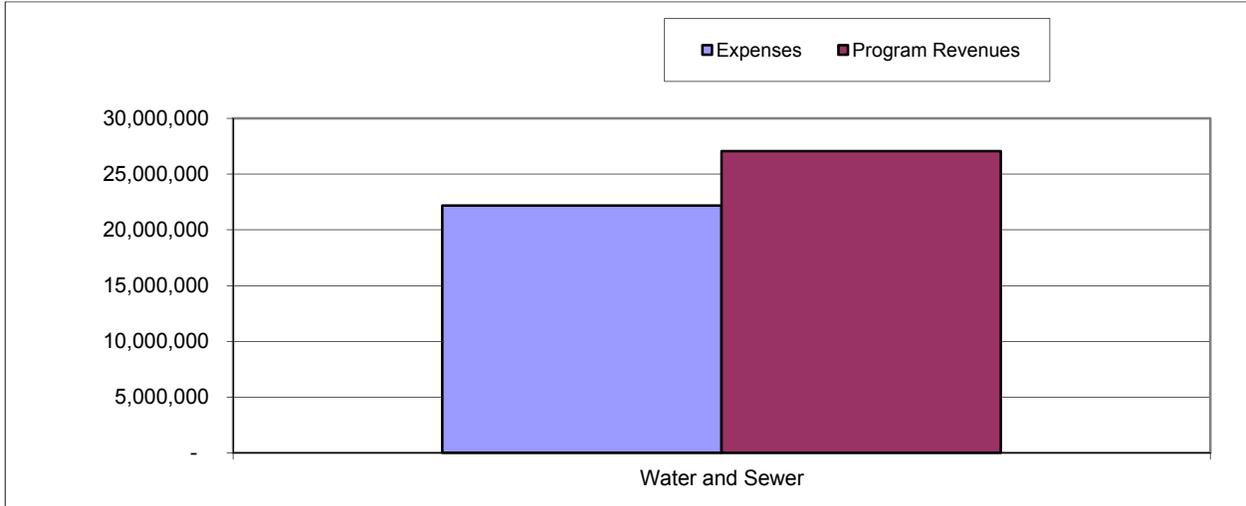


Figure D
Expenses and Program Revenues – Business-type Activities



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, 2016, the City's governmental funds reported combined fund balances of \$27.6 million, an increase of \$1.1 million in comparison with the prior year. Approximately \$18.7 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, 2016, the unassigned fund balance of the general fund was \$18.7 million, while total fund balance reached \$23.1 million. Unassigned fund balance represents 24.3% 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 \$1.0 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, 2016, amounted to \$2.0 million, a slight increase of \$0.5 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 \$1.8 million, mainly due to carryforward capital improvement projects from FY 2015.

Actual revenues were more than final budget amounts by \$0.7 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 \$1.5 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 \$0.6 million less than budgeted amounts mainly due to real property tax revenues.
- Actual combined general government, judicial administration, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were \$1.0 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Education expenditures were \$0.8 million less than budgeted amounts primarily from savings in personnel and operating costs by the Winchester Public Schools.
- Community development was \$0.3 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, 2016, amounts to \$266.3 million net of depreciation, which represents an increase of \$29.7 million, or 21.5% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 7 to the financial statements.

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

- Road improvements totaled \$5.4 million
- Opequon Water Reclamation Facility Green Energy project totaled \$25.1 million.
- Replacement of public safety and public works equipment totaled \$1.0 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 2015.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2016

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-----------------------------------|-------------------------|----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 7,305,583 | \$ 7,214,931 | \$ 1,201,485 | \$ 1,201,485 | \$ 8,507,068 | \$ 8,416,416 |
| Construction in progress | 9,987,004 | 3,848,625 | 208,845 | 83,529 | 10,195,849 | 3,932,154 |
| Buildings | 20,384,295 | 20,979,171 | - | - | 20,384,295 | 20,979,171 |
| Treatment plants | - | - | 38,959,276 | 39,859,939 | 38,959,276 | 39,859,939 |
| Improvements other than buildings | 6,791,542 | 7,199,462 | 3,166 | 3,621 | 6,794,708 | 7,203,083 |
| Infrastructure | 44,742,977 | 41,756,314 | 90,432,001 | 91,718,768 | 135,174,978 | 133,475,082 |
| Machinery & Equipment | 5,263,869 | 5,361,383 | 738,998 | 806,621 | 6,002,867 | 6,168,004 |
| FWSA purchased capacity | - | - | 40,299,562 | 16,577,240 | 40,299,562 | 16,577,240 |
| Total Capital Assets | \$ 94,475,270 | \$ 86,359,886 | \$ 171,843,333 | \$ 150,251,203 | \$ 266,318,603 | \$ 236,611,089 |

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of \$201.6 million, for the fiscal year ended June 30, 2016, an increase of \$20.0 million from the fiscal year ended June 30, 2015. This entire amount is backed by the full faith and credit of the City, with \$110.3 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2016, the City retired \$7.6 million of outstanding general obligation bond principal and issued \$7.1 million for net decrease of \$0.5 million. The obligations payable amount increased by \$23.2 million in FY 2016 due to debt issued by the Frederick-Winchester Service Authority for the Green Energy project at the Opequon Water Reclamation Facility. 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, 2016

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General Obligation Bonds | \$ 91,122,575 | \$ 89,975,508 | \$ 14,563,264 | \$ 16,234,899 | \$ 105,685,839 | \$ 106,210,407 |
| Revenue Bonds | - | - | 57,725,751 | 60,449,938 | 57,725,751 | 60,449,938 |
| Obligations payable | 200,000 | 400,000 | 38,040,156 | 14,597,808 | 38,240,156 | 14,997,808 |
| Total Outstanding Debt | \$ 91,322,575 | \$ 90,375,508 | \$ 110,329,171 | \$ 91,282,645 | \$ 201,651,746 | \$ 181,658,153 |

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 \$299.6 million. As of June 30, 2016, the City of Winchester's total debt applicable to the limitation totaled \$105.9 million, leaving a legal debt margin of \$193.7 million.

Economic Factors and Next Year's Budgets and Rates

- The City of Winchester uses a robust strategic planning process to identify and address significant community issues. The process involves both the City Council and staff working together to create and update the plan. The 2016 -2020 strategic plan includes the City's Vision 2028, the City's work plan through 2020 and the City's mission statement. City Council developed the following four main goals during the planning process: encourage sustainable growth and partnerships through business and workforce development, promote and accelerate revitalization of target areas throughout the city, advance the quality of life for all Winchester residents, and improve City services and advance the strategic plan goals by promoting a culture of transparency, efficiency and innovation. The City has embraced these goals and Council and staff work together to forward these goals.
- 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 require the City to undertake additional activities related to storm water management in the coming years. One of these requirements is that the City must accurately map the storm water system. This effort has already started, but will require a few years to complete. 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 has engaged a consultant to complete a comprehensive analysis of the City's utility rates. This analysis is necessary to ensure that the future rates are set appropriately to generate adequate revenue for continuing operational expenses as well as meeting the capital replacement needs. Recommendations will be provided to City Council by the consultant in FY17.
- The City of Winchester reassesses real property every two years; the next reassessment is effective January 1, 2017. The 2017 overall assessment values are projected to show modest growth over 2015 values.
- For the month of June 2016, the City's unemployment rate was 3.6%, compared to the State's 3.7% and the Federal rate of 4.9%.

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, 2016

Exhibit 1

| | Primary Government | | | Component Units | |
|---|----------------------------|---------------------------------|----------------------|----------------------|------------------------------------|
| | Governmental Activities | Business- type Activities | Total | School Board | Winchester Parking Authority |
| ASSETS | | | | | |
| Cash | \$ 20,029,259 | \$ 1,068,559 | \$ 21,097,818 | \$ 5,524,422 | \$ 235,088 |
| Investments | 11,978,164 | 437,849 | 12,416,013 | 2,262,645 | 96,328 |
| Receivables, net: | | | | | |
| Taxes, including penalties | 2,615,220 | - | 2,615,220 | - | - |
| Accounts | 1,918,179 | 4,939,287 | 6,857,466 | 342,385 | 10,820 |
| Promises to give | - | - | - | 780,996 | - |
| Due from other governments | 6,190,928 | 14,372 | 6,205,300 | 1,976,202 | - |
| Internal balances | 72,724 | (72,724) | - | - | - |
| Prepays | 428,540 | - | 428,540 | - | - |
| Inventories | 142,666 | 95,846 | 238,512 | 52,693 | - |
| Investments - restricted | - | - | - | 2,093,782 | - |
| Capital assets: | | | | | |
| Nondepreciable | 17,292,587 | 1,410,330 | 18,702,917 | 22,997,546 | 11,685 |
| Depreciable, net | 77,182,683 | 170,433,003 | 247,615,686 | 101,934,947 | 7,785,922 |
| Total assets | <u>137,850,950</u> | <u>178,326,522</u> | <u>316,177,472</u> | <u>137,965,618</u> | <u>8,139,843</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | 5,188,320 | 1,863,876 | 7,052,196 | - | - |
| Pension contributions subsequent to the measurement date | 2,223,699 | 317,284 | 2,540,983 | 4,204,791 | 26,174 |
| Changes in proportion - teacher cost sharing pool | - | - | - | 1,465,000 | - |
| Total deferred outflows of resources | <u>7,412,019</u> | <u>2,181,160</u> | <u>9,593,179</u> | <u>5,669,791</u> | <u>26,174</u> |
| LIABILITIES | | | | | |
| Accounts payable and other current liabilities | 5,742,589 | 1,843,079 | 7,585,668 | 7,491,291 | 24,442 |
| Accrued interest | 1,237,322 | 951,799 | 2,189,121 | - | 159,323 |
| Noncurrent liabilities: | | | | | |
| Net pension liability | 8,706,296 | 1,242,240 | 9,948,536 | 47,860,971 | 102,477 |
| Due within one year | 7,725,922 | 6,128,932 | 13,854,854 | 232,000 | 214,426 |
| Due in more than one year | 97,678,217 | 110,869,910 | 208,548,127 | 1,880,426 | 7,714,556 |
| Total liabilities | <u>121,090,346</u> | <u>121,035,960</u> | <u>242,126,306</u> | <u>57,464,688</u> | <u>8,215,224</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes | 975,435 | - | 975,435 | - | - |
| Pension related deferred inflows | 3,329,914 | 475,122 | 3,805,036 | 3,736,066 | 39,195 |
| Total deferred inflows of resources | <u>4,305,349</u> | <u>475,122</u> | <u>4,780,471</u> | <u>3,736,066</u> | <u>39,195</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 66,966,198 | 56,936,681 | 123,902,879 | 124,932,493 | (81,286) |
| Restricted - unspent debt proceeds for capital projects | - | - | - | 821,630 | - |
| Unrestricted | (47,098,924) | 2,059,919 | (45,039,005) | (43,319,468) | (7,116) |
| Total net position | <u>\$ 19,867,274</u> | <u>\$ 58,996,600</u> | <u>\$ 78,863,874</u> | <u>\$ 82,434,655</u> | <u>\$ (88,402)</u> |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | | | |
|---|-----------------------|-------------------------|--|--|--|-----------------------------|----------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | Component Units | |
| | | | | | Governmental Activities | Business-type Activities | | School Board | Winchester Parking Authority |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 5,329,460 | \$ 237,474 | \$ 246,715 | \$ - | \$ (4,845,271) | | \$ (4,845,271) | | |
| Judicial administration | 3,567,530 | 707,512 | 1,470,645 | 1,705,293 | 315,920 | | 315,920 | | |
| Public safety | 20,791,778 | 1,349,908 | 1,488,140 | - | (17,953,730) | | (17,953,730) | | |
| Public works | 11,195,268 | 1,584,757 | 6,609,277 | 2,070,348 | (930,886) | | (930,886) | | |
| Health and welfare | 7,773,128 | 67,621 | 5,146,504 | - | (2,559,003) | | (2,559,003) | | |
| Education | 29,707,234 | - | - | - | (29,707,234) | | (29,707,234) | | |
| Parks, recreation, and culture | 3,366,170 | 839,602 | - | - | (2,526,568) | | (2,526,568) | | |
| Community development | 1,632,494 | 352,184 | 350,931 | - | (929,379) | | (929,379) | | |
| Interest on long-term debt | 3,585,291 | - | - | - | (3,585,291) | | (3,585,291) | | |
| Bond issuance costs | 75,256 | - | - | - | (75,256) | | (75,256) | | |
| Total governmental activities | <u>87,023,609</u> | <u>5,139,058</u> | <u>15,312,212</u> | <u>3,775,641</u> | <u>(62,796,698)</u> | | <u>(62,796,698)</u> | | |
| Business-type activities: | | | | | | | | | |
| Water and sewer | 22,171,658 | 26,809,216 | - | 252,812 | - | \$ 4,890,370 | 4,890,370 | | |
| Total business-type activities | <u>22,171,658</u> | <u>26,809,216</u> | <u>-</u> | <u>252,812</u> | <u>-</u> | <u>4,890,370</u> | <u>4,890,370</u> | | |
| Total primary government | <u>\$ 109,195,267</u> | <u>\$ 31,948,274</u> | <u>\$ 15,312,212</u> | <u>\$ 4,028,453</u> | <u>(62,796,698)</u> | <u>4,890,370</u> | <u>(57,906,328)</u> | | |
| Component units: | | | | | | | | | |
| School board | \$ 59,044,154 | \$ 711,854 | \$ 27,795,460 | \$ 542,786 | | | \$ (29,994,054) | \$ - | |
| Parking authority | 1,188,184 | 1,156,716 | - | - | | | - | (31,468) | |
| Total component unit | <u>\$ 60,232,338</u> | <u>\$ 1,868,570</u> | <u>\$ 27,795,460</u> | <u>\$ 542,786</u> | | | <u>(29,994,054)</u> | <u>(31,468)</u> | |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | | | | | 39,173,337 | - | 39,173,337 | - | - |
| Sales taxes | | | | | 9,086,187 | - | 9,086,187 | - | - |
| Utility taxes | | | | | 1,989,779 | - | 1,989,779 | - | - |
| Business license taxes | | | | | 6,373,410 | - | 6,373,410 | - | - |
| Franchise taxes | | | | | 417,860 | - | 417,860 | - | - |
| Hotel and meals taxes | | | | | 8,834,036 | - | 8,834,036 | - | - |
| Communication taxes | | | | | 2,070,870 | - | 2,070,870 | - | - |
| Other local taxes | | | | | 2,253,116 | - | 2,253,116 | - | - |
| Gain on sale of property | | | | | 11,250 | - | 11,250 | - | - |
| Miscellaneous | | | | | 139,712 | 3,280 | 142,992 | 136,115 | 2,937 |
| Payments from City | | | | | - | - | - | 29,646,946 | - |
| Grants and contributions not restricted to specific programs | | | | | 3,036,203 | - | 3,036,203 | - | - |
| Unrestricted investment earnings | | | | | 159,131 | 7,565 | 166,696 | 133,071 | 1,340 |
| Transfers | | | | | 1,600,000 | (1,600,000) | - | - | - |
| Total revenues and transfers | | | | | <u>75,144,891</u> | <u>(1,589,155)</u> | <u>73,555,736</u> | <u>29,916,132</u> | <u>4,277</u> |
| Change in net position | | | | | 12,348,193 | 3,301,215 | 15,649,408 | (77,922) | (27,191) |
| Net position - beginning, as restated (Note 18) | | | | | <u>7,519,081</u> | <u>55,695,385</u> | <u>63,214,466</u> | <u>82,512,577</u> | <u>(61,211)</u> |
| Net position - ending | | | | | <u>\$ 19,867,274</u> | <u>\$ 58,996,600</u> | <u>\$ 78,863,874</u> | <u>\$ 82,434,655</u> | <u>\$ (88,402)</u> |

FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

Exhibit 3

| | General | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 15,486,045 | \$ - | \$ 891,054 | \$ 16,377,099 |
| Investments | 6,345,743 | 3,872,570 | 365,115 | 10,583,428 |
| Receivables, net: | | | | |
| Taxes, including penalties | 2,615,220 | - | - | 2,615,220 |
| Accounts | 1,132,633 | 225,542 | 405,390 | 1,763,565 |
| Prepays | - | - | 40,000 | 40,000 |
| Inventories | 23,986 | - | - | 23,986 |
| Due from other funds | 358,000 | - | - | 358,000 |
| Due from other governments | 4,019,855 | 921,675 | 1,249,398 | 6,190,928 |
| | <u>\$ 29,981,482</u> | <u>\$ 5,019,787</u> | <u>\$ 2,950,957</u> | <u>\$ 37,952,226</u> |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 822,079 | \$ 1,531,714 | \$ 975,867 | \$ 3,329,660 |
| Deposits payable | 96,484 | - | - | 96,484 |
| Accrued payroll | 1,268,612 | - | 290,643 | 1,559,255 |
| Due to other funds | - | - | 358,000 | 358,000 |
| | <u>2,187,175</u> | <u>1,531,714</u> | <u>1,624,510</u> | <u>5,343,399</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable/unearned revenue | 4,665,924 | - | 346,946 | 5,012,870 |
| | <u>4,665,924</u> | <u>-</u> | <u>346,946</u> | <u>5,012,870</u> |
| FUND BALANCES | | | | |
| Nonspendable | 23,986 | - | 40,000 | 63,986 |
| Restricted | 444,950 | 2,103,224 | 4,480 | 2,552,654 |
| Committed | 1,678,662 | - | - | 1,678,662 |
| Assigned | 2,311,176 | 1,384,849 | 935,021 | 4,631,046 |
| Unassigned | 18,669,609 | - | - | 18,669,609 |
| | <u>23,128,383</u> | <u>3,488,073</u> | <u>979,501</u> | <u>27,595,957</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 29,981,482</u> | <u>\$ 5,019,787</u> | <u>\$ 2,950,957</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. | 94,444,047 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 4,037,435 |
| 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. | 2,218,653 |
| Deferred refunding costs are not financial resources and, therefore, are not reported in the funds. | 5,188,320 |
| Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds. | |
| Deferred outflows of resources for 2016 employer contributions | 2,201,694 |
| Pension related deferred inflows | (3,296,962) |
| Net pension liability | (8,620,141) |
| 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 | (91,322,575) |
| Issuance premiums | (8,868,532) |
| Accrued interest | (1,237,322) |
| Compensated absences | (2,473,300) |

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

\$ 19,867,274

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Exhibit 4

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| General property taxes | \$ 39,043,098 | \$ - | \$ - | \$ 39,043,098 |
| Other local taxes | 31,025,257 | - | - | 31,025,257 |
| Permits, privilege fees, and regulatory licenses | 359,045 | - | - | 359,045 |
| Fines and forfeitures | 103,149 | - | - | 103,149 |
| Revenues from use of money and property | 277,227 | 22,916 | 9,207 | 309,350 |
| Charges for services | 1,376,776 | - | 1,195,731 | 2,572,507 |
| Miscellaneous | 1,022,005 | - | 55,656 | 1,077,661 |
| Recovered costs | 718,769 | 968,429 | 13,633 | 1,700,831 |
| Intergovernmental: | | | | |
| Frederick County | - | 48,868 | 100,500 | 149,368 |
| Commonwealth | 6,124,982 | 2,658,693 | 6,018,253 | 14,801,928 |
| Federal | 589,664 | 889,746 | 2,981,765 | 4,461,175 |
| Total revenues | <u>80,639,972</u> | <u>4,588,652</u> | <u>10,374,745</u> | <u>95,603,369</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | 5,314,055 | - | - | 5,314,055 |
| Judicial administration | 3,577,644 | 1,841,084 | 42,015 | 5,460,743 |
| Public safety | 20,417,371 | 2,830,043 | 1,161,267 | 24,408,681 |
| Public works | 3,532,070 | 6,272,822 | 4,952,840 | 14,757,732 |
| Health and welfare | 824,478 | - | 7,147,877 | 7,972,355 |
| Education | 28,707,234 | 1,000,000 | - | 29,707,234 |
| Parks, recreation, and culture | 2,893,206 | 1,031,085 | - | 3,924,291 |
| Community development | 1,434,421 | - | 274,087 | 1,708,508 |
| Debt service: | | | | |
| Principal retirement | 6,127,933 | - | - | 6,127,933 |
| Interest and fiscal charges | 3,885,011 | - | - | 3,885,011 |
| Bond issuance costs | - | 75,256 | - | 75,256 |
| Total expenditures | <u>76,713,423</u> | <u>13,050,290</u> | <u>13,578,086</u> | <u>103,341,799</u> |
| Excess (deficiency) of revenues over expenditures | <u>3,926,549</u> | <u>(8,461,638)</u> | <u>(3,203,341)</u> | <u>(7,738,430)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Gain on sale of property | 11,250 | - | - | 11,250 |
| Insurance recoveries | 139,712 | - | - | 139,712 |
| Issuance of bonds | - | 7,075,000 | - | 7,075,000 |
| Transfers in | 1,600,000 | 1,365,217 | 3,266,287 | 6,231,504 |
| Transfers out | (4,631,504) | - | - | (4,631,504) |
| Total other financing sources (uses) | <u>(2,880,542)</u> | <u>8,440,217</u> | <u>3,266,287</u> | <u>8,825,962</u> |
| Net change in fund balances | 1,046,007 | (21,421) | 62,946 | 1,087,532 |
| Fund balance - beginning | <u>22,082,376</u> | <u>3,509,494</u> | <u>916,555</u> | <u>26,508,425</u> |
| Fund balance - ending | <u>\$ 23,128,383</u> | <u>\$ 3,488,073</u> | <u>\$ 979,501</u> | <u>\$ 27,595,957</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, 2016**

Exhibit 5

| | | |
|--|-----------|-------------|
| Net change in fund balances - total governmental funds (Exhibit 4) | \$ | 1,087,532 |
| 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 \$12,595,430 exceeded depreciation \$4,422,557 in the current period. | | |
| | | 8,172,873 |
| 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. | | |
| | | (52,596) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| | | 2,003,181 |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | | |
| Employer pension contributions | 2,201,694 | |
| Pension expense | (189,096) | 2,012,598 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | | |
| Principal repayments | | 6,127,933 |
| Issuance of bonds | | (7,075,000) |
| Amortization of issuance premium | | 868,371 |
| Amortization of deferred charge on refunding | | (573,701) |
| 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 | | (81,700) |
| Accrued interest | | 5,050 |
| 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 | | (166,903) |
| Allocation of net revenue (expense) to business-type activities | | 20,555 |
| Change in net position of governmental activities | \$ | 12,348,193 |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

Exhibit 6

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 39,617,000 | \$ 39,617,000 | \$ 39,043,098 | \$ (573,902) |
| Other local taxes | 29,503,000 | 29,503,000 | 31,025,257 | 1,522,257 |
| Permits, privilege fees, and regulatory licenses | 259,400 | 259,400 | 359,045 | 99,645 |
| Fines and forfeitures | 153,000 | 153,000 | 103,149 | (49,851) |
| Revenues from use of money and property | 210,000 | 210,000 | 277,227 | 67,227 |
| Charges for services | 1,463,000 | 1,463,000 | 1,376,776 | (86,224) |
| Miscellaneous | 1,020,500 | 1,020,500 | 1,022,005 | 1,505 |
| Recovered costs | 693,500 | 724,000 | 718,769 | (5,231) |
| Intergovernmental: | | | | |
| Commonwealth | 6,076,200 | 6,051,200 | 6,124,982 | 73,782 |
| Federal | 775,400 | 917,814 | 589,664 | (328,150) |
| Total revenues | <u>79,771,000</u> | <u>79,918,914</u> | <u>80,639,972</u> | <u>721,058</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration: | | | | |
| Legislative | 238,200 | 244,520 | 242,498 | 2,022 |
| General and financial administration | 5,656,599 | 5,515,709 | 4,905,774 | 609,935 |
| Board of elections | 190,100 | 183,575 | 165,783 | 17,792 |
| Total general government administration | <u>6,084,899</u> | <u>5,943,804</u> | <u>5,314,055</u> | <u>629,749</u> |
| Judicial administration: | | | | |
| Courts | 2,202,200 | 2,356,671 | 2,294,604 | 62,067 |
| Commonwealth attorney | 1,335,400 | 1,297,662 | 1,283,040 | 14,622 |
| Total judicial administration | <u>3,537,600</u> | <u>3,654,333</u> | <u>3,577,644</u> | <u>76,689</u> |
| Public safety: | | | | |
| Law enforcement and traffic control | 7,870,000 | 8,100,781 | 7,979,487 | 121,294 |
| Fire and rescue services | 5,564,937 | 5,576,187 | 5,575,653 | 534 |
| Correction and detention | 4,712,643 | 4,712,643 | 4,710,665 | 1,978 |
| Inspections | 483,000 | 464,000 | 454,171 | 9,829 |
| Other protection | 2,080,400 | 2,071,150 | 1,697,395 | 373,755 |
| Total public safety | <u>20,710,980</u> | <u>20,924,761</u> | <u>20,417,371</u> | <u>507,390</u> |
| Public Works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks | 131,300 | 165,800 | 185,547 | (19,747) |
| Sanitation and waste removal | 1,400,500 | 1,400,500 | 1,394,408 | 6,092 |
| Maintenance of buildings and grounds | 1,933,600 | 2,055,100 | 1,952,115 | 102,985 |
| Total public works | <u>3,465,400</u> | <u>3,621,400</u> | <u>3,532,070</u> | <u>89,330</u> |
| Health and welfare: | | | | |
| Health | 320,581 | 320,581 | 320,581 | - |
| Chapter X board | 192,472 | 192,472 | 192,472 | - |
| Welfare/Social Services | 323,000 | 323,000 | 311,425 | 11,575 |
| Total health and welfare | <u>836,053</u> | <u>836,053</u> | <u>824,478</u> | <u>11,575</u> |
| Education: | | | | |
| Contributions to community college | 60,288 | 60,288 | 60,288 | - |
| Contributions to School Board - Construction fund | - | 650,000 | 650,000 | - |
| Contributions to School Board | 28,665,302 | 28,850,802 | 27,996,946 | 853,856 |
| Total education | <u>28,725,590</u> | <u>29,561,090</u> | <u>28,707,234</u> | <u>853,856</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation | 2,674,800 | 2,525,933 | 2,278,436 | 247,497 |
| Cultural enrichment | 195,750 | 195,750 | 195,750 | - |
| Contribution to Regional Library | 419,020 | 419,020 | 419,020 | - |
| Total parks, recreation, and cultural | <u>3,289,570</u> | <u>3,140,703</u> | <u>2,893,206</u> | <u>247,497</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, 2016

| | Budgeted Amounts | | Actual Amounts | Exhibit 6 (Continued) |
|---------------------------------------|-----------------------|-----------------------|---------------------|---|
| | Original | Final | | Variance with Final Budget - Positive (Negative) |
| EXPENDITURES (continued) | | | | |
| Current: (continued) | | | | |
| Community development: | | | | |
| Planning and community development | \$ 1,795,608 | \$ 1,786,304 | \$ 1,434,421 | \$ 351,883 |
| Total community development | <u>1,795,608</u> | <u>1,786,304</u> | <u>1,434,421</u> | <u>351,883</u> |
| Debt service: | | | | |
| Principal retirement | 6,128,000 | 6,128,000 | 6,127,933 | 67 |
| Interest and fiscal charges | 3,796,800 | 3,885,220 | 3,885,011 | 209 |
| Total debt service | <u>9,924,800</u> | <u>10,013,220</u> | <u>10,012,944</u> | <u>276</u> |
| Total expenditures | <u>78,370,500</u> | <u>79,481,668</u> | <u>76,713,423</u> | <u>2,768,245</u> |
| Excess of revenues over expenditures | <u>1,400,500</u> | <u>437,246</u> | <u>3,926,549</u> | <u>3,489,303</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Gain on sale of property | - | - | 11,250 | 11,250 |
| Insurance recoveries | - | 20,938 | 139,712 | 118,774 |
| Transfers in | 1,600,000 | 1,600,000 | 1,600,000 | - |
| Transfers out | <u>(4,744,500)</u> | <u>(5,444,910)</u> | <u>(4,631,504)</u> | <u>813,406</u> |
| Total other financing sources (uses) | <u>(3,144,500)</u> | <u>(3,823,972)</u> | <u>(2,880,542)</u> | <u>943,430</u> |
| Net change in fund balances | <u>\$ (1,744,000)</u> | <u>\$ (3,386,726)</u> | <u>\$ 1,046,007</u> | <u>\$ 4,432,733</u> |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

Exhibit 7

| | Business-type Activities- Enterprise Funds | Governmental Activities |
|--|---|------------------------------|
| | Major | |
| | Water and Sewer Fund | Internal Service Funds |
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 1,068,559 | \$ 3,652,160 |
| Investments | 437,849 | 1,394,736 |
| Accounts receivable, net | 4,939,287 | 154,614 |
| Prepays | - | 388,540 |
| Due from other governments | 14,372 | - |
| Inventories | 95,846 | 118,680 |
| Total current assets | <u>6,555,913</u> | <u>5,708,730</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Nondepreciable | 1,410,330 | - |
| Depreciable, net | 170,433,003 | 31,223 |
| Total capital assets, net | <u>171,843,333</u> | <u>31,223</u> |
| Total noncurrent assets | <u>171,843,333</u> | <u>31,223</u> |
| Total assets | <u>178,399,246</u> | <u>5,739,953</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on refunding | 1,863,876 | - |
| Pension contributions subsequent to the measurement date | 317,284 | 22,005 |
| Total deferred outflows of resources | <u>2,181,160</u> | <u>22,005</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 1,072,097 | 739,577 |
| Customer deposits | 537,345 | - |
| Accrued payroll | 233,637 | 17,613 |
| Accrued interest | 951,799 | - |
| Compensated absences | 20,000 | - |
| Bonds payable and other obligations - current | 6,108,932 | - |
| Total current liabilities | <u>8,923,810</u> | <u>757,190</u> |
| Noncurrent liabilities: | | |
| Compensated absences | 208,314 | 17,655 |
| Net OPEB obligation | - | 2,722,077 |
| Net pension liability | 1,242,240 | 86,155 |
| Bonds payable and other obligations | 110,661,596 | - |
| Total noncurrent liabilities | <u>112,112,150</u> | <u>2,825,887</u> |
| Total liabilities | <u>121,035,960</u> | <u>3,583,077</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related deferred inflows | 475,122 | 32,952 |
| Total deferred inflows of resources | <u>475,122</u> | <u>32,952</u> |
| NET POSITION | | |
| Net investment in capital assets | 56,936,681 | 31,223 |
| Unrestricted | 2,132,643 | 2,114,706 |
| Total net position | <u>59,069,324</u> | <u>\$ 2,145,929</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>(72,724)</u> | |
| Net position of business-type activities | <u>\$ 58,996,600</u> | |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

Exhibit 8

| | Business-type Activities- Enterprise Funds | Governmental Activities |
|--|---|------------------------------|
| | Major | |
| | Water and Sewer Fund | Internal Service Funds |
| OPERATING REVENUES | | |
| Revenue from use of property | \$ 4,039 | \$ - |
| Charges for services | 22,299,822 | 2,355,158 |
| Miscellaneous | 3,280 | - |
| Recovered costs | 4,505,355 | - |
| Total operating revenues | <u>26,812,496</u> | <u>2,355,158</u> |
| OPERATING EXPENSES | | |
| Personal services | 4,828,549 | 1,128,192 |
| Contractual services | 5,087,880 | 249,877 |
| Other supplies and expenses | 4,368,870 | 719,253 |
| Insurance claims and expenses | - | 434,137 |
| Depreciation | 4,237,974 | 4,892 |
| Total operating expenses | <u>18,523,273</u> | <u>2,536,351</u> |
| Operating income | <u>8,289,223</u> | <u>(181,193)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment earnings | 7,565 | 14,290 |
| Interest and fiscal charges | (3,627,830) | - |
| Total nonoperating revenues (expenses) | <u>(3,620,265)</u> | <u>14,290</u> |
| Income before contributions and transfers | 4,668,958 | (166,903) |
| CAPITAL CONTRIBUTIONS | 252,812 | - |
| TRANSFERS OUT | <u>(1,600,000)</u> | <u>-</u> |
| Change in net position | 3,321,770 | (166,903) |
| Total net position - beginning | <u>55,747,554</u> | <u>2,312,832</u> |
| Total net position - ending | <u>\$ 59,069,324</u> | <u>\$ 2,145,929</u> |
| Change in net position | \$ 3,321,770 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | <u>(20,555)</u> | |
| Change in net position of business-type activities | <u>\$ 3,301,215</u> | |

**CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016**

Exhibit 9

| | Business-type Activities- Enterprise Funds | Governmental Activities |
|--|---|------------------------------|
| | Major | |
| | Water and Sewer Fund | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers and users | \$ 21,155,678 | \$ 2,382,242 |
| Cash paid to suppliers | (9,066,865) | (919,302) |
| Cash paid to employees | (4,366,471) | (634,206) |
| Premiums paid | - | (227,508) |
| Other receipts | <u>4,512,674</u> | <u>-</u> |
| Net cash provided by operating activities | <u>12,235,016</u> | <u>601,226</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 | (499,164) | - |
| Principal paid on capital debt | (6,045,974) | - |
| Interest paid on capital debt | <u>(3,734,673)</u> | <u>-</u> |
| Net cash used in capital and related financing activities | <u>(10,279,811)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | <u>7,565</u> | <u>14,290</u> |
| Net cash provided by investing activities | <u>7,565</u> | <u>14,290</u> |
| Net increase in cash and cash equivalents | 362,770 | 615,516 |
| Cash and cash equivalents - beginning of year | <u>1,143,638</u> | <u>4,431,380</u> |
| Cash and cash equivalents - end of year | <u>\$ 1,506,408</u> | <u>\$ 5,046,896</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING: | | |
| Cash | \$ 1,068,559 | \$ 3,652,160 |
| Cash equivalents - investments | <u>437,849</u> | <u>1,394,736</u> |
| Total | <u>\$ 1,506,408</u> | <u>\$ 5,046,896</u> |

(Continued)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

Exhibit 9 (Continued)

| | Business-type Activities- Enterprise Funds | Governmental Activities |
|---|---|------------------------------|
| | Major | |
| | Water and Sewer Fund | Internal Service Funds |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income | \$ 8,289,223 | \$ (181,193) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 4,237,974 | 4,892 |
| Pension expense net of employer contributions | 434,225 | 480 |
| (Increase) decrease in: | | |
| Accounts receivable | (1,178,028) | 27,084 |
| Prepays | - | (59,048) |
| Inventories | 5,963 | 4,208 |
| Increase (decrease) in: | | |
| Accounts payable | 383,922 | 311,297 |
| Accrued payroll | 35,155 | 6,592 |
| Net OPEB obligation | - | 480,000 |
| Compensated absences | (7,302) | 6,914 |
| Customer deposits | 33,884 | - |
| Total adjustments | 3,945,793 | 782,419 |
| Net cash provided by operating activities | \$ 12,235,016 | \$ 601,226 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | |
| Capital contributions of water and sewer lines from developers | \$ 238,441 | \$ - |
| Intangible assets obtained with debt | \$ 25,092,500 | \$ - |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

Exhibit 10

| | Total Agency Funds |
|--|--------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | |
| Cash | \$ 683,224 |
| Investments | 1,524,196 |
| Accounts receivable | 371,573 |
| Prepays | 1,751 |
| Deferred outflows of resources | 176,104 |
| Total assets and deferred outflows of resources | <u>\$ 2,756,848</u> |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | |
| Accounts payable | \$ 30,780 |
| Accrued payroll | 121,830 |
| Net pension liability | 689,488 |
| Deferred inflows of resources | 263,710 |
| Amounts held for social services clients | 2,224 |
| Amounts held for NRJA | 1,246,903 |
| Amounts held for NRJDC | 401,913 |
| Total liabilities and deferred inflows of resources | <u>\$ 2,756,848</u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

Jointly Governed Organizations:

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning, and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services. The City has certain long-term obligations with the Authority that are described further in Note 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Jointly Governed Organizations (Continued):

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During 2016, the City provided total support of \$75,618. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 491 Airport Road, Winchester, Virginia 22602.

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants must subsidize operations and capital needs. During 2016, the City provided total support of \$391,595. 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 2016, the City provided total support of \$4,154,548. 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 2016. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Deposits and Investments

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

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

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

Receivables and Payables

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

Notes Receivable

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventories and Prepaid Items

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

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

Property Taxes

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

| | |
|-----------|-------------------|
| Levy Date | January 1 |
| Due Date | June 5/December 5 |

Motor Vehicles

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position
(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, 2016 consisted of the following:

| | | |
|--|----|-----------|
| General Fund (property taxes, penalties, and interest) | \$ | 1,475,350 |
| Emergency Medical Service Fund | | 432,818 |
| Water and Sewer Fund | | 241,716 |
| | \$ | 2,149,884 |

Use of Estimates

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

Capital Assets

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

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:

| | Years |
|-----------------------------------|-------|
| 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, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

Restricted Amounts

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

Minimum Fund Balance Policy

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2016 total \$1,384,850 in the City Capital Projects Fund, \$39,733 in the Transit Fund, \$182,357 in the School Capital Improvements Fund, \$127,687 in the School Operating Fund, \$59,210 in the School Textbook Fund, \$425,067 in the School Fundraising Fund and \$53,296 in the School Grants Fund.

Net Position

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

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflows of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. The first is the deferred charge on refunding reported on both the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is pension contributions subsequent to the measurement date. These will be recognized as a reduction to the net pension liability in 2017. The third results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources (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 four types of items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is unearned revenue, which results from collections of property taxes levied to fund future years. This results when amounts have been collected from the customers and costs have not yet been incurred by the City. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The fourth item represents differences between expected and actual experience in the pension plan. This difference will also be recognized in pension expense over a closed five year period.

Pensions

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

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, 2016

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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated annual budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and School Board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital projects funds. The Discretely Presented Component Unit - School Board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City required budget amendments during the year, representing a net decrease of \$1,642,726 in the General Fund.

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, 2016

Note 3. Deposits and Investments (Continued)

Investments

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

Credit Risk - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, mutual funds, the State Treasurer's Local Government Investment Pool (LGIP), a 2a-7 like pool, and the State Non-Arbitrage Program (SNAP), a pooled investment fund. Both the LGIP and SNAP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the City's position in the pools is the same as the value of the pool shares. The City has no investment policy that would further limit its investment choices.

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of June 30, 2016, the City's investments in mutual funds were valued using Level 1 inputs and its investments in federal agency bonds and notes were valued using Level 2 inputs.

As of June 30, the City's 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 | \$ 3,000,870 | AA+ | 3.46 |
| Mutual Funds | 404,254 | N/A | N/A |
| Certificates of Deposit | 4,604,471 | N/A | 2.26 |
| LGIP | 317,771 | AAAm | 0.08 |
| SNAP | 10,672,034 | AAAm | N/A |
| Total investments | <u>\$ 18,999,400</u> | | |

* - Average Maturity in Years

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3. Deposits and Investments (Continued)

Investments (Continued)

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

| | Component Units | | |
|----------------------------|-------------------------------|---------------------|---|
| | Primary Government | School Board | Winchester Parking Authority |
| Deposits and investments: | | | |
| Cash on hand | \$ 4,925 | \$ 500 | \$ 5,190 |
| Deposits | 21,776,117 | 6,231,367 | 229,898 |
| Investments | 13,940,209 | 4,962,864 | 96,328 |
| | \$ 35,721,251 | \$ 11,194,731 | \$ 331,416 |
| Statement of Net Position: | | | |
| Cash | \$ 21,097,818 | \$ 5,524,422 | \$ 235,088 |
| Investments | 12,416,013 | 2,262,645 | 96,328 |
| Investments - restricted | - | 2,093,782 | - |
| Fiduciary: | | | |
| Cash and cash equivalents | 683,224 | 707,445 | - |
| Investments | 1,524,196 | 606,437 | - |
| | \$ 35,721,251 | \$ 11,194,731 | \$ 331,416 |

Concentration of Credit Risk:

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

| Issuer | Percent of Total Portfolio |
|----------------------------|---------------------------------------|
| SNAP | 56.17% |
| Federal Home Loan Mortgage | 10.53% |
| Federal Farm Credit | 5.26% |

Investments - Restricted:

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 | \$ - | \$ 748,452 |
| Title VI-B | - | 173,027 |
| Title I | - | 410,750 |
| Other federal and state school funds | - | 643,973 |
| Local sales tax | 1,549,843 | - |
| Transit grants | 437,903 | - |
| Highway construction funds | 749,983 | - |
| Welfare grants | 493,487 | - |
| Communication tax | 170,790 | - |
| Other federal and state funds | 765,866 | - |
| Total due from federal and state sources | 4,167,872 | 1,976,202 |
| Frederick County: | | |
| Joint Judicial Center – debt service | 1,842,313 | - |
| Joint Judicial Center – operating expenses | 146,399 | - |
| Other receivables | 48,716 | - |
| Total due from other governments | \$ 6,205,300 | \$ 1,976,202 |

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 | \$ 149,533 |
| Receivable in one to five years | 412,847 |
| Receivable in five to ten years | 355,000 |
| Receivable in ten to fifteen years | 17,500 |
| Total unconditional promises to give | 934,880 |
| Less discounts to present value | (153,884) |
| Net unconditional promises to give | \$ 780,996 |

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 \$ 358,000

Component Unit – School Board

Due to school operating fund from:

Federal grants fund \$ 769,740

Inter-fund transfers for the year ended June 30, consisted of the following:

Primary Government

Transfers to general fund from:

Water and sewer fund \$ 1,600,000

Transfers to non-major governmental funds from:

General fund \$ 3,266,287

Transfers to capital projects fund from:

General fund \$ 1,365,217

Component Unit – School Board

Transfers to non-major governmental funds from:

School operating fund \$ 309,272

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, 2016

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 | \$ 7,214,931 | \$ 90,652 | \$ - | \$ 7,305,583 |
| Construction in progress | 3,848,625 | 7,213,362 | (1,074,983) | 9,987,004 |
| Total capital assets not being depreciated | <u>11,063,556</u> | <u>7,304,014</u> | <u>(1,074,983)</u> | <u>17,292,587</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 31,839,508 | 61,806 | (94,001) | 31,807,313 |
| Improvements other than buildings | 11,291,470 | - | - | 11,291,470 |
| Infrastructure | 66,522,922 | 5,408,957 | (88,416) | 71,843,463 |
| Equipment | 15,011,548 | 1,015,309 | (334,663) | 15,692,194 |
| Total capital assets being depreciated | <u>124,665,448</u> | <u>6,486,072</u> | <u>(517,080)</u> | <u>130,634,440</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (10,860,337) | (649,961) | 87,280 | (11,423,018) |
| Improvements other than buildings | (4,092,008) | (407,920) | - | (4,499,928) |
| Infrastructure | (24,766,608) | (2,422,294) | 88,416 | (27,100,486) |
| Equipment | (9,650,165) | (1,066,948) | 288,788 | (10,428,325) |
| Total accumulated depreciation | <u>(49,369,118)</u> | <u>(4,547,123)</u> | <u>464,484</u> | <u>(53,451,757)</u> |
| Total capital assets being depreciated, net | <u>75,296,330</u> | <u>1,938,949</u> | <u>(52,596)</u> | <u>77,182,683</u> |
| Governmental activities capital assets, net | <u>\$ 86,359,886</u> | <u>\$ 9,242,963</u> | <u>\$ 1,127,579</u> | <u>\$ 94,475,270</u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 | \$ 176,393 |
| Judicial administration | 179,590 |
| Public safety | 519,053 |
| Public works | 3,097,562 |
| Health and welfare | 15,945 |
| Parks, recreation, and cultural | 431,813 |
| Community development | <u>7,093</u> |
| Total depreciation expense – governmental activities | <u><u>\$ 4,427,449</u></u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital asset, not being depreciated: | | | | |
| Land | \$ 1,201,485 | \$ - | \$ - | \$ 1,201,485 |
| Construction in progress | 83,529 | 125,316 | - | 208,845 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets not being depreciated | 1,285,014 | 125,316 | - | 1,410,330 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Capital assets, being depreciated: | | | | |
| Treatment plants | 45,043,669 | - | - | 45,043,669 |
| Improvements other than buildings | 118,837 | - | - | 118,837 |
| Infrastructure | 118,543,821 | 536,532 | - | 119,080,353 |
| Equipment | 2,684,035 | 75,756 | (119,674) | 2,640,117 |
| FWSA purchased capacity | 27,403,547 | 25,092,500 | - | 52,496,047 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets being depreciated | 193,793,909 | 25,704,788 | (119,674) | 219,379,023 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Less accumulated depreciation for: | | | | |
| Treatment plants | (5,183,730) | (900,663) | - | (6,084,393) |
| Improvements other than buildings | (115,216) | (455) | - | (115,671) |
| Infrastructure | (26,825,053) | (1,823,299) | - | (28,648,352) |
| Equipment | (1,877,414) | (143,379) | 119,674 | (1,901,119) |
| FWSA purchased capacity | (10,826,307) | (1,370,178) | - | (12,196,485) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total accumulated depreciation | (44,827,720) | (4,237,974) | 119,674 | (48,946,020) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets being depreciated, net | 148,966,189 | 21,466,814 | - | 170,433,003 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Business-type activities capital assets, net | \$ 150,251,203 | \$ 21,592,130 | \$ - | \$ 171,843,333 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 | <u>\$ 4,237,974</u> |

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

The City and the FWSA have entered into agreements for the City to benefit from a certain wastewater treatment plant of the FWSA. The City is not authorized to hold legal title to the plant; thus FWSA holds title to these assets. Through long-term contracts, the risks and benefits of operating and maintaining the assets 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:

| | <u>Total Contracts</u> | <u>Total Payments</u> | <u>Future Amounts to be Expended</u> |
|---|----------------------------|---------------------------|--|
| National Ave. Gateway Improvements | <u>\$ 1,324,414</u> | <u>\$ 1,304,667</u> | <u>\$ 19,747</u> |
| Valley Avenue/Whitlock Drainage Improvements | <u>\$ 783,140</u> | <u>\$ 130,188</u> | <u>\$ 652,952</u> |
| Green Circle Trail | <u>\$ 1,078,141</u> | <u>\$ 1,062,400</u> | <u>\$ 15,741</u> |
| Handley Blvd. Improvements | <u>\$ 726,823</u> | <u>\$ 204,521</u> | <u>\$ 522,302</u> |
| John Kerr Elementary | <u>\$ 19,441,935</u> | <u>\$ 19,209,164</u> | <u>\$ 232,771</u> |
| Patsy Cline Theater | <u>\$ 132,224</u> | <u>\$ 28,912</u> | <u>\$ 103,312</u> |
| Handley Blvd. (School portion) | <u>\$ 358,955</u> | <u>\$ 153,792</u> | <u>\$ 205,163</u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|----------------------|--------------------|---------------------------|
| Capital asset, not being depreciated: | | | | |
| Land | \$ 3,758,028 | \$ - | \$ - | \$ 3,758,028 |
| Construction in progress | 6,280,491 | 12,977,899 | (18,872) | 19,239,518 |
| | <u>10,038,519</u> | <u>12,977,899</u> | <u>(18,872)</u> | <u>22,997,546</u> |
| Total capital assets not being depreciated | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings | 130,139,747 | 150,622 | - | 130,290,369 |
| Improvements other than buildings | 3,873,957 | - | - | 3,873,957 |
| Equipment | 6,497,534 | 270,736 | (267,471) | 6,500,799 |
| | <u>140,511,238</u> | <u>421,358</u> | <u>(267,471)</u> | <u>140,665,125</u> |
| Total capital assets being depreciated | | | | |
| Less accumulated depreciation for: | | | | |
| Buildings | (29,327,824) | (2,520,417) | - | (31,848,241) |
| Improvements other than buildings | (2,048,923) | (106,781) | - | (2,155,704) |
| Equipment | (4,614,286) | (375,215) | 263,268 | (4,726,233) |
| | <u>(35,991,033)</u> | <u>(3,002,413)</u> | <u>263,268</u> | <u>(38,730,178)</u> |
| Total accumulated depreciation | | | | |
| Total capital assets being depreciated, net | <u>104,520,205</u> | <u>(2,581,055)</u> | <u>(4,203)</u> | <u>101,934,947</u> |
| School board capital assets, net | <u>\$ 114,558,724</u> | <u>\$ 10,396,844</u> | <u>\$ (23,075)</u> | <u>\$ 124,932,493</u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 | - | - | 751,143 |
| Total capital assets being depreciated | <u>10,558,721</u> | <u>-</u> | <u>-</u> | <u>10,558,721</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,060,350) | (194,850) | - | (2,255,200) |
| Improvements other than buildings | (56,179) | - | - | (56,179) |
| Equipment | (402,780) | (58,640) | - | (461,420) |
| Total accumulated depreciation | <u>(2,519,309)</u> | <u>(253,490)</u> | <u>-</u> | <u>(2,772,799)</u> |
| Total capital assets being depreciated, net | <u>8,039,412</u> | <u>(253,490)</u> | <u>-</u> | <u>7,785,922</u> |
| Parking Authority capital assets, net | <u>\$ 8,051,097</u> | <u>\$ (253,490)</u> | <u>\$ -</u> | <u>\$ 7,797,607</u> |

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

| | |
|----------------------------------|---------------------|
| Governmental activities: | |
| School Board – Education | <u>\$ 3,002,413</u> |
| Business-type activities: | |
| Parking Authority – Public works | <u>\$ 253,490</u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Unavailable/Unearned Revenue and Deferred Inflows of Resources.

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

| | Unavailable | Unearned | Total |
|---|--------------------|-----------------|--------------|
| Deferred property tax revenue, Representing primarily uncollected tax billings (General Fund) | \$ 1,848,176 | \$ - | \$ 1,848,176 |
| Deferred joint judicial commission, representing uncollected debt service billings (General Fund) | 1,842,313 | - | 1,842,313 |
| Property taxes paid in advance, representing property taxes not yet due (General Fund) | - | 975,435 | 975,435 |
| Total deferred inflows of resources for the general fund | 3,690,489 | 975,435 | 4,665,924 |
| Deferred EMS transportation charges, representing uncollected EMS billings (Special Revenue Fund) | 346,946 | - | 346,946 |
| Total deferred inflows of resources | \$ 4,037,435 | \$ 975,435 | \$ 5,012,870 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Debt

Primary Government

Changes in Long-Term Debt

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|--|------------------------------|----------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 89,975,508 | \$ 7,075,000 | \$ 5,927,933 | \$ 91,122,575 | \$ 6,685,731 |
| Obligations payable | 400,000 | - | 200,000 | 200,000 | 100,000 |
| Unamortized bond premium | 9,736,903 | - | 868,371 | 8,868,532 | 863,191 |
| Compensated absences | 2,402,341 | 165,614 | 77,000 | 2,490,955 | 77,000 |
| Net OPEB obligation | 2,242,077 | 480,000 | - | 2,722,077 | - |
| | <u>\$ 104,756,829</u> | <u>\$ 7,720,614</u> | <u>\$ 7,073,304</u> | <u>\$ 105,404,139</u> | <u>\$ 7,725,922</u> |
| Governmental activities long-term liabilities | | | | | |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
| Business-type Activities: | | | | | |
| General obligation bonds | \$ 16,234,899 | \$ - | \$ 1,671,635 | \$ 14,563,264 | \$ 1,950,649 |
| Revenue bonds | 60,449,938 | - | 2,724,187 | 57,725,751 | 2,795,596 |
| Obligations payable FWSA | 14,597,808 | 25,092,500 | 1,650,152 | 38,040,156 | 825,433 |
| Unamortized bond premium | 6,982,419 | - | 541,062 | 6,441,357 | 537,254 |
| Compensated absences | 235,616 | 12,698 | 20,000 | 228,314 | 20,000 |
| | <u>\$ 98,500,680</u> | <u>\$ 25,105,198</u> | <u>\$ 6,607,036</u> | <u>\$ 116,998,842</u> | <u>\$ 6,128,932</u> |
| Business-type activities long-term liabilities | | | | | |

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, \$17,655 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, the net other postemployment benefit obligation and compensated absences are generally liquidated by the general fund and special revenue funds.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

| | 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 | \$ 1,080,419 | \$ 1,080,420 |
| \$23,660,000 General Obligation Public Improvement, Series of 2006, issued December 21, 2006, maturing annually beginning December 1, 2007 through December 1, 2026, interest payable semi-annually at 3.84%. Purpose: Utilities and School capital projects | 920,725 | 209,275 |
| \$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 | 670,000 | - |
| \$31,705,000 General Obligation Public Improvement and Refunding Bond, Series 2011, issued September 8, 2011, maturing annually beginning September 1, 2012 through September 1, 2023, interest payable semi-annually at rates of 2.0-4.0%. Purpose: General, Utilities, and School capital projects | 26,243,931 | 4,301,069 |
| \$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 | 21,688,635 | 5,881,365 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

| | Governmental Activities | Business-type Activities |
|---|------------------------------------|-------------------------------------|
| <u>Details of Long-Term Indebtedness (Continued)</u> | | |
| \$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 | \$ 23,225,000 | \$ - |
| \$14,685,000 General Obligation Public Improvement Refunding Bonds, Series 2014, issued October 30, 2014, maturing annually beginning September 1, 2015 through September 1, 2027, interest payable semi-annually at rates of 1.5-5.0%. Purpose: Refund certain outstanding bonds | 10,218,865 | 3,091,135 |
| \$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 | <u>7,075,000</u> | <u>-</u> |
| Total General Obligation Bonds | <u>\$ 91,122,575</u> | <u>\$ 14,563,264</u> |
| Revenue Bonds: | | |
| \$12,100,000 Virginia Resources Authority Revenue Bond, Series of 2008, issued November 21, 2008, maturing annually beginning October 1, 2010 through October 1, 2028 interest payable semi-annually at rates of 3.125-5.375%. Purpose: Utilities capital projects | \$ - | \$ 1,670,000 |
| \$11,820,000 Virginia Resources Authority Revenue Bond, Series of 2009A, issued June 1, 2009, maturing annually beginning October 1, 2010 through October 1, 2029 interest payable semi-annually at rates of 4.125-5.125% Purpose: Utilities capital projects | - | 2,060,000 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 | \$ - | \$ 9,915,000 |
| \$12,165,000 Virginia Resources Authority Revenue Bond, Series of 2010C, issued November 1, 2010, maturing annually beginning October 1, 2012 through October 1, 2031 interest payable semi-annually at rates of 4.200%-6.041%. Purpose: Utilities capital projects | - | 10,370,000 |
| \$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 | - | 1,400,751 |
| \$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 | - | 17,575,000 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 | - | 14,735,000 |
| Total Revenue Bonds | \$ - | \$ 57,725,751 |
| Obligations Payable: | | |
| \$26,452,442 FWSA Opequen Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2039 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects | \$ - | \$ 12,947,656 |
| \$25,092,500 FWSA Green Energy Project obligations, commencing July 1, 2016, maturing annually through October 1, 2038 interest payable monthly at rates of 3.13%-5.13%. Purpose: Utilities capital projects | - | 25,092,500 |
| \$1,000,000 HUD 108 loan, commencing August 1, 2013, maturing annually through August 1, 2022, no stated interest rate. Purpose: Community development capital projects | 200,000 | - |
| Total Obligations Payable | \$ 200,000 | \$ 38,040,156 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

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

| | Governmental Activities | | | |
|-----------|-------------------------------------|----------------------|--------------------------------|-----------------|
| | General Obligation Bonds | | Obligations Payable | |
| | Principal | Interest | Principal | Interest |
| 2017 | \$ 6,685,731 | \$ 3,856,337 | \$ 100,000 | \$ - |
| 2018 | 6,920,569 | 3,571,311 | 100,000 | - |
| 2019 | 7,088,901 | 3,250,318 | - | - |
| 2020 | 7,411,602 | 2,887,165 | - | - |
| 2021 | 7,463,671 | 2,574,376 | - | - |
| 2022-2026 | 36,586,426 | 8,151,402 | - | - |
| 2027-2031 | 11,840,675 | 2,726,286 | - | - |
| 2032-2036 | 7,125,000 | 543,317 | - | - |
| | <u>\$ 91,122,575</u> | <u>\$ 27,560,512</u> | <u>\$ 200,000</u> | <u>\$ -</u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

| | Business-type Activities | | | | | |
|-----------|---------------------------------|---------------------|----------------------|----------------------|---------------------------------|----------------------|
| | General Obligation Bonds | | Revenue Bonds | | Obligations Payable FWSA | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 1,950,649 | \$ 593,744 | \$ 2,795,596 | \$ 2,807,316 | \$ 825,433 | \$ 504,427 |
| 2018 | 2,084,170 | 514,696 | 2,926,296 | 2,669,259 | 716,358 | 1,003,639 |
| 2019 | 2,175,818 | 427,688 | 3,072,393 | 2,529,535 | 1,047,523 | 1,495,237 |
| 2020 | 1,883,398 | 325,267 | 3,188,523 | 2,388,168 | 1,241,841 | 1,450,177 |
| 2021 | 1,371,329 | 257,941 | 3,309,687 | 2,232,719 | 1,187,317 | 1,400,838 |
| 2022-2026 | 4,793,574 | 576,255 | 18,952,172 | 8,429,569 | 7,547,098 | 6,117,676 |
| 2027-2031 | 304,326 | 7,608 | 19,827,038 | 3,110,623 | 9,359,429 | 4,299,995 |
| 2031-2036 | - | - | 3,202,500 | 234,433 | 8,559,625 | 2,584,148 |
| 2037-2041 | - | - | 339,458 | 45,444 | 7,555,532 | 698,874 |
| 2042-2043 | - | - | 112,088 | 3,379 | - | - |
| | \$ 14,563,264 | \$ 2,703,199 | \$ 57,725,751 | \$ 24,450,445 | \$ 38,040,156 | \$ 19,555,011 |

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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

Prior Year Refunding of Debt

In October 2014, the City issued \$14,685,000 in general obligation bonds with an average interest rate of 1.5-5.0%. These bonds were issued to advance refund \$14,910,000 in outstanding bonds including bond issuances in 2005, 2006 and 2007, and partial refunding of bonds issued in 2004. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over 14 years by \$972,328 and to obtain an economic gain of \$911,148. Approximately \$8,337,000 remains outstanding at June 30, 2016 related to the partially defeased bonds described above.

In April 2015, the City issued a \$14,810,000 taxable water and sewer system revenue refunding bond with an average interest rate of 2.93-5.13%. These bonds were issued to advance refund \$15,005,000 in outstanding bonds including partial refunding of bonds issued in 2008 and 2009. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over 15 years by \$942,914 and to obtain an economic gain of \$760,061. Approximately \$7,655,000 remains outstanding at June 30, 2016 related to the partially defeased bonds described above.

In August 2012, the City issued \$28,635,000 in general obligation bonds with an average interest rate of 4.00%. These bonds were issued to refund approximately \$30,465,000 in outstanding bonds including bond issuances in 2001, and partial refunding of bonds issued in 2004, 2005, and 2006. The net proceeds of the refunding were \$34,669,687 (including \$6,034,687 in bond premium and payment of \$297,844 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from the new debt with the difference between the reacquisition price and the net carrying amount of the old debt being deferred and amortized over the life of the new debt in proportion to the stated interest due on the new debt. Approximately \$10,661,000 remains outstanding at June 30, 2016 related to the partially defeased bonds described above.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 | \$ 1,846,790 | \$ 497,636 | \$ 232,000 | \$ 2,112,426 | \$ 232,000 |

Parking Authority

Changes in Long-Term Debt

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Business-type Activities – Component Unit Parking Authority | | | | | |
| Revenue bond | \$ 7,880,000 | \$ - | \$ 190,000 | \$ 7,690,000 | \$ 200,000 |
| Unamortized bond premium | 203,690 | - | 14,797 | 188,893 | 14,426 |
| Compensated absences | 50,183 | - | 94 | 50,089 | - |
| Parking authority long-term liabilities | <u>\$ 8,133,873</u> | <u>\$ -</u> | <u>\$ 204,891</u> | <u>\$ 7,928,982</u> | <u>\$ 214,426</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

\$ 7,690,000

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 |
| 2017 | \$ 200,000 | \$ 379,500 |
| 2018 | 210,000 | 369,250 |
| 2019 | 220,000 | 358,500 |
| 2020 | 230,000 | 347,250 |
| 2021 | 245,000 | 335,375 |
| 2022-2026 | 1,410,000 | 1,476,750 |
| 2027-2031 | 1,795,000 | 1,078,125 |
| 2032-2036 | 2,295,000 | 569,375 |
| 2037-2038 | 1,085,000 | 54,875 |
| | \$ 7,690,000 | \$ 4,969,000 |

Note 10. Contingent Liabilities and Commitments

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan is as follows:

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Vesting –**
 - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component:** See definition under Plan 1.
 - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
 - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage –** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

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

| | City | WPA | School Non- Professional |
|--|-------------|------------|---|
| Inactive members or their beneficiaries currently receiving benefits | 228 | 2 | 32 |
| Inactive members: | | | |
| Vested inactive members | 59 | 1 | 4 |
| Non-vested inactive members | 119 | 1 | 19 |
| Inactive members active elsewhere in VRS | 145 | 1 | 13 |
| Total inactive members | 323 | 3 | 36 |
| Active members | 429 | 4 | 85 |
| Total covered employees | 980 | 9 | 153 |

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, 2016 was 11.9% of covered employee compensation. The School Board Non-Professional Employee Plan's contractually required contribution rate for the year ended June 30, 2016 was 8.7% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,450,983 and \$2,611,442 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions to the pension plan from the WPA were \$26,174 and \$27,020 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions to the pension plan from School Board Non-Professional Employee Plan were \$183,396 and \$182,815 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

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

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

Long-Term Expected Rate of Return

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

| <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> |

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability - City

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2014 | \$ 80,045,321 | \$ 68,836,650 | \$ 11,208,671 |
| Changes for the year: | | | |
| Service cost | 2,429,306 | - | 2,429,306 |
| Interest | 5,509,640 | - | 5,509,640 |
| Differences between expected and actual experience | (2,596,670) | - | (2,596,670) |
| Contributions – employer | - | 2,470,894 | (2,470,894) |
| Contributions – employee | - | 1,053,055 | (1,053,055) |
| Net investment income | - | 3,174,844 | (3,174,844) |
| Benefit payments, including refunds of employee contributions | (3,428,490) | (3,428,490) | - |
| Administrative expenses | - | (42,765) | 42,765 |
| Other changes | - | (53,617) | 53,617 |
| Net changes | 1,913,786 | 3,173,921 | (1,260,135) |
| Balances at June 30, 2015 | \$ 81,959,107 | \$ 72,010,571 | \$ 9,948,536 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2014 | \$ 868,886 | \$ 747,217 | \$ 121,669 |
| Changes for the year: | | | |
| Service cost | 25,024 | - | 25,024 |
| Interest | 56,753 | - | 56,753 |
| Differences between expected and actual experience | (26,748) | - | (26,748) |
| Contributions – employer | - | 25,452 | (25,452) |
| Contributions – employee | - | 10,847 | (10,847) |
| Net investment income | - | 32,703 | (32,703) |
| Benefit payments, including refunds of employee contributions | (35,316) | (35,316) | - |
| Administrative expenses | - | (441) | 441 |
| Other changes | - | 5,660 | (5,660) |
| Net changes | 19,713 | 38,905 | (19,192) |
| Balances at June 30, 2015 | \$ 888,599 | \$ 786,122 | \$ 102,477 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2014 | \$ 6,727,593 | \$ 6,527,551 | \$ 200,042 |
| Changes for the year: | | | |
| Service cost | 232,607 | - | 232,607 |
| Interest | 460,720 | - | 460,720 |
| Differences between expected and actual experience | (597) | - | (597) |
| Contributions – employer | - | 182,430 | (182,430) |
| Contributions – employee | - | 104,329 | (104,329) |
| Net investment income | - | 298,135 | (298,135) |
| Benefit payments, including refunds of employee contributions | (291,762) | (291,762) | - |
| Administrative expenses | - | (4,031) | 4,031 |
| Other changes | - | (62) | 62 |
| Net changes | 400,968 | 289,039 | 111,929 |
| Balances at June 30, 2015 | \$ 7,128,561 | \$ 6,816,590 | \$ 311,971 |

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 | \$ 21,547,327 | \$ 9,948,536 | \$ 422,897 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

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

| | <u>1.00% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
|---|---------------------------------------|--|---------------------------------------|
| WPA's net pension liability | \$ 196,948 | \$ 102,477 | \$ 3,865 |
| | <u>1.00% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
| School Board Non-Professional Employee Plan's net pension liability (asset) | \$ 1,159,890 | \$ 311,971 | \$ (403,237) |

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

For the year ended June 30, 2016, the City recognized pension expense of \$889,346. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,979,884 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,825,152 |
| Employer contributions subsequent to the measurement date | <u>2,540,983</u> | <u>-</u> |
| Total | <u>\$ 2,540,983</u> | <u>\$ 3,805,036</u> |

The \$2,540,983 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

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

| Year Ending June 30, | Reduction to Pension Expense |
|-------------------------|------------------------------------|
| 2017 | \$ (1,336,390) |
| 2018 | (1,336,390) |
| 2019 | (1,336,391) |
| 2020 | 204,135 |
| 2021 | - |
| Thereafter | - |

For the year ended June 30, 2016, the WPA recognized pension expense of \$9,161. At June 30, 2016, 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 | \$ - | \$ 20,394 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 18,801 |
| Employer contributions subsequent to the measurement date | 26,174 | - |
| Total | \$ 26,174 | \$ 39,195 |

The \$26,174 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

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

| Year Ending June 30, | Reduction to Pension Expense |
|-------------------------|------------------------------------|
| 2017 | \$ (13,766) |
| 2018 | (13,766) |
| 2019 | (13,766) |
| 2020 | 2,103 |
| 2021 | - |
| Thereafter | - |

For the year ended June 30, 2016, the School Board Non-Professional Employee Plan recognized pension expense of \$69,545. At June 30, 2016, 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 | \$ - | \$ 437 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 168,629 |
| Employer contributions subsequent to the measurement date | 183,396 | - |
| Total | \$ 183,396 | \$ 169,066 |

The \$183,396 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan (Continued)

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

| Year Ending June 30, | Reduction to Pension Expense |
|-------------------------|------------------------------------|
| 2017 | \$ (66,935) |
| 2018 | (66,935) |
| 2019 | (66,892) |
| 2020 | 31,696 |
| 2021 | - |
| Thereafter | - |

Payables to the Pension Plan

At June 30, 2016, approximately \$361,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

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

Plan participants are covered under three different benefit structures – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 11.

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, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The School Division’s allocated portion of this contribution was \$729,000. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$4,021,395 and \$4,074,900 for the years ended June 30, 2016 and June 30, 2015, respectively.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

At June 30, 2016, the school division reported a liability of \$47,549,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division’s proportion was 0.38% as compared to 0.37 % at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$3,821,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 655,000 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,912,000 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 1,465,000 | - |
| Employer contributions subsequent to the measurement date | 4,021,395 | - |
| Total | \$ 5,486,395 | \$ 3,567,000 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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)

The \$4,021,395 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|--------------|
| Year 1 | \$ (764,932) |
| Year 2 | (764,932) |
| Year 3 | (764,932) |
| Year 4 | 233,374 |
| Year 5 | (40,578) |

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 | \$ 69,583,026 | \$ 47,549,000 | \$ 29,409,803 |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2016, approximately \$404,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll for the Teacher Cost Sharing Plan and School Board Non-Professional Employee Plan combined.

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 2016 was 0.15% of annual covered payroll. The School Board contribution rate for 2016 was 0.25% of annual covered payroll of non-professional employees.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 13. VRS Health Insurance Credit (Continued)

Actuarial Methods and Assumptions

The required contributions for the City and the School Board (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2015 using the entry age normal cost method. The actuarial assumptions at June 30, 2015 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, 2015 was 28 years.

Three-Year Trend Information
City

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------------------|--------------------------------------|--|-----------------------------------|
| June 30, 2016 | \$ 29,175 | 100% | \$ - |
| June 30, 2015 | \$ 31,157 | 100% | \$ - |
| June 30, 2014 | \$ 26,455 | 100% | \$ - |

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

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------------------|--------------------------------------|--|-----------------------------------|
| June 30, 2016 | \$ 5,319 | 100% | \$ - |
| June 30, 2015 | \$ 5,275 | 100% | \$ - |
| June 30, 2014 | \$ 6,750 | 100% | \$ - |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 13. VRS Health Insurance Credit (Continued)

Funding Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the VRS health insurance credit program was 65.67% and 66.18% 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 \$542,153 and \$102,035 respectively, and the actuarial value of assets was \$356,018 and \$67,528, resulting in an unfunded actuarial liability (UAAL) of \$186,135 and \$34,507 for the City and the School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$19,180,285 and \$2,129,595 and ratio of the UAAL to the covered payroll was 0.97% and 1.62% for the City and the School Board (non-professional employees).

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

Note 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 14. Risk Management (Continued)

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

Note 15. Related Party Transactions

The Social Services department has a 15 year lease for property that commenced during 2009 and the Housing department has a 15 year lease for property that commenced during 2011. The City paid \$510,617 during 2016. The leases call for monthly lease payments of \$43,173 per month and an initial deposit of \$40,000 is being held by the company. One member of the City's Common Council had an economic interest in this business.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 is \$257,000 for 2016.

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 | \$ 764,000 |
| Interest on net OPEB obligation | 79,000 |
| Adjustment to annual required contribution | <u>(106,000)</u> |
| Annual OPEB cost | 737,000 |
| Contributions made | <u>(257,000)</u> |
| Increase in net OPEB obligation | 480,000 |
| Net OPEB obligation – beginning of year | <u>2,242,077</u> |
| Net OPEB obligation – end of year | <u><u>\$ 2,722,077</u></u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

| Fiscal Year Ending | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2016 | \$ 737,000 | 34.9% | \$ 2,722,077 |
| June 30, 2015 | \$ 693,000 | 34.1% | \$ 2,242,077 |
| June 30, 2014 | \$ 759,000 | 37.2% | \$ 1,785,077 |

Funding Status and Funding Progress

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

| | |
|---|---------------|
| Actuarial Accrued Liability (AAL) | \$ 6,733,000 |
| Actuarial Value of Plan Assets | \$ - |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 6,733,000 |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | -% |
| Covered Payroll (Active Plan Members) | \$ 21,352,682 |
| UAAL as a Percentage of Covered Payroll | 31.5% |

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects 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, 2016

Note 16. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3.5% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The closed amortization method and a 30-year amortization period are being used. The remaining amortization period at July 1, 2013 was 25 years.

The following additional simplifying assumptions were made:

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

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

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

Economic Assumptions – Medical claims are assumed to decrease from 7.5% to 5.3% per year. While medical costs have increased by a rate well in excess of 7.5% in recent years, prevailing practice is to assume that these increases will slow in the future. This is based on the macroeconomic assumption that if they do not moderate, medical expenses will consume an unacceptable percentage of the gross national product. The long-term assumption selected is consistent with the Centers for Medicare and Medicaid Services office of the actuary's assumption for per-capita increases in medical costs.

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 17. Fund Balances

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

| | General Fund | Capital Projects Fund | Other Governmental Funds |
|--|-------------------------|--------------------------------------|---|
| Nonspendable: | | | |
| Prepays | \$ - | \$ - | \$ 40,000 |
| Inventories | 23,986 | - | - |
| Total nonspendable | <u>23,986</u> | <u>-</u> | <u>40,000</u> |
| Restricted for: | | | |
| Revenue for fire programs | 444,950 | - | 4,480 |
| Debt proceeds not yet spent for projects | - | 2,103,224 | - |
| Total restricted | <u>444,950</u> | <u>2,103,224</u> | <u>4,480</u> |
| Committed to: | | | |
| Public safety | 30,513 | - | - |
| Community development | 200,000 | - | - |
| Parks, recreation & cultural | 900,000 | - | - |
| Other capital projects | 548,149 | - | - |
| Total committed | <u>1,678,662</u> | <u>-</u> | <u>-</u> |
| Assigned to: | | | |
| Health and welfare | - | - | 30,583 |
| Judicial administration | 6,586 | - | 139,000 |
| Public safety | 65,334 | - | 454,077 |
| Public works | - | - | 306,431 |
| Education capital projects | 853,856 | - | - |
| Parks, recreation and cultural | - | - | 4,930 |
| Subsequent year appropriation | 1,385,400 | 1,384,849 | - |
| Total assigned | <u>2,311,176</u> | <u>1,384,849</u> | <u>935,021</u> |
| Unassigned | <u>18,669,609</u> | <u>-</u> | <u>-</u> |
| Total fund balance | <u>\$ 23,128,383</u> | <u>\$ 3,488,073</u> | <u>\$ 979,501</u> |

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 17. Fund Balances (Continued)

Restricted net position at June 30, 2016 for includes bond proceeds for capital projects not yet spent.

Note 18. Prior Period Adjustment – School Board

The beginning net position for the discretely presented component-unit, School Board, has been decreased by \$1,518,925 to reflect the removal of the Winchester Education Foundation, a previous discretely presented component-unit, and in addition for the correction of an error related to the compensated absences accrual in the prior year.

Note 19. Subsequent Events

Subsequent to year end, the City approved the issuance of a \$7,400,000 general obligation improvement bond with an interest rate of 2.12% and maturity in July 2036. The proceeds will be used to fund future capital projects.

Note 20. New Accounting Standards

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

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

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

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 20. New Accounting Standards (Continued)

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

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

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 20. New Accounting Standards (Continued)

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer’s reporting date – those provisions are effective for the year ending June 30, 2018.

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

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, 2013 | 292,566 | 531,888 | 239,322 | 55.0% | 17,976,458 | 1.3% |
| June 30, 2014 | 337,000 | 511,213 | 174,213 | 65.9% | 19,051,733 | 0.9% |
| June 30, 2015 | 356,018 | 542,153 | 186,135 | 65.7% | 19,180,285 | 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, 2013 | 53,171 | 88,111 | 34,940 | 60.3% | 1,991,689 | 1.8% |
| June 30, 2014 | 63,884 | 92,315 | 28,431 | 69.2% | 2,044,072 | 1.4% |
| June 30, 2015 | 67,528 | 102,035 | 34,507 | 66.2% | 2,129,595 | 1.6% |

CITY - RETIREE HEALTH PLAN

| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
|--------------------------|---------------------------|-----------------------------------|---|--------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
| September 1, 2011 | - | 6,959,000 | 6,959,000 | 0.0% | 20,700,320 | 33.6% |
| July 1, 2013 | - | 6,329,000 | 6,329,000 | 0.0% | 20,700,320 | 30.6% |
| July 1, 2015 | - | 6,733,000 | 6,733,000 | 0.0% | 20,700,320 | 32.5% |

CITY OF WINCHESTER, VIRGINIA

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

| | Primary Government (City and WPA) | |
|--|-----------------------------------|----------------------|
| | Plan Year | |
| | 2015 | 2014 |
| Total Pension Liability | | |
| Service cost | \$ 2,454,330 | \$ 2,316,409 |
| Interest on total pension liability | 5,566,393 | 5,265,624 |
| Benefit payments, including refunds of employee contributions | (3,463,806) | (3,782,051) |
| Difference between actual and expected experience | (2,623,418) | - |
| Net change in total pension liability | 1,933,499 | 3,799,982 |
| Total pension liability - beginning | 80,914,207 | 77,114,225 |
| Total pension liability - ending | <u>\$ 82,847,706</u> | <u>\$ 80,914,207</u> |
| Plan Fiduciary Net Position | | |
| Contributions - employer | \$ 2,496,346 | \$ 2,480,335 |
| Contributions - employee | 1,063,902 | 1,010,980 |
| Net investment income | 3,207,547 | 9,515,209 |
| Benefit payments, including refunds of employee contributions | (3,463,806) | (3,782,051) |
| Administrative expenses | (43,206) | (50,971) |
| Other changes | (47,957) | 502 |
| Net change in plan fiduciary net position | 3,212,826 | 9,174,004 |
| Plan fiduciary net position - beginning | 69,583,867 | 60,409,863 |
| Plan fiduciary net position - ending | <u>\$ 72,796,693</u> | <u>\$ 69,583,867</u> |
| Net pension liability - ending | <u>\$ 10,051,013</u> | <u>\$ 11,330,340</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>88%</u> | <u>86%</u> |
| Covered employee payroll | <u>\$ 21,352,682</u> | <u>\$ 20,509,189</u> |
| Net pension liability as a percentage of covered employee payroll | <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 - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

CITY OF WINCHESTER, VIRGINIA

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

| | Schools -- Nonprofessional employees Plan Year | |
|--|--|---------------------|
| | 2015 | 2014 |
| Total Pension Liability | | |
| Service cost | \$ 232,607 | \$ 234,274 |
| Interest on total pension liability | 460,720 | 432,031 |
| Benefit payments, including refunds of employee contributions | (291,762) | (221,176) |
| Difference between actual and expected experience | (597) | - |
| Net change in total pension liability | 400,968 | 445,129 |
| Total pension liability - beginning | 6,727,593 | 6,282,464 |
| Total pension liability - ending | <u>\$ 7,128,561</u> | <u>\$ 6,727,593</u> |
| Plan Fiduciary Net Position | | |
| Contributions - employer | \$ 182,430 | \$ 202,866 |
| Contributions - employee | 104,329 | 100,009 |
| Net investment income | 298,135 | 884,655 |
| Benefit payments, including refunds of employee contributions | (291,762) | (221,176) |
| Administrative expenses | (4,031) | (4,659) |
| Other changes | (62) | 46 |
| Net change in plan fiduciary net position | 289,039 | 961,741 |
| Plan fiduciary net position - beginning | 6,527,551 | 5,565,810 |
| Plan fiduciary net position - ending | <u>\$ 6,816,590</u> | <u>\$ 6,527,551</u> |
| Net pension liability - ending | <u>\$ 311,971</u> | <u>\$ 200,042</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>96%</u> | <u>97%</u> |
| Covered employee payroll | <u>2,109,954</u> | <u>\$ 2,044,072</u> |
| Net pension liability as a percentage of covered employee payroll | <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 - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 June 30, 2016

| Entity Fiscal Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll |
|--|--|---|-------------------------------------|-----------------------------|--|
| Primary Government | | | | | |
| 2016 | \$ 2,567,157 | \$ 2,567,157 | \$ - | \$ 22,043,861 | 11.65% |
| 2015 | 2,638,462 | 2,638,462 | - | 21,352,682 | 12.36% |
| Schools - Nonprofessional Employees | | | | | |
| 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, 2016

| 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 Employee Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|----------------------------|--|--|--|---|---|
| 2015 | 0.38% | \$ 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 - i.e., 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, 2016

| Entity Fiscal Year Ended June 30 | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Employee Payroll |
|-------------------------------------|--|---|-------------------------------------|-----------------------------|---|
| 2016 | \$ 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, 2016**

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, 2015 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 pool

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

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

Exhibit 17

| | Special Revenue Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|--|
| ASSETS | | |
| Cash | \$ 891,054 | \$ 891,054 |
| Investments | 365,115 | 365,115 |
| Accounts receivable, net | 405,390 | 405,390 |
| Prepays | 40,000 | 40,000 |
| Due from other governments | <u>1,249,398</u> | <u>1,249,398</u> |
| | | |
| Total assets | <u>\$ 2,950,957</u> | <u>\$ 2,950,957</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | 975,867 | 975,867 |
| Accrued payroll | 290,643 | 290,643 |
| Due to other funds | <u>358,000</u> | <u>358,000</u> |
| | | |
| Total liabilities | <u>1,624,510</u> | <u>1,624,510</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable/unearned revenue | <u>346,946</u> | <u>346,946</u> |
| FUND BALANCES | | |
| Nonspendable | 40,000 | 40,000 |
| Restricted for: | | |
| Grant proceeds not yet spent | 4,480 | 4,480 |
| Assigned | <u>935,021</u> | <u>935,021</u> |
| | | |
| Total fund balances | <u>979,501</u> | <u>979,501</u> |
| | | |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,950,957</u> | <u>\$ 2,950,957</u> |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Exhibit 18

| | Special Revenue Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|--|
| REVENUES | | |
| Revenues from use of money and property | \$ 9,207 | \$ 9,207 |
| Charges for services | 1,195,731 | 1,195,731 |
| Miscellaneous | 55,656 | 55,656 |
| Recovered costs | 13,633 | 13,633 |
| Intergovernmental: | | |
| Frederick County | 100,500 | 100,500 |
| Commonwealth | 6,018,253 | 6,018,253 |
| Federal | 2,981,765 | 2,981,765 |
| Total revenues | <u>10,374,745</u> | <u>10,374,745</u> |
| EXPENDITURES | | |
| Current: | | |
| Judicial administration | 42,015 | 42,015 |
| Public safety | 1,161,267 | 1,161,267 |
| Public works | 4,952,840 | 4,952,840 |
| Health and welfare | 7,147,877 | 7,147,877 |
| Community development | 274,087 | 274,087 |
| Total expenditures | <u>13,578,086</u> | <u>13,578,086</u> |
| Excess of expenditures over revenues | <u>(3,203,341)</u> | <u>(3,203,341)</u> |
| OTHER FINANCING SOURCES | | |
| Transfers in | <u>3,266,287</u> | <u>3,266,287</u> |
| Total other financing sources | <u>3,266,287</u> | <u>3,266,287</u> |
| Net change in fund balances | 62,946 | 62,946 |
| Fund balance - beginning | <u>916,555</u> | <u>916,555</u> |
| Fund balance - ending | <u>\$ 979,501</u> | <u>\$ 979,501</u> |

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016**

Exhibit 19

| | Social Services Fund | Highway Maintenance Fund | Emergency Medical Services Fund | Win-Fred Convention and Visitors Bureau Fund | Law Library Fund | Transit Fund | Total |
|---|----------------------------|--------------------------------|--|--|------------------------|-------------------|---------------------|
| ASSETS | | | | | | | |
| Cash | \$ 91,251 | \$ 210,109 | \$ 467,394 | \$ 25,566 | \$ 96,159 | \$ 575 | \$ 891,054 |
| Investments | 37,390 | 86,094 | 191,518 | 10,476 | 39,402 | 235 | 365,115 |
| Accounts receivable, net | - | - | 388,899 | 671 | 14,425 | 1,395 | 405,390 |
| Prepays | 40,000 | - | - | - | - | - | 40,000 |
| Due from other governments | 493,487 | 318,008 | - | - | - | 437,903 | 1,249,398 |
| Total assets | <u>\$ 662,128</u> | <u>\$ 614,211</u> | <u>\$ 1,047,811</u> | <u>\$ 36,713</u> | <u>\$ 149,986</u> | <u>\$ 440,108</u> | <u>\$ 2,950,957</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 444,028 | \$ 279,864 | \$ 217,055 | \$ 22,141 | \$ 10,486 | \$ 2,293 | \$ 975,867 |
| Accrued payroll | 147,517 | 67,161 | 29,733 | 9,642 | 500 | 36,090 | 290,643 |
| Due to other funds | - | - | - | - | - | 358,000 | 358,000 |
| Total liabilities | <u>591,545</u> | <u>347,025</u> | <u>246,788</u> | <u>31,783</u> | <u>10,986</u> | <u>396,383</u> | <u>1,624,510</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable/unearned revenue | - | - | 346,946 | - | - | - | 346,946 |
| Fund balances: | | | | | | | |
| Nonspendable | 40,000 | - | - | - | - | - | 40,000 |
| Restricted for grant funds not yet spent | - | - | - | - | - | 4,480 | 4,480 |
| Assigned | 30,583 | 267,186 | 454,077 | 4,930 | 139,000 | 39,245 | 935,021 |
| Total fund balances | <u>70,583</u> | <u>267,186</u> | <u>454,077</u> | <u>4,930</u> | <u>139,000</u> | <u>43,725</u> | <u>979,501</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 662,128</u> | <u>\$ 614,211</u> | <u>\$ 1,047,811</u> | <u>\$ 36,713</u> | <u>\$ 149,986</u> | <u>\$ 440,108</u> | <u>\$ 2,950,957</u> |

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2016

Exhibit 20

| | Social Services Fund | Highway Maintenance Fund | Emergency Medical Services Fund | Win-Fred Convention and Visitors Bureau Fund | Law Library Fund | Transit Fund | Total |
|---|----------------------------|--------------------------------|--|--|------------------------|------------------|--------------------|
| REVENUES | | | | | | | |
| Revenues from use of money and property | \$ - | \$ 6,600 | \$ 1,527 | \$ 245 | \$ 835 | \$ - | \$ 9,207 |
| Charges for services | - | - | 1,051,316 | - | 45,109 | 99,306 | 1,195,731 |
| Miscellaneous | 1,032 | - | - | 54,624 | - | - | 55,656 |
| Recovered costs | - | 10,063 | - | - | - | 3,570 | 13,633 |
| Intergovernmental: | | | | | | | |
| Frederick County | - | - | - | 100,500 | - | - | 100,500 |
| Commonwealth | 2,474,918 | 3,374,419 | - | - | - | 168,916 | 6,018,253 |
| Federal | 2,404,549 | 140,535 | - | - | - | 436,681 | 2,981,765 |
| Total revenues | <u>4,880,499</u> | <u>3,531,617</u> | <u>1,052,843</u> | <u>155,369</u> | <u>45,944</u> | <u>708,473</u> | <u>10,374,745</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Judicial administration | - | - | - | - | 42,015 | - | 42,015 |
| Public safety | - | - | 1,161,267 | - | - | - | 1,161,267 |
| Public works | - | 4,009,193 | - | - | - | 943,647 | 4,952,840 |
| Health and welfare | 7,147,877 | - | - | - | - | - | 7,147,877 |
| Community development | - | - | - | 274,087 | - | - | 274,087 |
| Total expenditures | <u>7,147,877</u> | <u>4,009,193</u> | <u>1,161,267</u> | <u>274,087</u> | <u>42,015</u> | <u>943,647</u> | <u>13,578,086</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,267,378)</u> | <u>(477,576)</u> | <u>(108,424)</u> | <u>(118,718)</u> | <u>3,929</u> | <u>(235,174)</u> | <u>(3,203,341)</u> |
| OTHER FINANCING SOURCES | | | | | | | |
| Transfers in | <u>2,242,000</u> | <u>688,787</u> | <u>-</u> | <u>100,500</u> | <u>-</u> | <u>235,000</u> | <u>3,266,287</u> |
| Total other financing sources | <u>2,242,000</u> | <u>688,787</u> | <u>-</u> | <u>100,500</u> | <u>-</u> | <u>235,000</u> | <u>3,266,287</u> |
| Net change in fund balances | (25,378) | 211,211 | (108,424) | (18,218) | 3,929 | (174) | 62,946 |
| Fund balance - beginning | <u>95,961</u> | <u>55,975</u> | <u>562,501</u> | <u>23,148</u> | <u>135,071</u> | <u>43,899</u> | <u>916,555</u> |
| Fund balance - ending | <u>\$ 70,583</u> | <u>\$ 267,186</u> | <u>\$ 454,077</u> | <u>\$ 4,930</u> | <u>\$ 139,000</u> | <u>\$ 43,725</u> | <u>\$ 979,501</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, 2016

| | Social Services Fund | | | Variance w/ Final Budget Positive (Negative) |
|---|----------------------|--------------------|--------------------|---|
| | Original Budget | Final Budget | Actual | |
| REVENUES | | | | |
| Revenues from use of money and property | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - |
| Miscellaneous | - | - | 1,032 | 1,032 |
| Recovered costs | - | - | - | - |
| Intergovernmental: | | | | |
| Commonwealth | 2,957,674 | 2,823,964 | 2,474,918 | (349,046) |
| Federal | 2,049,476 | 2,167,103 | 2,404,549 | 237,446 |
| Total revenues | <u>5,007,150</u> | <u>4,991,067</u> | <u>4,880,499</u> | <u>(110,568)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and welfare | 7,329,000 | 7,312,917 | 7,147,877 | 165,040 |
| Total expenditures | <u>7,329,000</u> | <u>7,312,917</u> | <u>7,147,877</u> | <u>165,040</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,321,850)</u> | <u>(2,321,850)</u> | <u>(2,267,378)</u> | <u>54,472</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 2,285,000 | 2,285,000 | 2,242,000 | (43,000) |
| Total other financing sources | <u>2,285,000</u> | <u>2,285,000</u> | <u>2,242,000</u> | <u>(43,000)</u> |
| Net change in fund balances | <u>\$ (36,850)</u> | <u>\$ (36,850)</u> | <u>\$ (25,378)</u> | <u>\$ 11,472</u> |

| | Win-Fred Convention and Visitors Bureau Fund | | | Variance with Final Budget Positive (Negative) |
|---|--|------------------|--------------------|---|
| | Original Budget | Final Budget | Actual | |
| REVENUES | | | | |
| Revenues from use of money and property | \$ - | \$ - | \$ 245 | \$ 245 |
| Charges for services | - | - | - | - |
| Miscellaneous | 40,000 | 40,000 | 54,624 | 14,624 |
| Recovered costs | - | - | - | - |
| Intergovernmental: | | | | |
| Frederick County | 100,500 | 100,500 | 100,500 | - |
| Commonwealth | - | - | - | - |
| Federal | - | - | - | - |
| Total revenues | <u>140,500</u> | <u>140,500</u> | <u>155,369</u> | <u>14,869</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial administration | - | - | - | - |
| Public works | - | - | - | - |
| Community development | 280,000 | 280,000 | 274,087 | 5,913 |
| Total expenditures | <u>280,000</u> | <u>280,000</u> | <u>274,087</u> | <u>5,913</u> |
| Excess (deficiency) of revenues over expenditures | <u>(139,500)</u> | <u>(139,500)</u> | <u>(118,718)</u> | <u>20,782</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 139,500 | 139,500 | 100,500 | (39,000) |
| Total other financing sources | <u>139,500</u> | <u>139,500</u> | <u>100,500</u> | <u>(39,000)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (18,218)</u> | <u>\$ (18,218)</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 | \$ 6,600 | \$ - | \$ 2,000 | \$ 2,000 | \$ 1,527 | \$ (473) |
| - | - | - | - | 1,065,000 | 1,065,000 | 1,051,316 | (13,684) |
| - | - | 10,063 | 10,063 | - | - | - | - |
| 3,431,400 | 3,431,400 | 3,374,419 | (56,981) | - | - | - | - |
| - | - | 140,535 | 140,535 | - | - | - | - |
| <u>3,438,000</u> | <u>3,438,000</u> | <u>3,531,617</u> | <u>93,617</u> | <u>1,067,000</u> | <u>1,067,000</u> | <u>1,052,843</u> | <u>(14,157)</u> |
| - | - | - | - | 1,074,000 | 1,074,000 | 1,161,267 | (87,267) |
| 4,028,000 | 4,028,000 | 4,009,193 | 18,807 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>4,028,000</u> | <u>4,028,000</u> | <u>4,009,193</u> | <u>18,807</u> | <u>1,074,000</u> | <u>1,074,000</u> | <u>1,161,267</u> | <u>(87,267)</u> |
| (590,000) | (590,000) | (477,576) | 112,424 | (7,000) | (7,000) | (108,424) | (101,424) |
| 590,000 | 590,000 | 688,787 | 98,787 | - | - | - | - |
| 590,000 | 590,000 | 688,787 | 98,787 | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 211,211</u> | <u>\$ 211,211</u> | <u>\$ (7,000)</u> | <u>\$ (7,000)</u> | <u>\$ (108,424)</u> | <u>\$ (101,424)</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) |
| \$ - | \$ - | \$ 835 | \$ 835 | \$ - | \$ - | \$ - | \$ - |
| 50,000 | 50,000 | 45,109 | (4,891) | 87,300 | 87,300 | 99,306 | 12,006 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 3,570 | 3,570 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 227,300 | 254,300 | 168,916 | (85,384) |
| - | - | - | - | 858,400 | 1,074,400 | 436,681 | (637,719) |
| <u>50,000</u> | <u>50,000</u> | <u>45,944</u> | <u>(4,056)</u> | <u>1,173,000</u> | <u>1,416,000</u> | <u>708,473</u> | <u>(707,527)</u> |
| 50,000 | 50,000 | 42,015 | 7,985 | - | - | - | - |
| - | - | - | - | 1,442,000 | 1,712,000 | 943,647 | (768,353) |
| - | - | - | - | - | - | - | - |
| <u>50,000</u> | <u>50,000</u> | <u>42,015</u> | <u>7,985</u> | <u>1,442,000</u> | <u>1,712,000</u> | <u>943,647</u> | <u>(768,353)</u> |
| - | - | 3,929 | 3,929 | (269,000) | (296,000) | (235,174) | 60,826 |
| - | - | - | - | 269,000 | 296,000 | 235,000 | (61,000) |
| - | - | - | - | 269,000 | 296,000 | 235,000 | (61,000) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,929</u> | <u>\$ 3,929</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (174)</u> | <u>\$ (174)</u> |

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2016

Exhibit 22

| | Capital Improvements Fund | | | Variance with Final Budget Positive (Negative) |
|---|---------------------------|-----------------------|--------------------|---|
| | Original Budget | Final Budget | Actual | |
| REVENUES | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ 22,916 | \$ 22,916 |
| Recovered costs | 765,000 | 1,718,800 | 968,429 | (750,371) |
| Intergovernmental: | | | | |
| Frederick County | - | - | 48,868 | 48,868 |
| Commonwealth | 4,785,000 | 6,896,650 | 2,658,693 | (4,237,957) |
| Federal | 950,000 | 1,570,000 | 889,746 | (680,254) |
| Total revenues | <u>6,500,000</u> | <u>10,185,450</u> | <u>4,588,652</u> | <u>(5,596,798)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial administration | 3,700,000 | 3,700,000 | 1,841,084 | 1,858,916 |
| Public safety | - | 3,530,360 | 2,830,043 | 700,317 |
| Public works | 9,415,000 | 12,978,500 | 6,272,822 | 6,705,678 |
| Parks, recreation and culture | 885,000 | 1,660,000 | 1,031,085 | 628,915 |
| Education | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Community development | - | - | - | - |
| Debt service: | | | | |
| Bond issuance costs | - | 75,000 | 75,256 | (256) |
| Total expenditures | <u>15,000,000</u> | <u>22,943,860</u> | <u>13,050,290</u> | <u>9,893,570</u> |
| Excess (deficiency) of revenues over expenditures | <u>(8,500,000)</u> | <u>(12,758,410)</u> | <u>(8,461,638)</u> | <u>4,296,772</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from bond issuance | 7,000,000 | 7,075,000 | 7,075,000 | - |
| Transfers in | 1,500,000 | 2,193,410 | 1,365,217 | (828,193) |
| Total other financing sources | <u>8,500,000</u> | <u>9,268,410</u> | <u>8,440,217</u> | <u>(828,193)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ (3,490,000)</u> | <u>\$ (21,421)</u> | <u>\$ 3,468,579</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, 2016

Exhibit 23

| | Employee Benefits Fund | Equipment Operating Fund | Other Post- Employment Benefits Fund | Total |
|--|------------------------------|--------------------------------|---|---------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 1,586,203 | \$ 135,072 | \$ 1,930,885 | \$ 3,652,160 |
| Investments | 548,197 | 55,347 | 791,192 | 1,394,736 |
| Accounts receivable, net | 154,510 | 104 | - | 154,614 |
| Prepays | 388,540 | - | - | 388,540 |
| Inventories | - | 118,680 | - | 118,680 |
| Total current assets | <u>2,677,450</u> | <u>309,203</u> | <u>2,722,077</u> | <u>5,708,730</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Depreciable, net | - | 31,223 | - | 31,223 |
| Total assets | <u>2,677,450</u> | <u>340,426</u> | <u>2,722,077</u> | <u>5,739,953</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension contributions subsequent to the measurement date | - | 22,005 | - | 22,005 |
| Total deferred outflows of resources | <u>-</u> | <u>22,005</u> | <u>-</u> | <u>22,005</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 644,033 | 95,544 | - | 739,577 |
| Accrued payroll | - | 17,613 | - | 17,613 |
| Total current liabilities | <u>644,033</u> | <u>113,157</u> | <u>-</u> | <u>757,190</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | - | 17,655 | - | 17,655 |
| Net OPEB obligation | - | - | 2,722,077 | 2,722,077 |
| Net pension liability | - | 86,155 | - | 86,155 |
| Total noncurrent liabilities | <u>-</u> | <u>103,810</u> | <u>2,722,077</u> | <u>2,825,887</u> |
| Total liabilities | <u>644,033</u> | <u>216,967</u> | <u>2,722,077</u> | <u>3,583,077</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension related deferred inflows | - | 32,952 | - | 32,952 |
| Total deferred inflows of resources | <u>-</u> | <u>32,952</u> | <u>-</u> | <u>32,952</u> |
| NET POSITION | | | | |
| Net investment in capital assets | - | 31,223 | - | 31,223 |
| Unrestricted | 2,033,417 | 81,289 | - | 2,114,706 |
| Total net position | <u>\$ 2,033,417</u> | <u>\$ 112,512</u> | <u>\$ -</u> | <u>\$ 2,145,929</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, 2016

Exhibit 24

| | Employee Benefits Fund | Equipment Operating Fund | Other Post- Employment Benefits Fund | Total |
|---|------------------------------|--------------------------------|---|---------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 605,080 | \$ 1,270,078 | \$ 480,000 | \$ 2,355,158 |
| Total operating revenues | <u>605,080</u> | <u>1,270,078</u> | <u>480,000</u> | <u>2,355,158</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 332,945 | 315,247 | 480,000 | 1,128,192 |
| Contractual services | - | 249,877 | - | 249,877 |
| Other supplies and expenses | - | 719,253 | - | 719,253 |
| Insurance claims and expenses | 434,137 | - | - | 434,137 |
| Depreciation | - | 4,892 | - | 4,892 |
| Total operating expenses | <u>767,082</u> | <u>1,289,269</u> | <u>480,000</u> | <u>2,536,351</u> |
| Operating loss | <u>(162,002)</u> | <u>(19,191)</u> | <u>-</u> | <u>(181,193)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment earnings | 13,475 | 815 | - | 14,290 |
| Change in net position | (148,527) | (18,376) | - | (166,903) |
| Total net position - beginning | <u>2,181,944</u> | <u>130,888</u> | <u>-</u> | <u>2,312,832</u> |
| Total net position - ending | <u>\$ 2,033,417</u> | <u>\$ 112,512</u> | <u>\$ -</u> | <u>\$ 2,145,929</u> |

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2016

Exhibit 25

| | Employee Benefits Fund | Equipment Operating Fund | Other Post- Employment Benefits Fund | Total |
|---|------------------------------|--------------------------------|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from internal services provided | \$ 630,823 | \$ 1,271,419 | \$ 480,000 | \$ 2,382,242 |
| Cash paid to suppliers | - | (919,302) | - | (919,302) |
| Cash paid to employees | (332,945) | (301,261) | - | (634,206) |
| Premiums paid | (227,508) | - | - | (227,508) |
| Net cash provided by operating activities | <u>70,370</u> | <u>50,856</u> | <u>480,000</u> | <u>601,226</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | <u>13,475</u> | <u>815</u> | - | <u>14,290</u> |
| Net cash provided by investing activities | <u>13,475</u> | <u>815</u> | - | <u>14,290</u> |
| Net increase in cash and cash equivalents | 83,845 | 51,671 | 480,000 | 615,516 |
| Cash and cash equivalents - beginning of year | <u>2,050,555</u> | <u>138,748</u> | <u>2,242,077</u> | <u>4,431,380</u> |
| Cash and cash equivalents - end of year | <u>\$ 2,134,400</u> | <u>\$ 190,419</u> | <u>\$ 2,722,077</u> | <u>\$ 5,046,896</u> |
| Cash and cash equivalents at end of year is comprised of the following: | | | | |
| Cash | \$ 1,586,203 | \$ 135,072 | \$ 1,930,885 | \$ 3,652,160 |
| Cash equivalents - investments | <u>548,197</u> | <u>55,347</u> | <u>791,192</u> | <u>1,394,736</u> |
| Total | <u>\$ 2,134,400</u> | <u>\$ 190,419</u> | <u>\$ 2,722,077</u> | <u>\$ 5,046,896</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | | | | |
| Operating loss | \$ (162,002) | \$ (19,191) | \$ - | \$ (181,193) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | | |
| Depreciation | - | 4,892 | - | 4,892 |
| Pension expense net of employer contributions | - | 480 | - | 480 |
| (Increase) decrease in accounts receivable | 25,743 | 1,341 | - | 27,084 |
| (Increase) decrease in prepaids | (59,048) | - | - | (59,048) |
| (Increase) decrease in inventory | - | 4,208 | - | 4,208 |
| Increase (decrease) in accounts payable | 265,677 | 45,620 | - | 311,297 |
| Increase (decrease) in accrued payroll | - | 6,592 | - | 6,592 |
| Increase (decrease) in net OPEB obligation | - | - | 480,000 | 480,000 |
| Increase (decrease) in compensated absences | - | 6,914 | - | 6,914 |
| Total adjustments | <u>232,372</u> | <u>70,047</u> | <u>480,000</u> | <u>782,419</u> |
| Net cash provided by operating activities | <u>\$ 70,370</u> | <u>\$ 50,856</u> | <u>\$ 480,000</u> | <u>\$ 601,226</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, 2016

Exhibit 26

| | Special Welfare Fund | Northwestern Regional Jail Authority Construction Fund | Northwestern Regional Juvenile Detention Center Fund | Total |
|--|----------------------------|--|---|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Cash | \$ 2,224 | \$ - | \$ 681,000 | \$ 683,224 |
| Investments | - | 1,245,152 | 279,044 | 1,524,196 |
| Accounts receivable | - | - | 371,573 | 371,573 |
| Prepays | - | 1,751 | - | 1,751 |
| Deferred outflows of resources | - | - | 176,104 | 176,104 |
| Total assets and deferred outflows of resources | <u>\$ 2,224</u> | <u>\$ 1,246,903</u> | <u>\$ 1,507,721</u> | <u>\$ 2,756,848</u> |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | | |
| Accounts payable | \$ - | \$ - | \$ 30,780 | \$ 30,780 |
| Accrued payroll | - | - | 121,830 | 121,830 |
| Net pension liability | - | - | 689,488 | 689,488 |
| Deferred inflows of resources | - | - | 263,710 | 263,710 |
| Amounts held for social services clients | 2,224 | - | - | 2,224 |
| Amounts held for NRJA | - | 1,246,903 | - | 1,246,903 |
| Amounts held for NRJDC | - | - | 401,913 | 401,913 |
| Total liabilities and deferred inflows of resources | <u>\$ 2,224</u> | <u>\$ 1,246,903</u> | <u>\$ 1,507,721</u> | <u>\$ 2,756,848</u> |

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS, DEFERRED OUTFLOWS OF RESOURCES,
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES
AGENCY FUNDS
For the Year Ended June 30, 2016

Exhibit 27

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|---|-------------------------|---------------------|---------------------|--------------------------|
| Special Welfare Fund | | | | |
| Assets: | | | | |
| Cash | \$ 3,380 | \$ - | \$ 1,156 | \$ 2,224 |
| Total Assets | <u>\$ 3,380</u> | <u>\$ -</u> | <u>\$ 1,156</u> | <u>\$ 2,224</u> |
| Liabilities: | | | | |
| Amounts held for social services clients | \$ 3,380 | \$ - | \$ 1,156 | \$ 2,224 |
| Total Liabilities | <u>\$ 3,380</u> | <u>\$ -</u> | <u>\$ 1,156</u> | <u>\$ 2,224</u> |
| Northwestern Regional Jail Authority | | | | |
| Construction Fund | | | | |
| Assets: | | | | |
| Cash | \$ 191,454 | \$ - | \$ 191,454 | \$ - |
| Investments | 1,598,563 | 1,233,015 | 1,586,426 | 1,245,152 |
| Prepays | 1,751 | - | - | 1,751 |
| Total Assets | <u>\$ 1,791,768</u> | <u>\$ 1,233,015</u> | <u>\$ 1,777,880</u> | <u>\$ 1,246,903</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 311,473 | \$ - | \$ 311,473 | \$ - |
| Amounts held for NRJA | 1,480,295 | 1,233,015 | 1,466,407 | 1,246,903 |
| Total Liabilities | <u>\$ 1,791,768</u> | <u>\$ 1,233,015</u> | <u>\$ 1,777,880</u> | <u>\$ 1,246,903</u> |
| Northwestern Regional Juvenile Detention Center Fund | | | | |
| Assets and deferred outflows of resources: | | | | |
| Cash | \$ 698,557 | \$ 2,772,823 | \$ 2,790,380 | \$ 681,000 |
| Investments | 423,283 | - | 144,239 | 279,044 |
| Accounts receivable | 9,614 | 1,862,427 | 1,500,468 | 371,573 |
| Deferred outflows of resources | 181,848 | 176,104 | 181,848 | 176,104 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,313,302</u> | <u>\$ 4,811,354</u> | <u>\$ 4,616,935</u> | <u>\$ 1,507,721</u> |
| Liabilities and deferred inflows of resources: | | | | |
| Accounts payable | \$ 36,595 | \$ 2,580,470 | \$ 2,586,285 | \$ 30,780 |
| Accrued payroll | 108,185 | 13,645 | - | 121,830 |
| Net pension liability | 809,613 | 689,488 | 809,613 | 689,488 |
| Deferred inflows of resources | 302,883 | 263,710 | 302,883 | 263,710 |
| Amounts held for NRJDC | 56,026 | 1,264,041 | 918,154 | 401,913 |
| Total Liabilities and Deferred Inflows of Resources | <u>\$ 1,313,302</u> | <u>\$ 4,811,354</u> | <u>\$ 4,616,935</u> | <u>\$ 1,507,721</u> |
| Total All Agency Funds | | | | |
| Assets and deferred outflows of resources: | | | | |
| Cash | \$ 893,391 | \$ 2,772,823 | \$ 2,982,990 | \$ 683,224 |
| Investments | 2,021,846 | 1,233,015 | 1,730,665 | 1,524,196 |
| Accounts receivable | 9,614 | 1,862,427 | 1,500,468 | 371,573 |
| Prepays | 1,751 | - | - | 1,751 |
| Deferred outflows of resources | 181,848 | 176,104 | 181,848 | 176,104 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 3,108,450</u> | <u>\$ 6,044,369</u> | <u>\$ 6,395,971</u> | <u>\$ 2,756,848</u> |
| Liabilities and deferred inflows of resources: | | | | |
| Accounts payable | \$ 348,068 | \$ 2,580,470 | \$ 2,897,758 | \$ 30,780 |
| Accrued payroll | 108,185 | 13,645 | - | 121,830 |
| Net pension liability | 809,613 | 689,488 | 809,613 | 689,488 |
| Deferred inflows of resources | 302,883 | 263,710 | 302,883 | 263,710 |
| Amounts held for social services clients | 3,380 | - | 1,156 | 2,224 |
| Amounts held for NRJA | 1,480,295 | 1,233,015 | 1,466,407 | 1,246,903 |
| Amounts held for NRJDC | 56,026 | 1,264,041 | 918,154 | 401,913 |
| Total Liabilities and Deferred Inflows of Resources | <u>\$ 3,108,450</u> | <u>\$ 6,044,369</u> | <u>\$ 6,395,971</u> | <u>\$ 2,756,848</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 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, 2016

Exhibit 28

| | School Operating Fund | School Fundraising Fund | School Capital Improvement Fund | School Construction Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-----------------------------|-------------------------------|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash | \$ 2,669,335 | \$ 763,562 | \$ 716,821 | \$ - | \$ 900,496 | \$ 5,050,214 |
| Investments | 1,093,529 | 312,464 | 293,721 | - | 368,622 | 2,068,336 |
| Receivables, net: | | | | | | |
| Accounts | 188,287 | - | 153,944 | - | - | 342,231 |
| Promises to give | - | 780,996 | - | - | - | 780,996 |
| Due from other funds | 769,740 | - | - | - | - | 769,740 |
| Due from other governments | 741,530 | - | - | - | 1,234,672 | 1,976,202 |
| Inventories | - | - | - | - | 52,693 | 52,693 |
| Investments - restricted | - | - | - | 2,093,782 | - | 2,093,782 |
| | <u>5,462,421</u> | <u>1,857,022</u> | <u>1,164,486</u> | <u>2,093,782</u> | <u>2,556,483</u> | <u>13,134,194</u> |
| Total assets | | | | | | |
| | <u>\$ 5,462,421</u> | <u>\$ 1,857,022</u> | <u>\$ 1,164,486</u> | <u>\$ 2,093,782</u> | <u>\$ 2,556,483</u> | <u>\$ 13,134,194</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 953,486 | \$ 168,278 | \$ 72,021 | \$ 1,272,152 | \$ 94,511 | \$ 2,560,448 |
| Accrued payroll | 4,474,792 | - | - | - | 456,051 | 4,930,843 |
| Due to other funds | - | - | - | - | 769,740 | 769,740 |
| | <u>5,428,278</u> | <u>168,278</u> | <u>72,021</u> | <u>1,272,152</u> | <u>1,320,302</u> | <u>8,261,031</u> |
| Total liabilities | | | | | | |
| | <u>5,428,278</u> | <u>168,278</u> | <u>72,021</u> | <u>1,272,152</u> | <u>1,320,302</u> | <u>8,261,031</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | 20,175 | 780,996 | - | - | - | 801,171 |
| | <u>20,175</u> | <u>780,996</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>801,171</u> |
| Total deferred inflows of resources | | | | | | |
| | <u>20,175</u> | <u>780,996</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>801,171</u> |
| Fund balances: | | | | | | |
| Restricted: | | | | | | |
| Debt proceeds not yet spent | - | - | - | 821,630 | - | 821,630 |
| Nonspendable | - | - | - | - | 52,693 | 52,693 |
| Assigned | 13,968 | 907,748 | 1,092,465 | - | 1,183,488 | 3,197,669 |
| | <u>13,968</u> | <u>907,748</u> | <u>1,092,465</u> | <u>821,630</u> | <u>1,236,181</u> | <u>4,071,992</u> |
| Total fund balances | | | | | | |
| | <u>13,968</u> | <u>907,748</u> | <u>1,092,465</u> | <u>821,630</u> | <u>1,236,181</u> | <u>4,071,992</u> |
| Total liabilities and fund balances | <u>\$ 5,462,421</u> | <u>\$ 1,857,022</u> | <u>\$ 1,164,486</u> | <u>\$ 2,093,782</u> | <u>\$ 2,556,483</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. | 124,932,493 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 801,171 |
| 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. | 668,671 |
| 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 | (2,112,426) |
| Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds. | |
| Deferred outflows of resources for 2016 employer contributions | 4,204,791 |
| Deferred outflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions-teacher cost sharing | 1,465,000 |
| Pension related deferred inflows | (3,736,066) |
| Net pension liability | <u>(47,860,971)</u> |

Net position of governmental activities

\$ 82,434,655

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, 2016

Exhibit 29

| | 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 | \$ 89,204 | \$ 6,413 | \$ 4,522 | \$ 27,627 | \$ 5,305 | \$ 133,071 |
| Charges for services | 193,954 | - | - | - | 517,900 | 711,854 |
| Miscellaneous | 434,800 | 116,101 | 2,575 | - | 23,954 | 577,430 |
| Recovered costs | 16,051 | - | 120,064 | - | - | 136,115 |
| Intergovernmental revenues: | | | | | | |
| Local | 27,811,446 | - | 650,000 | 1,000,000 | 185,500 | 29,646,946 |
| Commonwealth | 22,218,976 | - | 10,710 | - | 38,042 | 22,267,728 |
| Federal | - | - | - | - | 4,798,732 | 4,798,732 |
| Total revenues | <u>50,764,431</u> | <u>122,514</u> | <u>787,871</u> | <u>1,027,627</u> | <u>5,569,433</u> | <u>58,271,876</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Education | 50,460,506 | 5,552 | - | - | 5,409,708 | 55,875,766 |
| Capital projects | - | 194,577 | 526,844 | 12,754,030 | - | 13,475,451 |
| Total expenditures | <u>50,460,506</u> | <u>200,129</u> | <u>526,844</u> | <u>12,754,030</u> | <u>5,409,708</u> | <u>69,351,217</u> |
| Excess (deficiency) of revenues over expenditures | <u>303,925</u> | <u>(77,615)</u> | <u>261,027</u> | <u>(11,726,403)</u> | <u>159,725</u> | <u>(11,079,341)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | 103,002 | - | 206,270 | 309,272 |
| Transfers out | (309,272) | - | - | - | - | (309,272) |
| Total other financing sources (uses) | <u>(309,272)</u> | <u>-</u> | <u>103,002</u> | <u>-</u> | <u>206,270</u> | <u>-</u> |
| Net change in fund balances | (5,347) | (77,615) | 364,029 | (11,726,403) | 365,995 | (11,079,341) |
| Fund balances - beginning | 19,315 | 985,363 | 728,436 | 12,548,033 | 870,186 | |
| Fund balances - ending | <u>\$ 13,968</u> | <u>\$ 907,748</u> | <u>\$ 1,092,465</u> | <u>\$ 821,630</u> | <u>\$ 1,236,181</u> | |

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

| | |
|---|--------------------|
| Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$13,380,385) exceeded depreciation (\$3,002,413) in the current period. | 10,377,972 |
| 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. | (4,203) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | (34,644) |
| 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. | (98,031) |
| 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 | (265,636) |
| 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 | 4,204,791 |
| Special contribution by State to VRS Teacher Retirement Plan | 729,000 |
| Pension expense | <u>(3,907,830)</u> |
| | <u>1,025,961</u> |

Change in net position of governmental activities \$ (77,922)

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
For the Year Ended June 30, 2016

Exhibit 30

| | 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 | \$ 89,204 | \$ 34,204 |
| Charges for services | 125,000 | 125,000 | 193,954 | 68,954 |
| Miscellaneous | 342,500 | 439,991 | 434,800 | (5,191) |
| Recovered costs | 91,134 | 91,134 | 16,051 | (75,083) |
| Intergovernmental: | | | | |
| Local | 29,059,397 | 28,684,617 | 27,811,446 | (873,171) |
| Commonwealth | 21,607,399 | 22,054,405 | 22,218,976 | 164,571 |
| Total revenues | <u>51,280,430</u> | <u>51,450,147</u> | <u>50,764,431</u> | <u>(685,716)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>51,280,430</u> | <u>51,140,875</u> | <u>50,460,506</u> | <u>680,369</u> |
| Total expenditures | <u>51,280,430</u> | <u>51,140,875</u> | <u>50,460,506</u> | <u>680,369</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>309,272</u> | <u>303,925</u> | <u>(5,347)</u> |
| OTHER FINANCING USES | | | | |
| Transfers out | <u>-</u> | <u>(309,272)</u> | <u>(309,272)</u> | <u>-</u> |
| Total other financing uses | <u>-</u> | <u>(309,272)</u> | <u>(309,272)</u> | <u>-</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (5,347)</u> | <u>\$ (5,347)</u> |

**CITY OF WINCHESTER, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2016**

Exhibit 31

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|--------------------------------------|-----------------------------|-------------------------------------|----------------------------|--|
| | School Cafeteria Fund | School Federal Grants Fund | School Textbook Fund | |
| ASSETS | | | | |
| Cash | \$ 459,627 | \$ - | \$ 440,869 | \$ 900,496 |
| Investments | 187,974 | - | 180,648 | 368,622 |
| Accounts receivable | - | - | - | - |
| Due from other governments | 34,039 | 1,200,633 | - | 1,234,672 |
| Inventories | 52,693 | - | - | 52,693 |
| | <u>734,333</u> | <u>1,200,633</u> | <u>621,517</u> | <u>2,556,483</u> |
| Total assets | <u>\$ 734,333</u> | <u>\$ 1,200,633</u> | <u>\$ 621,517</u> | <u>\$ 2,556,483</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 4,206 | \$ 90,305 | \$ - | \$ 94,511 |
| Accrued payroll | 115,463 | 340,588 | - | 456,051 |
| Due to other funds | - | 769,740 | - | 769,740 |
| | <u>119,669</u> | <u>1,200,633</u> | <u>-</u> | <u>1,320,302</u> |
| Total liabilities | <u>119,669</u> | <u>1,200,633</u> | <u>-</u> | <u>1,320,302</u> |
| Fund balances: | | | | |
| Nonspendable | 52,693 | - | - | 52,693 |
| Assigned | 561,971 | - | 621,517 | 1,183,488 |
| | <u>614,664</u> | <u>-</u> | <u>621,517</u> | <u>1,236,181</u> |
| Total fund balances | <u>614,664</u> | <u>-</u> | <u>621,517</u> | <u>1,236,181</u> |
| Total liabilities and fund balances | <u>\$ 734,333</u> | <u>\$ 1,200,633</u> | <u>\$ 621,517</u> | <u>\$ 2,556,483</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, 2016

Exhibit 32

| | Special Revenue | | | |
|---|-----------------------------|-------------------------------------|----------------------------|--|
| | School Cafeteria Fund | School Federal Grants Fund | School Textbook Fund | Total Nonmajor Governmental Funds |
| REVENUES | | | | |
| Revenues from use of money and property | \$ 3,441 | \$ - | \$ 1,864 | \$ 5,305 |
| Charges for services | 517,900 | - | - | 517,900 |
| Miscellaneous | 23,954 | - | - | 23,954 |
| Intergovernmental revenues: | | | | |
| Local | - | - | 185,500 | 185,500 |
| Commonwealth | 38,042 | - | - | 38,042 |
| Federal | 1,623,737 | 3,174,995 | - | 4,798,732 |
| Total revenues | <u>2,207,074</u> | <u>3,174,995</u> | <u>187,364</u> | <u>5,569,433</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>2,234,671</u> | <u>3,174,995</u> | <u>42</u> | <u>5,409,708</u> |
| Total expenditures | <u>2,234,671</u> | <u>3,174,995</u> | <u>42</u> | <u>5,409,708</u> |
| Excess (deficiency) of revenues over expenditures | <u>(27,597)</u> | <u>-</u> | <u>187,322</u> | <u>159,725</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | <u>-</u> | <u>-</u> | <u>206,270</u> | <u>206,270</u> |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>206,270</u> | <u>206,270</u> |
| Net change in fund balances | (27,597) | - | 393,592 | 365,995 |
| Fund balance - beginning | <u>642,262</u> | <u>-</u> | <u>227,924</u> | <u>870,186</u> |
| Fund balance - ending | <u>\$ 614,665</u> | <u>\$ -</u> | <u>\$ 621,516</u> | <u>\$ 1,236,181</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, 2016

| | 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 | \$ 3,441 | \$ 1,941 |
| Charges for services | 795,005 | 795,005 | 517,900 | (277,105) |
| Miscellaneous | 5,000 | 5,000 | 23,954 | 18,954 |
| Intergovernmental: | | | | |
| Local | - | - | - | - |
| Commonwealth | 38,424 | 37,604 | 38,042 | 438 |
| Federal | 1,295,111 | 1,441,113 | 1,623,737 | 182,624 |
| Total revenues | <u>2,135,040</u> | <u>2,280,222</u> | <u>2,207,074</u> | <u>(73,148)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>2,135,040</u> | <u>2,280,222</u> | <u>2,234,671</u> | <u>45,551</u> |
| Total expenditures | <u>2,135,040</u> | <u>2,280,222</u> | <u>2,234,671</u> | <u>45,551</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>(27,597)</u> | <u>(27,597)</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>\$ (27,597)</u> | <u>\$ (27,597)</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 | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,864 | \$ 1,864 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 185,500 | 185,500 |
| - | - | - | - | - | - | - | - |
| <u>3,183,167</u> | <u>3,787,718</u> | <u>3,174,995</u> | <u>(612,723)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>3,183,167</u> | <u>3,787,718</u> | <u>3,174,995</u> | <u>(612,723)</u> | <u>-</u> | <u>-</u> | <u>187,364</u> | <u>187,364</u> |
| | | | | | | | |
| <u>3,183,167</u> | <u>3,787,718</u> | <u>3,174,995</u> | <u>612,723</u> | <u>100,000</u> | <u>623,803</u> | <u>42</u> | <u>623,761</u> |
| <u>3,183,167</u> | <u>3,787,718</u> | <u>3,174,995</u> | <u>612,723</u> | <u>100,000</u> | <u>623,803</u> | <u>42</u> | <u>623,761</u> |
| | | | | | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(100,000)</u> | <u>(623,803)</u> | <u>187,322</u> | <u>811,125</u> |
| | | | | | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>623,803</u> | <u>206,270</u> | <u>(417,533)</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>623,803</u> | <u>206,270</u> | <u>(417,533)</u> |
| | | | | | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 393,592</u> | <u>\$ 393,592</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, 2016

| | School Fundraising Fund | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|----------------|--------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenues from use of money and property | \$ - | \$ - | \$ 6,413 | \$ 6,413 |
| Miscellaneous | 450,000 | 450,000 | 116,101 | (333,899) |
| Recovered costs | - | - | - | - |
| Intergovernmental: | | | | |
| Local | - | - | - | - |
| Commonwealth | - | - | - | - |
| Total revenues | <u>450,000</u> | <u>450,000</u> | <u>122,514</u> | <u>(327,486)</u> |
| EXPENDITURES | | | | |
| Education | - | 5,995 | 5,552 | 443 |
| Capital projects | 450,000 | 444,005 | 194,577 | 249,428 |
| Total expenditures | <u>450,000</u> | <u>450,000</u> | <u>200,129</u> | <u>249,871</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>(77,615)</u> | <u>(77,615)</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>\$ (77,615)</u> | <u>\$ (77,615)</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 | |
| \$ - | \$ - | \$ 4,522 | \$ 4,522 | \$ - | \$ 20,000 | \$ 27,627 | \$ 7,627 |
| - | - | 2,575 | 2,575 | - | - | - | - |
| - | - | 120,064 | 120,064 | - | - | - | - |
| - | - | 650,000 | 650,000 | 8,000,000 | 13,548,033 | 1,000,000 | (12,548,033) |
| - | - | 10,710 | 10,710 | - | - | - | - |
| - | - | 787,871 | 787,871 | 8,000,000 | 13,568,033 | 1,027,627 | (12,540,406) |
| - | - | - | - | - | - | - | - |
| 200,000 | 1,481,439 | 526,844 | 954,595 | 8,000,000 | 13,568,033 | 12,754,030 | 814,003 |
| 200,000 | 1,481,439 | 526,844 | 954,595 | 8,000,000 | 13,568,033 | 12,754,030 | 814,003 |
| (200,000) | (1,481,439) | 261,027 | 1,742,466 | - | - | (11,726,403) | (11,726,403) |
| 200,000 | 1,481,439 | 103,002 | (1,378,437) | - | - | - | - |
| 200,000 | 1,481,439 | 103,002 | (1,378,437) | - | - | - | - |
| \$ - | \$ - | \$ 364,029 | \$ 364,029 | \$ - | \$ - | \$ (11,726,403) | \$ (11,726,403) |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
June 30, 2016

Exhibit 35

| | School Insurance Fund |
|-------------------------|-----------------------------|
| <hr/> | |
| ASSETS | |
| Current assets: | |
| Cash | \$ 474,208 |
| Investments | 194,309 |
| Receivables, net | <u>154</u> |
| Total current assets | <u>668,671</u> |
| NET POSITION | |
| Unrestricted | <u>\$ 668,671</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, 2016

Exhibit 36

| | School Insurance Fund |
|--------------------------------|-----------------------------|
| <hr/> | |
| OPERATING REVENUES | |
| Charges for services | \$ 4,741,438 |
| Total operating revenues | <u>4,741,438</u> |
| OPERATING EXPENSES | |
| Other supplies and expenses | 75 |
| Insurance claims and expenses | <u>4,841,915</u> |
| Total operating expenses | <u>4,841,990</u> |
| Operating loss | <u>(100,552)</u> |
| NONOPERATING REVENUES | |
| Investment earnings | <u>2,521</u> |
| Total nonoperating revenues | <u>2,521</u> |
| Change in net position | (98,031) |
| Total net position - beginning | <u>766,702</u> |
| Total net position - ending | <u><u>\$ 668,671</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, 2016**

Exhibit 37

| | School Insurance Fund |
|---|-----------------------------|
| <hr/> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from internal services provided | \$ 4,741,610 |
| Premiums paid | <u>(4,842,905)</u> |
| Net cash used in operating activities | <u>(101,295)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends received | <u>2,521</u> |
| Net cash provided by investing activities | <u>2,521</u> |
| Net decrease in cash and cash equivalents | (98,774) |
| Cash and cash equivalents - beginning of year | <u>767,291</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 668,517</u></u> |
| Cash and cash equivalents at end of year is comprised of the following: | |
| Cash | \$ 474,208 |
| Cash equivalents - Investments | <u>194,309</u> |
| Total | <u><u>\$ 668,517</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (100,552) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Change in assets and liabilities: | |
| Decrease (increase) in accounts receivable | 172 |
| Increase (decrease) in accrued payroll | <u>(915)</u> |
| Total adjustments | <u>(743)</u> |
| Net cash used in operating activities | <u><u>\$ (101,295)</u></u> |

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2016

Exhibit 38

| | School Scholarship Fund | Newton B. Shingleton Scholarship Fund | M. Louise Cooper Scholarship Fund | Total |
|--------------------------------|-------------------------------|--|--|-------------------|
| ASSETS | | | | |
| Cash | \$ 1,757 | \$ 34,646 | \$ 83,212 | \$ 119,615 |
| Investments | 404,254 | - | - | 404,254 |
| Total assets | <u>\$ 406,011</u> | <u>\$ 34,646</u> | <u>\$ 83,212</u> | <u>\$ 523,869</u> |
| NET POSITION | | | | |
| Held in trust for scholarships | <u>\$ 406,011</u> | <u>\$ 34,646</u> | <u>\$ 83,212</u> | <u>\$ 523,869</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, 2016

Exhibit 39

| | School Scholarship Fund | Newton B. Shingleton Scholarship Fund | M. Louise Cooper Scholarship Fund | Total |
|---|-------------------------------|--|--|-------------------|
| ADDITIONS | | | | |
| Gifts and contributions | \$ 25,538 | \$ 3,000 | \$ 36,633 | \$ 65,171 |
| Investment earnings: | | | | |
| Interest | 13 | - | 7 | 20 |
| Dividends | 15,910 | 2,728 | - | 18,638 |
| Realized and unrealized losses on investments | (9,196) | (2,090) | - | (11,286) |
| Total additions | <u>32,265</u> | <u>3,638</u> | <u>36,640</u> | <u>72,543</u> |
| DEDUCTIONS | | | | |
| Administrative expenses | 7,258 | 172 | - | 7,430 |
| Scholarships awarded | 43,427 | 6,000 | 32,000 | 81,427 |
| Total deductions | <u>50,685</u> | <u>6,172</u> | <u>32,000</u> | <u>88,857</u> |
| Change in net position | (18,420) | (2,534) | 4,640 | (16,314) |
| Net position - beginning | <u>424,431</u> | <u>37,180</u> | <u>78,572</u> | <u>540,183</u> |
| Net position - ending | <u>\$ 406,011</u> | <u>\$ 34,646</u> | <u>\$ 83,212</u> | <u>\$ 523,869</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, 2016

Exhibit 40

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|--------------------------------------|-------------------------|------------------|------------------|--------------------------|
| School Employee Benefits Fund | | | | |
| Assets: | | | | |
| Cash | \$ 535,515 | \$ 52,315 | \$ - | \$ 587,830 |
| Investments | <u>260,220</u> | <u>-</u> | <u>58,037</u> | <u>202,183</u> |
| Total assets | <u>\$ 795,735</u> | <u>\$ 52,315</u> | <u>\$ 58,037</u> | <u>\$ 790,013</u> |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 795,735</u> | <u>\$ -</u> | <u>\$ 5,722</u> | <u>\$ 790,013</u> |
| Total liabilities | <u>\$ 795,735</u> | <u>\$ -</u> | <u>\$ 5,722</u> | <u>\$ 790,013</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, 2016

Exhibit 41

Parking
Authority
Fund

ASSETS

| | |
|---------------------------|------------------|
| Current assets: | |
| Cash | \$ 235,088 |
| Investments | 96,328 |
| Accounts receivable, net | <u>10,820</u> |
| Total current assets | <u>342,236</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Nondepreciable | 11,685 |
| Depreciable, net | <u>7,785,922</u> |
| Total capital assets, net | <u>7,797,607</u> |
| Total noncurrent assets | <u>7,797,607</u> |
| Total assets | <u>8,139,843</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|---------------|
| Pension contributions subsequent to the measurement date | <u>26,174</u> |
| Total deferred outflows of resources | <u>26,174</u> |

LIABILITIES

| | |
|------------------------------|------------------|
| Current liabilities: | |
| Accounts payable | 6,647 |
| Accrued payroll | 17,795 |
| Accrued interest payable | 159,323 |
| Revenue bonds payable | <u>214,426</u> |
| Total current liabilities | <u>398,191</u> |
| Noncurrent liabilities: | |
| Net pension liability | 102,477 |
| Compensated absences | 50,089 |
| Revenue bonds payable | <u>7,664,467</u> |
| Total noncurrent liabilities | <u>7,817,033</u> |
| Total liabilities | <u>8,215,224</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|---------------|
| Pension related deferred inflows | <u>39,195</u> |
| Total deferred inflows of resources | <u>39,195</u> |

NET POSITION (DEFICIT)

| | |
|----------------------------------|--------------------|
| Net investment in capital assets | (81,286) |
| Unrestricted | <u>(7,116)</u> |
| Total net position (deficit) | <u>\$ (88,402)</u> |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2016

Exhibit 42

| | Parking Authority Fund |
|--|------------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 1,156,716 |
| Miscellaneous | 2,937 |
| Total operating revenues | 1,159,653 |
| OPERATING EXPENSES | |
| Personal services | 315,606 |
| Contractual services | 56,538 |
| Other supplies and expenses | 191,783 |
| Depreciation | 253,490 |
| Total operating expenses | 817,417 |
| Operating income | 342,236 |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 1,340 |
| Interest and fiscal charges | (370,767) |
| Total nonoperating revenues (expenses) | (369,427) |
| Change in net position | (27,191) |
| Total net position (deficit) - beginning | (61,211) |
| Total net position (deficit) - ending | \$ (88,402) |

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2016

Exhibit 43

| | Parking Authority Fund |
|---|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers and users | \$ 1,154,986 |
| Cash paid to suppliers | (257,957) |
| Cash paid to employees | <u>(337,622)</u> |
| Net cash provided by operating activities | <u>559,407</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal paid on capital debt | (190,000) |
| Interest paid on capital debt | <u>(389,501)</u> |
| Net cash used in capital and related financing activities | <u>(579,501)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment income | <u>1,340</u> |
| Net cash provided by investing activities | <u>1,340</u> |
| Net decrease in cash and cash equivalents | (18,754) |
| Cash and cash equivalents - beginning of year | <u>350,170</u> |
| Cash and cash equivalents - end of year | <u>\$ 331,416</u> |
| Cash and cash equivalents at end of year is comprised of the following: | |
| Cash | \$ 235,088 |
| Cash equivalents - Investments | <u>96,328</u> |
| Total | <u>\$ 331,416</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 342,236 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 253,490 |
| Pension expense net of employer contributions | (24,668) |
| Change in assets and liabilities: | |
| Decrease (increase) in accounts receivable | (4,667) |
| Increase (decrease) in accounts payable | (9,636) |
| Increase (decrease) in accrued payroll | 2,746 |
| Increase (decrease) in compensated absences | <u>(94)</u> |
| Total adjustments | <u>217,171</u> |
| Net cash provided by operating activities | <u>\$ 559,407</u> |

SUPPLEMENTAL DATA

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STATISTICAL SECTION

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

| Contents | Pages |
|--|--------------|
| <i>Financial Trends – Tables 1 – 4</i> | |
| These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time. | 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.

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

Table 1

| | 2007 | 2008 | 2009(1) | 2010(1) | 2011 | 2012 | 2013(1) | 2014 (1) | 2015 (2) | 2016 |
|---|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 35,925,618 | \$ 42,291,055 | \$ 44,602,441 | \$ 62,512,145 | \$ 62,402,348 | \$ 58,706,983 | \$ 56,163,377 | \$ 57,626,610 | \$ 62,544,269 | \$ 66,966,198 |
| Restricted | 217,166 | 102,003 | 49,876 | - | - | - | - | - | - | - |
| Unrestricted | (53,683,445) | (58,705,920) | (59,010,599) | (58,030,587) | (50,945,522) | (41,218,664) | (33,564,155) | (46,366,141) | (55,025,188) | (47,098,924) |
| Total governmental activities net position | <u>\$ (17,540,661)</u> | <u>\$ (16,312,862)</u> | <u>\$ (14,358,282)</u> | <u>\$ 4,481,558</u> | <u>\$ 11,456,826</u> | <u>\$ 17,488,319</u> | <u>\$ 22,599,222</u> | <u>\$ 11,260,469</u> | <u>\$ 7,519,081</u> | <u>\$ 19,867,274</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 32,018,014 | \$ 35,012,184 | \$ 36,807,871 | \$ 44,278,901 | \$ 43,480,262 | \$ 48,176,844 | \$ 49,037,689 | \$ 51,196,584 | \$ 54,226,599 | \$ 56,936,681 |
| Restricted | 2,000 | 2,000 | 2,000 | - | - | - | - | - | - | - |
| Unrestricted | 6,531,712 | 3,555,389 | 5,579,913 | 380,107 | 917,995 | (443,640) | 778,298 | 1,811,069 | 1,468,786 | 2,059,919 |
| Total business-type activities net position | <u>\$ 38,551,726</u> | <u>\$ 38,569,573</u> | <u>\$ 42,389,784</u> | <u>\$ 44,659,008</u> | <u>\$ 44,398,257</u> | <u>\$ 47,733,204</u> | <u>\$ 49,815,987</u> | <u>\$ 53,007,653</u> | <u>\$ 55,695,385</u> | <u>\$ 58,996,600</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 67,943,632 | \$ 77,303,239 | \$ 81,410,312 | \$ 106,791,046 | \$ 105,882,610 | \$ 106,883,827 | \$ 105,201,066 | \$ 108,823,194 | \$ 116,770,868 | \$ 123,902,879 |
| Restricted | 219,166 | 104,003 | 51,876 | - | - | - | - | - | - | - |
| Unrestricted | (47,151,733) | (55,150,531) | (53,430,686) | (57,650,480) | (50,027,527) | (41,662,304) | (32,785,857) | (44,555,072) | (53,556,402) | (45,039,005) |
| Total primary government net position | <u>\$ 21,011,065</u> | <u>\$ 22,256,711</u> | <u>\$ 28,031,502</u> | <u>\$ 49,140,566</u> | <u>\$ 55,855,083</u> | <u>\$ 65,221,523</u> | <u>\$ 72,415,209</u> | <u>\$ 64,268,122</u> | <u>\$ 63,214,466</u> | <u>\$ 78,863,874</u> |
| School Board Component Unit | | | | | | | | | | |
| Net investment in capital assets | \$ 88,843,037 | \$ 104,213,868 | \$ 112,430,425 | \$ 116,460,222 | \$ 114,692,709 | \$ 113,054,855 | \$ 111,503,820 | \$ 109,960,064 | \$ 114,558,724 | \$ 124,932,493 |
| Restricted | 2,096,290 | 3,731,987 | 1,767,727 | - | - | - | 575,798 | 20,371,300 | 13,403,506 | 821,630 |
| Unrestricted | 16,779,217 | 8,553,970 | 2,173,262 | 3,881,107 | 5,791,479 | 5,907,579 | 5,578,658 | 3,363,800 | (43,930,728) | (43,319,468) |
| Total governmental activities net position | <u>\$ 107,718,544</u> | <u>\$ 116,499,825</u> | <u>\$ 116,371,414</u> | <u>\$ 120,341,329</u> | <u>\$ 120,484,188</u> | <u>\$ 118,962,434</u> | <u>\$ 117,658,276</u> | <u>\$ 133,695,164</u> | <u>\$ 84,031,502</u> | <u>\$ 82,434,655</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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 4,611,199 | \$ 4,963,448 | \$ 4,646,225 | \$ 4,023,701 | \$ 3,951,051 | \$ 4,450,987 | \$ 4,098,528 | \$ 4,847,983 | \$ 4,568,861 | \$ 5,329,460 |
| Judicial administration | 2,347,350 | 2,015,178 | 2,763,951 | 2,884,754 | 2,935,921 | 2,937,196 | 3,208,823 | 3,217,304 | 3,058,235 | 3,567,530 |
| Public safety | 15,534,200 | 16,781,824 | 18,323,978 | 17,585,438 | 17,771,948 | 18,061,684 | 19,051,218 | 19,691,104 | 19,887,873 | 20,791,778 |
| Public works | 5,871,189 | 7,940,266 | 7,067,534 | 7,766,233 | 9,257,342 | 11,502,592 | 10,462,004 | 12,276,087 | 10,879,509 | 11,195,268 |
| Health and welfare | 7,689,247 | 7,705,538 | 7,579,302 | 7,246,742 | 7,730,706 | 7,659,067 | 7,208,056 | 6,874,897 | 7,425,520 | 7,773,128 |
| Education | 44,973,236 | 32,640,160 | 27,924,540 | 25,416,114 | 25,378,193 | 25,383,157 | 26,706,238 | 45,697,366 | 27,576,745 | 29,707,234 |
| Parks, recreation, and culture | 2,385,028 | 2,968,842 | 3,354,192 | 3,413,062 | 3,461,791 | 3,525,459 | 3,792,062 | 3,504,618 | 4,021,683 | 3,366,170 |
| Community development | 1,920,305 | 2,173,272 | 1,850,299 | 1,653,859 | 2,414,352 | 2,077,685 | 2,438,493 | 1,810,977 | 2,490,393 | 1,632,494 |
| Interest on long-term debt | 4,184,083 | 4,640,407 | 4,610,500 | 4,249,316 | 4,036,885 | 3,436,706 | 3,156,413 | 3,682,243 | 3,551,526 | 3,585,291 |
| Bond issuance costs | - | - | - | - | - | - | - | 183,567 | 179,468 | 75,256 |
| Total governmental activities expenses | <u>89,515,837</u> | <u>81,828,935</u> | <u>78,120,521</u> | <u>74,239,219</u> | <u>76,938,189</u> | <u>79,034,533</u> | <u>80,121,835</u> | <u>101,786,146</u> | <u>83,639,813</u> | <u>87,023,609</u> |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 12,867,908 | 14,427,989 | 16,030,605 | 15,973,606 | 17,132,555 | 19,207,251 | 21,294,667 | 20,636,511 | 21,456,454 | 22,171,658 |
| Transit service | 924,440 | 853,081 | 910,514 | 964,912 | - | - | - | - | - | - |
| Total business-type activities expenses | <u>13,792,348</u> | <u>15,281,070</u> | <u>16,941,119</u> | <u>16,938,518</u> | <u>17,132,555</u> | <u>19,207,251</u> | <u>21,294,667</u> | <u>20,636,511</u> | <u>21,456,454</u> | <u>22,171,658</u> |
| Total primary government expenses | <u>\$ 103,308,185</u> | <u>\$ 97,110,005</u> | <u>\$ 95,061,640</u> | <u>\$ 91,177,737</u> | <u>\$ 94,070,744</u> | <u>\$ 98,241,784</u> | <u>\$ 101,416,502</u> | <u>\$ 122,422,657</u> | <u>\$ 105,096,267</u> | <u>\$ 109,195,267</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 681,154 | \$ 732,219 | \$ 795,459 | \$ 254,535 | \$ 276,960 | \$ 269,955 | \$ 113,965 | \$ 147,384 | \$ 154,503 | \$ 237,474 |
| Judicial administration | 371,968 | 359,633 | 204,413 | 630,433 | 781,054 | 837,066 | 683,121 | 634,692 | 653,086 | 707,512 |
| Public safety | 1,008,032 | 895,701 | 888,450 | 992,875 | 1,031,282 | 961,651 | 1,226,999 | 1,193,298 | 1,254,909 | 1,349,908 |
| Public works | 615,990 | 603,778 | 1,064,374 | 341,284 | 788,258 | 1,193,772 | 1,158,991 | 1,071,780 | 1,494,206 | 1,584,757 |
| Health and welfare | 78,634 | 83,304 | 90,838 | 75,357 | 70,083 | 61,555 | 52,875 | 52,008 | 55,214 | 67,621 |
| Parks, recreation, and culture | 593,557 | 620,699 | 607,476 | 781,612 | 732,187 | 777,314 | 665,747 | 833,837 | 874,561 | 839,602 |
| Community development | 557,807 | 444,174 | 277,349 | 441,569 | 312,354 | 279,155 | 302,148 | 316,428 | 390,299 | 352,184 |
| Operating grants and contributions | 9,680,995 | 9,306,894 | 8,931,591 | 10,225,614 | 11,927,468 | 13,093,099 | 11,914,905 | 11,606,524 | 12,993,980 | 15,312,212 |
| Capital grants and contributions | 1,497,526 | 723,220 | 1,835,430 | 16,184,324 | 36,524 | 1,904,428 | 1,141,420 | 1,921,832 | 1,134,183 | 3,775,641 |
| Total governmental activities revenues | <u>15,085,663</u> | <u>13,769,622</u> | <u>14,695,380</u> | <u>29,927,603</u> | <u>15,956,170</u> | <u>19,377,995</u> | <u>17,260,171</u> | <u>17,777,783</u> | <u>19,004,941</u> | <u>24,226,911</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and sewer | 14,656,789 | 16,036,767 | 17,926,218 | 18,236,410 | 19,636,840 | 20,219,861 | 22,411,243 | 24,814,747 | 25,686,701 | 26,809,216 |
| Transit service | 67,579 | 60,070 | 79,959 | 89,482 | - | - | - | - | - | - |
| Operating grants and contributions | 415,530 | 542,664 | 560,688 | - | - | - | - | - | - | - |
| Capital grants and contributions | 1,828,777 | 178,293 | 3,412,273 | 1,583,104 | 498,821 | 3,882,896 | 2,809,805 | 1,400,500 | 1,237,760 | 252,812 |
| Total business-type activities revenues | <u>16,968,675</u> | <u>16,817,794</u> | <u>21,979,138</u> | <u>19,908,996</u> | <u>20,135,661</u> | <u>24,102,757</u> | <u>25,221,048</u> | <u>26,215,247</u> | <u>26,924,461</u> | <u>27,062,028</u> |
| Total primary government revenues | <u>\$ 32,054,338</u> | <u>\$ 30,587,416</u> | <u>\$ 36,674,518</u> | <u>\$ 49,836,599</u> | <u>\$ 36,091,831</u> | <u>\$ 43,480,752</u> | <u>\$ 42,481,219</u> | <u>\$ 43,993,030</u> | <u>\$ 45,929,402</u> | <u>\$ 51,288,939</u> |

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

Table 2 (Continued)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (74,430,174) | \$ (68,059,313) | \$ (63,425,141) | \$ (44,311,616) | \$ (60,982,019) | \$ (59,656,538) | \$ (62,861,664) | \$ (84,008,363) | \$ (64,634,872) | \$ (62,796,698) |
| Business-type activities | 3,176,327 | 1,536,724 | 5,038,019 | 2,970,478 | 3,003,106 | 4,895,506 | 3,926,381 | 5,578,736 | 5,468,007 | 4,890,370 |
| Total primary government net expense | \$ (71,253,847) | \$ (66,522,589) | \$ (58,387,122) | \$ (41,341,138) | \$ (57,978,913) | \$ (54,761,032) | \$ (58,935,283) | \$ (78,429,627) | \$ (59,166,865) | \$ (57,906,328) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 29,385,425 | \$ 33,279,510 | \$ 34,178,174 | \$ 34,168,510 | \$ 33,797,432 | \$ 34,768,213 | \$ 35,952,587 | \$ 37,597,733 | \$ 38,692,668 | \$ 39,173,337 |
| Sales taxes | 10,281,056 | 9,747,373 | 8,037,031 | 7,389,558 | 8,086,528 | 8,485,685 | 8,718,682 | 8,119,431 | 8,859,376 | 9,086,187 |
| Utility taxes | 2,832,613 | 2,015,744 | 1,991,193 | 1,915,234 | 1,987,027 | 1,616,764 | 2,015,264 | 2,233,337 | 2,048,531 | 1,989,779 |
| Business license taxes | 5,901,109 | 5,727,230 | 5,458,468 | 5,236,568 | 5,451,253 | 5,678,324 | 5,736,888 | 6,016,529 | 6,096,072 | 6,373,410 |
| Franchise taxes | 557,228 | 276,598 | 293,529 | 329,097 | 349,004 | 302,554 | 360,030 | 402,711 | 407,787 | 417,860 |
| Hotel and meals taxes | 5,845,108 | 5,739,369 | 5,021,594 | 5,375,860 | 5,671,611 | 5,999,862 | 6,217,625 | 6,596,681 | 8,343,827 | 8,834,036 |
| E-911 taxes | - | - | - | - | - | - | - | - | - | - |
| Communication sales taxes | 886,730 | 2,423,466 | 2,277,662 | 2,207,059 | 2,260,141 | 2,142,639 | 2,199,696 | 2,145,662 | 2,142,416 | 2,070,870 |
| Other local taxes | 2,187,954 | 1,720,639 | 2,129,896 | 1,598,674 | 1,762,905 | 1,529,900 | 1,820,712 | 1,979,202 | 2,443,144 | 2,253,116 |
| Gain on sale of capital assets | 70,364 | - | 22,781 | - | 250,000 | 386,296 | - | - | - | 11,250 |
| Unrestricted grants and contributions | 4,472,972 | 3,735,644 | 3,626,897 | 2,831,277 | 2,997,533 | 3,007,083 | 2,966,192 | 2,987,618 | 3,051,563 | 3,036,203 |
| Investment earnings | 1,322,717 | 1,458,202 | 460,609 | 281,219 | 146,478 | 138,851 | 68,675 | 70,590 | 78,070 | 159,131 |
| Miscellaneous | 799,216 | 512,011 | 527,737 | - | 4,304 | 31,860 | 47,216 | 33,441 | 16,349 | 139,712 |
| Special item | - | - | - | - | - | - | - | 3,451,777 | - | - |
| Transfers | 1,500,277 | 1,819,967 | 1,354,150 | 1,864,000 | 3,321,749 | 1,600,000 | 1,870,000 | 1,600,000 | 1,600,000 | 1,600,000 |
| Total governmental activities | 66,042,769 | 68,455,753 | 65,379,721 | 63,197,056 | 66,085,965 | 65,688,031 | 67,973,567 | 73,234,712 | 73,779,803 | 75,144,891 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 567,522 | 273,073 | 125,725 | 56,010 | 12,746 | 32,925 | 20,577 | 426 | 1,833 | 7,565 |
| Miscellaneous | 134,639 | 28,017 | 10,617 | 53,060 | 45,146 | 6,516 | 5,825 | 6,694 | 2,858 | 3,280 |
| Transfers | (1,500,277) | (1,819,967) | (1,354,150) | (1,864,000) | (3,321,749) | (1,600,000) | (1,870,000) | (1,600,000) | (1,600,000) | (1,600,000) |
| Total business-type activities | (798,116) | (1,518,877) | (1,217,808) | (1,754,930) | (3,263,857) | (1,560,559) | (1,843,598) | (1,592,880) | (1,595,309) | (1,589,155) |
| Total primary government | \$ 65,244,653 | \$ 66,936,876 | \$ 64,161,913 | \$ 61,442,126 | \$ 62,822,108 | \$ 64,127,472 | \$ 66,129,969 | \$ 71,641,832 | \$ 72,184,494 | \$ 73,555,736 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ (8,387,405) | \$ 396,440 | \$ 1,954,580 | \$ 18,885,440 | \$ 5,103,946 | \$ 6,031,493 | \$ 5,111,903 | \$ (10,773,651) | \$ 9,144,931 | \$ 12,348,193 |
| Business-type activities | 2,378,211 | 17,847 | 3,820,211 | 1,215,548 | (260,751) | 3,334,947 | 2,082,783 | 3,985,856 | 3,872,698 | 3,301,215 |
| Total primary government | \$ (6,009,194) | \$ 414,287 | \$ 5,774,791 | \$ 20,100,988 | \$ 4,843,195 | \$ 9,366,440 | \$ 7,194,686 | \$ (6,787,795) | \$ 13,017,629 | \$ 15,649,408 |

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

Table 2 (Continued)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|----------------------|-----------------------|---------------------|
| Expenses | | | | | | | | | | |
| School Board Component Unit: | | | | | | | | | | |
| Education | \$ 44,755,582 | \$ 47,890,837 | \$ 51,428,596 | \$ 47,296,567 | \$ 48,837,882 | \$ 49,246,256 | \$ 53,609,858 | \$ 54,649,291 | \$ 56,430,750 | \$ 59,044,154 |
| Total School Board component unit expenses | <u>44,755,582</u> | <u>47,890,837</u> | <u>51,428,596</u> | <u>47,296,567</u> | <u>48,837,882</u> | <u>49,246,256</u> | <u>53,609,858</u> | <u>54,649,291</u> | <u>56,430,750</u> | <u>59,044,154</u> |
| Program Revenues | | | | | | | | | | |
| School Board Component Unit: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Education | 963,824 | 924,387 | 957,618 | 880,847 | 880,295 | 869,102 | 734,401 | 697,971 | 773,193 | 711,854 |
| Operating grants and contributions | 17,422,798 | 18,058,555 | 19,567,683 | 21,252,219 | 19,926,049 | 20,824,041 | 23,468,737 | 23,720,228 | 25,339,877 | 27,795,460 |
| Capital grants and contributions | 22,501,915 | 7,577,965 | 1,471,063 | 3,031,845 | 2,216,821 | 390,328 | 137,927 | 248,673 | 335,570 | 542,786 |
| Total School Board component unit revenues | <u>40,888,537</u> | <u>26,560,907</u> | <u>21,996,364</u> | <u>25,164,911</u> | <u>23,023,165</u> | <u>22,083,471</u> | <u>24,341,065</u> | <u>24,666,872</u> | <u>26,448,640</u> | <u>29,050,100</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| School Board Component Unit | <u>(3,867,045)</u> | <u>(21,329,930)</u> | <u>(29,432,232)</u> | <u>(22,131,656)</u> | <u>(25,814,717)</u> | <u>(27,162,785)</u> | <u>(29,268,793)</u> | <u>(29,982,419)</u> | <u>(29,982,110)</u> | <u>(29,994,054)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| School Board Component Unit: | | | | | | | | | | |
| Payment from City of Winchester | 25,056,307 | 26,920,190 | 27,901,103 | 25,386,902 | 25,351,902 | 25,351,902 | 26,651,702 | 45,659,975 | 27,521,529 | 29,646,946 |
| Investment earnings | 1,211,760 | 1,110,082 | 216,949 | 165,518 | 79,639 | 73,813 | 80,761 | 115,791 | 105,585 | 133,071 |
| Miscellaneous | 3,788,082 | 3,815,962 | 1,185,769 | 145,137 | 236,623 | 215,316 | 214,500 | 243,541 | 220,122 | 136,115 |
| Total School Board Component Unit | <u>30,056,149</u> | <u>31,846,234</u> | <u>29,303,821</u> | <u>25,697,557</u> | <u>25,668,164</u> | <u>25,641,031</u> | <u>26,946,963</u> | <u>46,019,307</u> | <u>27,847,236</u> | <u>29,916,132</u> |
| Change in Net Position | | | | | | | | | | |
| School Board Component Unit | <u>\$ 26,189,104</u> | <u>\$ 10,516,304</u> | <u>\$ (128,411)</u> | <u>\$ 3,565,901</u> | <u>\$ (146,553)</u> | <u>\$ (1,521,754)</u> | <u>\$ (2,321,830)</u> | <u>\$ 16,036,888</u> | <u>\$ (2,134,874)</u> | <u>\$ (77,922)</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 | <u>217,166</u> | <u>102,003</u> | <u>49,876</u> | <u>-</u> | | |
| 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 |
| Post-GASB 54 implementation: | | | | | | |
| General Fund | | | | | | |
| Nonspendable | \$ 11,950 | \$ 7,081 | \$ 8,408 | \$ 11,916 | \$ 12,488 | \$ 23,986 |
| Restricted | 441,131 | 476,780 | 486,062 | 495,790 | 457,025 | 444,950 |
| Committed | 950,000 | 1,300,000 | 1,218,750 | 1,926,988 | 1,811,912 | 1,678,662 |
| Assigned | 931,312 | 5,410,412 | 4,405,933 | 3,722,604 | 2,620,451 | 2,311,176 |
| 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> |
| 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> |
| | | | | | | |
| All Other Governmental Funds | | | | | | |
| Nonspendable | \$ 40,000 | \$ 190,000 | \$ 182,500 | \$ 167,500 | \$ 152,500 | \$ 40,000 |
| Restricted | - | - | - | 4,013,360 | 138,891 | 2,107,704 |
| Committed | - | - | - | - | - | - |
| Assigned | 2,068,984 | 3,172,645 | 2,316,213 | 1,493,250 | 4,134,658 | 2,319,870 |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 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> |

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

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

Table 4

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
| Revenues | | | | | | | | | | |
| General property taxes | \$ 29,701,648 | \$ 33,045,144 | \$ 33,704,350 | \$ 33,821,252 | \$ 33,942,158 | \$ 34,607,227 | \$ 36,115,435 | \$ 37,746,991 | \$ 38,656,808 | \$ 39,043,098 |
| Sales taxes | 10,281,056 | 9,747,373 | 8,037,031 | 7,389,558 | 8,086,528 | 8,485,685 | 8,718,682 | 8,119,431 | 8,859,376 | 9,086,187 |
| Other local taxes | 18,210,742 | 17,903,046 | 17,172,342 | 16,662,492 | 17,481,942 | 17,270,042 | 18,346,602 | 19,374,122 | 21,481,775 | 21,939,070 |
| Permits, privilege fees, and regulatory licenses | 560,761 | 450,188 | 285,131 | 392,290 | 292,644 | 252,950 | 285,746 | 300,089 | 409,230 | 359,045 |
| Fines and forfeitures | 203,206 | 171,521 | 159,077 | 147,721 | 221,715 | 274,147 | 161,403 | 149,170 | 135,749 | 103,149 |
| Revenues from use of money and property | 1,357,831 | 1,504,587 | 529,863 | 439,521 | 315,006 | 292,403 | 219,226 | 194,025 | 212,093 | 309,350 |
| Charges for services | 1,420,091 | 1,698,424 | 1,760,787 | 1,706,059 | 1,846,033 | 1,963,310 | 1,951,951 | 2,011,886 | 2,465,271 | 2,572,507 |
| Miscellaneous | 763,945 | 465,622 | 444,901 | 453,621 | 764,927 | 1,157,315 | 1,044,782 | 1,132,586 | 1,127,260 | 1,077,661 |
| Recovered costs | 903,114 | 887,583 | 1,454,804 | 979,769 | 1,045,223 | 930,667 | 726,062 | 612,575 | 632,710 | 1,700,831 |
| Intergovernmental | 13,697,391 | 13,849,118 | 14,393,918 | 14,754,690 | 14,737,288 | 17,742,776 | 15,888,838 | 15,711,958 | 17,139,226 | 19,412,471 |
| Total revenues | 77,099,785 | 79,722,606 | 77,942,204 | 76,746,973 | 78,733,464 | 82,976,522 | 83,458,727 | 85,352,833 | 91,119,498 | 95,603,369 |
| Expenditures | | | | | | | | | | |
| General government administration | 3,907,048 | 4,420,565 | 3,999,143 | 3,803,786 | 3,690,586 | 4,304,202 | 4,607,388 | 5,046,842 | 5,489,981 | 5,314,055 |
| Judicial administration | 2,266,027 | 2,537,903 | 2,574,148 | 2,690,827 | 2,768,905 | 2,838,387 | 3,099,072 | 3,201,762 | 3,288,665 | 5,460,743 |
| Public safety | 15,745,426 | 16,592,044 | 17,907,345 | 16,963,980 | 17,471,623 | 18,028,989 | 19,021,960 | 19,944,482 | 21,462,926 | 24,408,681 |
| Public works | 7,592,466 | 9,579,042 | 8,611,361 | 10,526,541 | 6,958,722 | 9,708,681 | 10,215,038 | 14,011,949 | 12,450,392 | 14,757,732 |
| Health and welfare | 7,675,658 | 7,728,686 | 7,542,126 | 7,205,135 | 7,727,186 | 7,697,084 | 7,256,023 | 6,880,143 | 7,522,062 | 7,972,355 |
| Education | 44,973,236 | 32,640,160 | 27,924,540 | 25,416,114 | 25,378,193 | 25,383,157 | 26,706,238 | 45,697,366 | 27,576,745 | 29,707,234 |
| Parks, recreation, and culture | 2,941,953 | 3,898,630 | 3,716,933 | 3,877,809 | 3,117,656 | 3,364,141 | 3,696,943 | 3,455,932 | 3,707,994 | 3,924,291 |
| Community development | 1,897,862 | 2,247,515 | 1,757,737 | 1,574,376 | 2,332,049 | 2,109,601 | 3,554,065 | 1,808,990 | 2,529,929 | 1,708,508 |
| Capital projects | 2,866,617 | 2,466,646 | 2,027,584 | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal retirement | 4,860,328 | 5,702,316 | 5,544,227 | 5,829,665 | 5,760,991 | 5,519,489 | 6,064,266 | 6,047,562 | 6,202,770 | 6,127,933 |
| Interest and fiscal charges | 4,136,444 | 4,592,251 | 4,690,387 | 4,343,895 | 4,132,168 | 3,435,326 | 3,183,954 | 3,672,839 | 3,923,059 | 3,885,011 |
| Bond issuance costs | 142,965 | 98,552 | - | - | - | 235,527 | 216,634 | 183,567 | 179,468 | 75,256 |
| Total expenditures | 99,006,030 | 92,504,310 | 86,295,531 | 82,232,128 | 79,338,079 | 82,624,584 | 87,621,581 | 109,951,434 | 94,333,991 | 103,341,799 |
| Excess of revenues over (under) expenditures | (21,906,245) | (12,781,704) | (8,353,327) | (5,485,155) | (604,615) | 351,938 | (4,162,854) | (24,598,601) | (3,214,493) | (7,738,430) |

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

Table 4 (Continued)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| Other Financing Sources (Uses) | | | | | | | | | | |
| Sale of property | \$ 82,493 | \$ 1,520 | \$ 43,198 | \$ - | \$ 250,000 | \$ 386,296 | \$ - | \$ - | \$ - | \$ 11,250 |
| Insurance recoveries | 13,416 | 14,015 | 18,576 | 114,754 | 4,304 | 31,860 | 47,216 | 33,437 | 16,349 | 139,712 |
| Bonds issued | 19,260,000 | 7,200,000 | - | - | - | 27,217,364 | 27,963,072 | 24,265,000 | 11,255,180 | 7,075,000 |
| Premium on debt | 772,124 | 88,710 | - | - | - | 3,995,350 | - | 1,926,248 | 1,309,592 | - |
| Capital lease | 360,425 | 441,500 | - | - | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - | (30,975,567) | (26,730,493) | - | (12,373,771) | - |
| Transfers in | 6,919,733 | 9,642,156 | 7,650,015 | 7,980,231 | 5,433,719 | 5,243,455 | 5,694,575 | 6,312,546 | 7,592,391 | 6,231,504 |
| Transfers out | (5,419,456) | (7,847,350) | (6,295,865) | (6,336,231) | (3,589,786) | (3,643,455) | (3,824,575) | (4,712,546) | (5,992,391) | (4,631,504) |
| Total other financing sources and uses | 21,988,735 | 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 |
| Net change in fund balances | \$ 82,490 | \$ (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 |
| Debt service as a percentage of noncapital expenditures | 10.0% | 12.3% | 12.8% | 13.3% | 12.6% | 11.3% | 11.3% | 9.5% | 11.6% | 11.0% |

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 | |
| 2007 | (2) | 2,222,262,840 | 1,145,978,600 | 0.65 | 52,548,980 | 0.69 | 184,039,831 | 4.5 | 7,656 | 4.5 | 116,912,479 | 1.3 | 175,000 | 0.65 | 3,721,925,386 | 0.86 |
| 2008 | | 2,209,123,962 | 1,151,495,700 | 0.68 | 62,548,699 | 0.65 | 184,820,863 | 4.5 | 8,814 | 4.5 | 116,719,433 | 1.3 | 197,956 | 0.68 | 3,724,915,427 | 0.89 |
| 2009 | (2) | 1,930,786,600 | 1,145,085,600 | 0.77 | 62,322,900 | 0.68 | 183,336,720 | 4.5 | 10,493 | 4.5 | 109,391,904 | 1.3 | 192,756 | 0.77 | 3,431,126,973 | 0.98 |
| 2010 | | 1,937,277,200 | 1,138,605,300 | 0.77 | 67,087,131 | 0.77 | 178,115,588 | 4.5 | 16,957 | 4.5 | 124,891,288 | 1.3 | 202,056 | 0.77 | 3,446,195,520 | 0.98 |
| 2011 | (2) | 1,590,890,500 | 1,129,950,300 | 0.86 | 64,741,641 | 0.86 | 186,501,554 | 4.5 | 11,236 | 4.5 | 124,891,288 | 1.3 | 202,056 | 0.86 | 3,097,188,575 | 1.10 |
| 2012 | | 1,603,736,800 | 1,139,679,400 | 0.95 | 72,272,617 | 0.95 | 211,721,208 | 4.5 | 5,494 | 4.5 | 120,805,964 | 1.3 | 158,888 | 0.95 | 3,148,380,371 | 1.20 |
| 2013 | (2) | 1,618,898,500 | 1,142,293,500 | 0.95 | 64,839,333 | 0.95 | 253,205,986 | 4.5 | 5,936 | 4.5 | 152,329,260 | 1.3 | 163,048 | 0.95 | 3,231,735,563 | 1.24 |
| 2014 | | 1,629,108,700 | 1,137,899,900 | 0.95 | 67,540,972 | 0.95 | 269,630,162 | 4.5 | 5,936 | 4.5 | 144,655,883 | 1.3 | 159,988 | 0.95 | 3,249,001,541 | 1.26 |
| 2015 | (2) | 1,744,437,672 | 1,170,855,700 | 0.91 | 66,459,087 | 0.91 | 269,176,193 | 4.5 | 32,033 | 4.5 | 136,394,356 | 1.3 | 218,148 | 0.91 | 3,387,573,189 | 1.21 |
| 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 |

Notes:

- (1) Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
- (2) General reassessment of real property completed for the 2007, 2009, 2011, 2013 and 2015 tax year.
- (3) Real Property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

Source:

City of Winchester, Commissioner of the Revenue

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

Table 6

| Fiscal Year | City Direct Rates (2) | | | | | Total Direct Rate |
|----------------|-----------------------|----------------------------------|------------------------------------|----------------------|--|-------------------------|
| | Real Estate | Public Service Real Estate | Motor Vehicles and Tangibles | Machinery & Tools | | |
| 2007 | 0.59 | 0.01 | 0.22 | 0.04 | | 0.86 |
| 2008 | 0.61 | 0.01 | 0.22 | 0.04 | | 0.88 |
| 2009 | 0.69 | 0.01 | 0.24 | 0.04 | | 0.98 |
| 2010 | 0.69 | 0.01 | 0.23 | 0.05 | | 0.98 |
| 2011 | 0.76 | 0.02 | 0.27 | 0.05 | | 1.10 |
| 2012 | 0.83 | 0.02 | 0.30 | 0.05 | | 1.20 |
| 2013 | 0.81 | 0.02 | 0.35 | 0.06 | | 1.24 |
| 2014 | 0.81 | 0.02 | 0.37 | 0.06 | | 1.26 |
| 2015 | 0.78 | 0.02 | 0.36 | 0.05 | | 1.21 |
| 2016 | 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

| Taxpayer | December 31, 2015 | | | December 31, 2006 | | |
|------------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Mayflower Apple Blossom LP | \$ 49,411,400 | 1 | 1.69% | \$ 35,651,900 | 1 | 1.39% |
| Wal-Mart Realty Company | 23,541,800 | 2 | 0.80% | 16,237,600 | 4 | 0.63% |
| BRE DDR BR Winchester VA LLC | 21,930,200 | 3 | 0.75% | | | |
| PDK Winchester LC | 20,989,400 | 4 | 0.72% | 15,445,100 | 6 | 0.60% |
| Rubbermaid Commercial Prod Inc | 20,389,000 | 5 | 0.70% | 15,471,300 | 5 | 0.60% |
| DDRM Apple Blossom Corners LLC | 16,428,100 | 6 | 0.56% | | | |
| National Fruit Prod Co Inc | 14,589,400 | 7 | 0.50% | 14,251,100 | 8 | 0.55% |
| Canterbury Hill LLC | 13,773,400 | 8 | 0.47% | | | |
| Pleasant Valley Market Place LLC | 12,420,200 | 9 | 0.42% | | | |
| Lowe's Home Center Inc | 12,323,600 | 10 | 0.42% | 11,199,900 | 9 | 0.44% |
| Winchester Medical Center | | | | 27,913,600 | 2 | 1.09% |
| DEV Diversified Realty Corp | | | | 18,325,000 | 3 | 0.71% |
| Trout Segall & Doyle Winc Prop LLC | | | | 15,305,200 | 7 | 0.60% |
| Loveless Home X LLC J A | | | | 10,357,300 | 10 | 0.40% |
| Total | \$ 205,796,500 | | 7.03% | \$ 180,158,000 | | 7.01% |

Source:
City of Winchester, Commissioner of the Revenue

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

Table 8

| Fiscal Year | Taxes Levied for the Fiscal Year | | Total Adjusted Levy | Collected within the Fiscal Year of the Levy (1) | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|----------------------------------|-------------|---------------------|--|-----------------------------|---------------------------------|---------------------------|-----------------------------|
| | (Original Levy) | Adjustments | | Amount | Percentage of Original Levy | | Amount | Percentage of Adjusted Levy |
| 2007 | 29,728,314 | 2,850,749 | 32,579,063 | 28,477,374 | 95.79% | 2,160,600 | 30,637,974 | 94.04% |
| 2008 | 32,280,468 | 2,877,353 | 35,157,821 | 31,240,872 | 96.78% | 2,168,130 | 33,409,002 | 95.03% |
| 2009 | 32,726,042 | - | 32,726,042 | 31,632,098 | 96.66% | 1,093,944 | 32,726,042 | 100.00% |
| 2010 | 35,759,290 | - | 35,759,290 | 34,285,769 | 95.88% | 1,473,521 | 35,759,290 | 100.00% |
| 2011 | 35,941,324 | - | 35,941,324 | 32,347,826 | 90.00% | 1,448,421 | 33,796,247 | 94.03% |
| 2012 | 34,060,423 | - | 34,060,423 | 33,158,805 | 97.35% | 901,618 | 34,060,423 | 100.00% |
| 2013 | 35,795,054 | - | 35,795,054 | 34,600,217 | 96.66% | 1,196,585 | 35,796,802 | 100.00% |
| 2014 | 36,946,349 | - | 36,946,349 | 35,960,406 | 97.33% | 1,659,190 | 37,619,596 | 100.00% |
| 2015 | 38,073,722 | - | 38,073,722 | 36,997,618 | 97.17% | 1,552,745 | 38,550,363 | 100.00% |
| 2016 | 39,106,495 | - | 39,106,495 | 37,500,353 | 95.89% | - | 37,500,353 | 95.89% |

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 | | | |
| 2007 | 105,263,817 | - | 29,886,248 | - | - | 135,150,065 | 16.78% | 5,349 |
| 2008 | 107,244,423 | - | 28,497,851 | - | - | 135,742,274 | 16.08% | 5,275 |
| 2009 | 101,700,196 | - | 27,022,523 | 23,920,000 | 8,163,355 | 160,806,074 | 18.04% | 6,209 |
| 2010 | 95,870,531 | - | 25,444,814 | 36,215,000 | 7,232,324 | 164,762,669 | 18.41% | 6,259 |
| 2011 | 90,109,540 | - | 23,779,501 | 47,610,000 | 20,221,937 | 181,720,978 | 20.34% | 6,934 |
| 2012 | 84,848,790 | - | 22,058,855 | 66,589,030 | 19,080,302 | 192,576,977 | 21.45% | 7,242 |
| 2013 | 85,909,809 | 900,000 | 21,557,534 | 69,725,303 | 17,709,408 | 195,802,054 | 20.78% | 7,283 |
| 2014 | 105,525,330 | 600,000 | 19,806,474 | 66,997,071 | 16,202,542 | 209,131,417 | 20.79% | 7,684 |
| 2015 | 99,712,411 | 400,000 | 17,963,960 | 65,703,296 | 14,597,808 | 198,377,475 | 18.96% | 7,202 |
| 2016 | 100,191,106 | 200,000 | 16,131,797 | 62,598,576 | 38,040,155 | 217,161,634 | 19.49% | 7,884 |

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) |
|----------------|--------------------------------|--|-------------|---|-------------------|
| 2007 | 135,150,065 | 217,166 | 134,932,899 | 3.63% | 5,341 |
| 2008 | 135,742,274 | 102,003 | 135,640,271 | 3.64% | 5,271 |
| 2009 | 128,722,719 | 49,876 | 128,672,843 | 3.75% | 4,969 |
| 2010 | 121,315,345 | - | 121,315,345 | 3.52% | 4,609 |
| 2011 | 113,889,041 | - | 113,889,041 | 3.68% | 4,346 |
| 2012 | 106,907,645 | - | 106,907,645 | 3.40% | 4,021 |
| 2013 | 107,467,343 | - | 107,467,343 | 3.33% | 3,998 |
| 2014 | 125,331,804 | - | 125,331,804 | 3.86% | 4,605 |
| 2015 | 117,676,371 | - | 117,676,371 | 3.47% | 4,272 |
| 2016 | 116,322,903 | - | 116,322,903 | 3.39% | 4,223 |

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, 2016

Table 11

| Jurisdiction | Debt Outstanding | Percentage Applicable to City of Winchester | Amount Applicable to City of Winchester |
|--------------------|---------------------|---|---|
| City of Winchester | \$ 100,391,106 | 100% | \$ 100,391,106 |

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt limit | \$ 342,079,042 | \$ 342,316,836 | \$ 302,560,266 | \$ 314,296,963 | \$ 278,558,244 | \$ 281,568,882 | \$ 282,603,133 | \$ 283,454,957 | \$ 298,175,246 | \$ 299,572,546 |
| Total net debt applicable to limit | <u>134,932,899</u> | <u>135,640,271</u> | <u>128,672,843</u> | <u>121,315,345</u> | <u>113,889,041</u> | <u>106,907,645</u> | <u>107,467,343</u> | <u>114,224,636</u> | <u>106,210,407</u> | <u>105,885,838</u> |
| Legal debt margin | <u>\$ 207,146,143</u> | <u>\$ 206,676,565</u> | <u>\$ 173,887,423</u> | <u>\$ 192,981,618</u> | <u>\$ 164,669,203</u> | <u>\$ 174,661,237</u> | <u>\$ 175,135,790</u> | <u>\$ 169,230,321</u> | <u>\$ 191,964,839</u> | <u>\$ 193,686,708</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 39.44% | 39.62% | 42.53% | 38.60% | 40.89% | 37.97% | 38.03% | 40.30% | 35.62% | 35.35% |

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|---|-----------------------|
| Assessed Value of Real Property | \$ 2,995,725,455 |
| Debt Limit - 10% | 299,572,546 |
| Amount of Debt Applicable to Debt Limit | |
| General obligation bonds | <u>105,885,838</u> |
| Legal Debt Margin | <u>\$ 193,686,708</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 |

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 | | |
| 2007 | 25,265 | 805,625 | 31,887 | 35.2 | 75.4% | 23.7% | 3,708 | 3.10% |
| 2008 | 25,733 | 844,325 | 32,811 | 36.0 | 75.4% | 23.7% | 3,652 | 4.60% |
| 2009 | 25,897 | 891,297 | 34,417 | 35.7 | 75.4% | 23.7% | 3,714 | 8.70% |
| 2010 | 26,322 | 894,790 | 33,994 | 35.2 | 75.4% | 23.7% | 3,745 | 7.20% |
| 2011 | 26,203 | 893,365 | 34,094 | 37.4 | 78.1% | 28.1% | 3,829 | 7.30% |
| 2012 | 26,587 | 897,737 | 33,766 | 35.1 | 79.7% | 29.7% | 3,979 | 6.60% |
| 2013 | 26,881 | 942,125 | 35,048 | 35.1 | 82.2% | 29.2% | 4,085 | 6.60% |
| 2014 | 27,216 | 1,005,767 | 36,955 | 35.6 | 81.9% | 29.5% | 4,147 | 5.10% |
| 2015 | 27,543 | 1,046,056 | 37,979 | 35.3 | 83.8% | 28.6% | 4,135 | 4.80% |
| 2016 | 27,543 | 1,114,280 | 40,456 | 35.7 | 83.3% | 28.1% | 4,227 | 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, 2015</u> | | | <u>December 31, 2006</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 | 7.21% | 1,000 and over | 1 | 7.18% |
| Shenandoah University | 500 - 999 | 2 | 3.61% | 500 - 999 | 5 | 3.59% |
| Winchester City Public Schools | 500 - 999 | 3 | 3.61% | 500 - 999 | 3 | 3.59% |
| Rubbermaid Commercial Products | 500 - 999 | 4 | 3.61% | 500 - 999 | 2 | 3.59% |
| Wal Mart | 500 - 999 | 5 | 3.61% | 500 - 999 | 4 | 3.59% |
| City of Winchester | 500 - 999 | 6 | 3.61% | 500 - 999 | 6 | 1.80% |
| U.S. Federal Bureau of Investigation | 500 - 999 | 7 | 3.61% | | | |
| Osullivan Films Inc | 250 - 499 | 8 | 1.80% | | | |
| U.S. Department of Defense | 250 - 499 | 9 | 1.80% | | | |
| Onsite Engineering & Mgmt Inc. | 250 - 499 | 10 | 1.80% | | | |
| Axiom Staffing Group | | | | 500 - 999 | 7 | 3.59% |
| Martin's Food Market | | | | 500 - 999 | 8 | 1.80% |
| Trex Company | | | | 250 - 499 | 9 | 1.80% |
| Kohl's Department Stores | | | | 250 - 499 | 10 | 1.80% |
| Total | <u>4,750</u> | | <u>34.27%</u> | <u>5,000</u> | | <u>32.33%</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

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government administration | 46 | 46 | 43 | 41 | 37 | 39 | 38 | 44 | 41 | 42 |
| Judicial administration | 38 | 38 | 42 | 41 | 46 | 46 | 44 | 45 | 48 | 50 |
| Public safety | 243 | 234 | 200 | 204 | 219 | 223 | 228 | 216 | 234 | 233 |
| Public works | 59 | 60 | 58 | 59 | 61 | 59 | 61 | 56 | 53 | 59 |
| Health and welfare | 41 | 43 | 43 | 44 | 46 | 44 | 40 | 43 | 46 | 45 |
| Parks, recreation, and culture | 40 | 50 | 53 | 52 | 58 | 55 | 46 | 46 | 42 | 39 |
| Community development | 20 | 19 | 14 | 13 | 13 | 11 | 12 | 12 | 19 | 21 |
| Water and sewer | 64 | 67 | 61 | 58 | 66 | 66 | 67 | 61 | 65 | 70 |
| Transit service | 13 | 13 | 13 | 13 | 14 | 14 | 15 | 18 | 19 | 21 |
| Parking authority | 10 | 8 | 8 | 8 | 8 | 6 | 6 | 6 | 6 | 6 |
| Schools | 685 | 687 | 687 | 683 | 677 | 687 | 668 | 674 | 689 | 703 |
| Total | 1,259 | 1,265 | 1,222 | 1,216 | 1,245 | 1,250 | 1,225 | 1,221 | 1,262 | 1,289 |

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 | | | | | | | | | |
|---|-------------|---------|----------|----------|----------|----------|---------|---------|-----------|-----------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Government | | | | | | | | | | |
| Building permits issued | 762 | 600 | 486 | 470 | 942 | 1,508 | 1,463 | 1,709 | 1,732 | 1,787 |
| Building inspections conducted (commercial and residential) | 11,858 | 10,074 | 8,154 | 8,186 | 7,342 | 6,987 | 6,025 | 7,408 | 8,150 | 8,858 |
| Police | | | | | | | | | | |
| Physical arrests | 3,567 | 2,701 | 3,231 | 2,611 | 2,854 | 4,090 | 3,018 | 3,802 | 2,838 | 4,113 |
| Parking violations | 8,048 | 7,647 | 7,429 | 6,634 | 7,128 | 5,977 | 4,526 | 4,226 | 3,542 | 3,013 |
| Traffic violations | 4,531 | 4,087 | 4,524 | 3,709 | 4,070 | 5,406 | 4,304 | 4,580 | 4,543 | 4,534 |
| Fire | | | | | | | | | | |
| Emergency responses | 5,623 | 5,498 | 5,470 | 5,377 | 5,549 | 5,781 | 5,518 | 5,804 | 6,022 | 6,282 |
| Structure fires | 56 | 54 | 60 | 45 | 87 | 43 | 57 | 55 | 54 | 52 |
| On-site fire inspections | 97 | 143 | 334 | 361 | 388 | 360 | 377 | 486 | 333 | 918 |
| Fire suppression inspection tests | 167 | 106 | 152 | 112 | 45 | 64 | 61 | 82 | 63 | 136 |
| Refuse Collection | | | | | | | | | | |
| Refuse collected (tons per year -- residential and non-residential) | 7,579 | 7,117 | 6,649 | 6,537 | 6,430 | 6,520 | 6,681 | 6,608 | 6,451 | 6,534 |
| Recyclables collected (tons per year -- does not include cardboard or yard waste) | 2,015 | 2,032 | 2,117 | 2,908 | 2,931 | 3,252 | 3,312 | 3,068 | 3,076 | 3,094 |
| Recyclable scrap | 11 | 19 | 9 | 21 | 20 | 18 | 21 | 13 | 10 | 8 |
| Other Public Works | | | | | | | | | | |
| Street resurfacing (miles) | 5 | 3 | 7 | 7 | 1 | 2 | 6 | 5 | 21 | 7 |
| Parks and Recreation | | | | | | | | | | |
| Shelter permits issued | 448 | 681 | 472 | 821 | 839 | 911 | 691 | 493 | 352 | 390 |
| Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.) | 30,126 | 38,061 | 43,154 | 48,108 | 49,774 | 47,201 | 25,156 | 25,776 | 23,349 | 33,515 |
| Racquetball court users (1) | 1,341 | 1,345 | 1,196 | 2,474 | 2,407 | 2,324 | 2,506 | 2,445 | 2,711 | 1,980 |
| Indoor fitness room users (1) | 6,077 | 8,136 | 5,167 | 13,487 | 9,901 | 9,316 | 7,375 | 6,067 | 5,797 | 2,535 |
| Water | | | | | | | | | | |
| Average daily production | 7.9 mgd | 7.9 mgd | 6.85 mgd | 6.34 mgd | 6.43 mgd | 6.83 mgd | 6.14mgd | 5.95mgd | 6.43 mgd | 6.55mgd |
| New connections | 38 | 55 | 32 | 42 | 40 | 28 | 26 | 28 | 38 | 44 |
| Total connections | 10,824 | 10,879 | 10,911 | 10,953 | 10,993 | 11,021 | 11,047 | 11,075 | 11,113 | 11,157 |
| Water main breaks | 55 | 60 | 56 | 30 | 55 | 40 | 29 | 42 | 48 | 33 |
| Average daily consumption | 5.9 mgd | 6.1 mgd | 5.25 mgd | 4.8 mgd | 4.9 mgd | 4.67 mgd | 4.5mgd | 5.09mgd | 5.4 mgd | 6.12 mgd |
| Wastewater | | | | | | | | | | |
| Average daily flow (12 month period) | 4.9 mgd | 4.8 mgd | 4.6 mgd | 5.37 mgd | 4.8 mgd | 4.52 mgd | 4.96mgd | 4.87mgd | 4.70 mgd | 4.96 mgd |
| Peak Flow (12 month period) | 9.7 mgd | 9.8 mgd | 9.8 mgd | 8.45 mgd | 9.8 mgd | 23.1 mgd | 22.0mgd | 25.9mgd | 25.47 mgd | 18.49 mgd |
| Transit | | | | | | | | | | |
| Passenger trips | 148,169 | 139,672 | 130,494 | 120,656 | 128,876 | 136,501 | 130,190 | 120,758 | 126,122 | 138,961 |
| Schools (2) | | | | | | | | | | |
| Number of teachers, Elementary (K-4) | 132 | 121 | 121 | 131 | 143 | 143 | 143 | 147 | 150 | 159 |
| Number of teachers, Middle (5-8) | 99 | 99 | 99 | 94 | 90 | 97 | 95 | 98 | 104 | 107 |
| Number of teachers, Secondary (9-12) | 100 | 102 | 102 | 99 | 96 | 96 | 98 | 99 | 101 | 102 |
| Number of students, Elementary (K-4) | 1,417 | 1,447 | 1,529 | 1,605 | 1,649 | 1,684 | 1,776 | 1,707 | 1,688 | 1,698 |
| Number of students, Middle (5-8) | 1,101 | 1,063 | 1,073 | 1,074 | 1,084 | 1,178 | 1,190 | 1,177 | 1,287 | 1,306 |
| Number of students, Secondary (9-12) | 1,190 | 1,142 | 1,112 | 1,066 | 1,096 | 1,117 | 1,119 | 1,263 | 1,190 | 1,259 |

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 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------|---------|---------|---------|---------|---------|---------|--------|--------|---------|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| SubStations | 1 | 1 | 1 | 1 | 1 | 2 | 1 | - | - | - |
| Patrol cars | 74 | 76 | 77 | 76 | 76 | 79 | 76 | 73 | 69 | 74 |
| Fire | | | | | | | | | | |
| Fire Stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Refuse Collection | | | | | | | | | | |
| Collection Trucks | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 8 | 8 |
| Other Public Works | | | | | | | | | | |
| Streets (miles) | 205 | 205 | 219 | 221 | 221 | 221 | 221 | 221 | 221 | 221 |
| Streetlights | 72 | 72 | 63 | 63 | 63 | 63 | 63 | 63 | 63 | 126 |
| Traffic signals | 64 | 63 | 60 | 56 | 56 | 56 | 56 | 56 | 57 | 59 |
| Parks and Recreation | | | | | | | | | | |
| Number of parks | 15 | 15 | 15 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Acreage | 248 | 248 | 248 | 248 | 248 | 248 | 248 | 247 | 247 | 247 |
| Playgrounds | 10 | 10 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Baseball/softball diamonds | 9 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Soccer/football fields | 5 | 5 | 6 | 6 | 6 | 9 | 9 | 9 | 9 | 9 |
| Basketball courts | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Tennis courts | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| Volleyball court | 1 | 1 | 1 | 1 | - | - | - | - | - | - |
| Horseshoe courts | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Water | | | | | | | | | | |
| Miles of water mains | 125 | 125 | 125 | 125 | 126 | 126 | 126 | 126 | 126 | 127 |
| Fire hydrants | 1,082 | 1,082 | 1,082 | 1,085 | 1,085 | 1,085 | 1,085 | 1,085 | 1,085 | 1,088 |
| Water storage capacity | 11 mg | 11 mg | 11 mg | 11mg | 12mg | 12mg | 12mg | 12mg | 12mg | 12 mg |
| Wastewater | | | | | | | | | | |
| Miles of storm sewers | 80 | 80 | 81 | 82 | 82 | 82 | 82 | 82 | 82 | 83 |
| Miles of sanitary sewers | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 122 | 123 |
| Opequon wastewater treatment capacity (1) | 6.1 mgd | 6.1 mgd | 6.1 mgd | 6.1 mgd | 7.1 mgd | 7.1 mgd | 7.1 mgd | 7.1mgd | 7.1mgd | 7.1 mgd |
| Transit | | | | | | | | | | |
| M minibuses | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 |
| Trolleys | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Vans | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 2 | 2 |
| Schools | | | | | | | | | | |
| Attendance Centers, Elementary | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Attendance Centers, Middle | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Attendance Centers, Secondary | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of classrooms, Elementary | 164 | 123 | 123 | 123 | 123 | 127 | 127 | 127 | 127 | 127 |
| 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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2016-001.**

City's Response to Finding

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 20, 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, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. 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
March 20, 2017

CITY OF WINCHESTER, VIRGINIA

SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

June 30, 2016

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

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, 2016**

A. SUMMARY OF AUDITOR’S RESULTS

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

| Name of Program | <u>CFDA #</u> |
|-----------------------------------|----------------|
| Federal Transit Cluster | 20.500, 20.507 |
| Highway Planning and Construction | 20.205 |
| Preschool Development Grant | 84.419 |

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, 2016

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2016-001: 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.

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

| 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 | | \$ 429,408 |
| Department of Forest Service: | | | | |
| Cooperative Forestry Assistance | 10.664 | 0000106723 | | 4,125 |
| Department of Corrections: | | | | |
| National School Lunch Program | 10.555 | APE40623 | | 22,770 |
| Commonwealth of Virginia Department of Agriculture and Consumer Services | | | | |
| National School Lunch Program | 10.555 | APE40623 | 1,203,797 | |
| National School Lunch Program - Commodities | 10.555 | APE40623 | 116,996 | |
| School Breakfast Program | 10.553 | APE40591 | <u>358,766</u> | |
| Total School Lunch Cluster | | | | 1,679,559 |
| Fresh Fruits and Vegetables | 10.582 | APE40601/40251 | | <u>61,173</u> |
| Total U.S. Department of Agriculture | | | | <u>2,197,035</u> |
| U.S. Department of Homeland Security | | | | |
| Pass-through payments: | | | | |
| Department of Emergency Management: | | | | |
| Disaster Grants - Public Assistance | 97.036 | DEM0015899 | | 156,668 |
| Emergency Management Performance Grant | 97.042 | 62744 | | 8,905 |
| Assistance to Firefighters | 97.044 | FO03391 | | 11,600 |
| State Homeland Security Grant Program | 97.073 | 7760200 | | <u>78,573</u> |
| Total U.S. Department of Homeland Security | | | | <u>255,746</u> |
| U.S. Department of Housing and Urban Development | | | | |
| Direct payments: | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | N/A | | <u>220,633</u> |
| Total U.S. Department of Housing and Urban Development | | | | <u>220,633</u> |
| U.S. Department of the Interior | | | | |
| Direct payments: | | | | |
| National Park Service | | | | |
| Historic Preservation Fund Grants | 15.904 | N/A | | <u>3,923</u> |
| Total U.S. Department of Justice | | | | <u>3,923</u> |
| U.S. Department of Justice | | | | |
| Direct payments: | | | | |
| Equitable Sharing Program | | | | |
| Bulletproof Vest Partnership Program | 16.922 | N/A | | 128,027 |
| Bulletproof Vest Partnership Program | 16.607 | N/A | | 1,469 |
| Pass-through payments: | | | | |
| Department of Criminal Justice Services | | | | |
| Internet Crimes Against Children Task Force Program | 16.800 | 16-E2350AC16 | | 1,709 |
| Crime Victim Assistance | 16.575 | 86015 | | 92,738 |
| Sexual Assault Services Grant | 16.017 | 47915 | | <u>14,074</u> |
| Total U.S. Department of Justice | | | | <u>238,017</u> |
| U.S. Department of Transportation | | | | |
| Direct payments: | | | | |
| Federal Transit - Capital Investment Grants | | | | |
| Federal Transit - Formula Grants | 20.500 | N/A | 20,612 | |
| Federal Transit - Formula Grants | 20.507 | N/A | <u>416,069</u> | |
| Total Federal Transit Cluster: | | | | |
| Pass-through payments: | | | | |
| Virginia Department of Motor Vehicles | | | | |
| Alcohol Traffic Safety and Drunk Driving Prevention | 20.601 | 55383 | | 26,765 |
| Virginia Department of Transportation | | | | |
| Highway Planning and Construction | 20.205 | 0000097834 | | <u>889,746</u> |
| Total U.S. Department of Transportation | | | | <u>1,353,192</u> |

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2016

| <u>Federal Granting Agency/Recipient State Agency/Grant Program</u> | <u>Federal CFDA Number</u> | <u>Passthrough Number</u> | <u>Cluster Expenditures</u> | <u>Federal Expenditures</u> |
|--|----------------------------|---------------------------|-----------------------------|-----------------------------|
| National Endowment for the Arts | | | | |
| Direct payments: | | | | |
| Promotion of the Arts Partnership Agreement | 45.025 | N/A | | \$ 5,000 |
| U.S. Department of Education | | | | |
| Direct payments: | | | | |
| McKinney-Vento Education for Homeless Children & Youth | 84.387 | N/A | | 28,368 |
| Pass-through payments: | | | | |
| Commonwealth of Virginia Department of Education: | | | | |
| Title I - Grants to Local Educational Agencies | 84.010 | APE42901 | | 906,351 |
| Special Education - Grants to States | 84.027 | APE43071 | 849,656 | |
| Special Education - Preschool Grants | 84.173 | APE62521 | 28,989 | |
| Total Special Education Cluster: | | | | 878,645 |
| Advanced Placement Program | 84.330 | APE60957 | | 738 |
| English Language Acquisition Grants | 84.365 | APE60512 | | 103,614 |
| Improving Teacher Quality State Grants | 84.367 | APE61480 | | 125,128 |
| Vocational Education - Basic Grants to States | 84.048 | APE70100 | | 83,681 |
| Preschool Development Grant | 84.419 | APE61095 | | 1,055,346 |
| Department of Behavioral Health and Developmental Services | | | | |
| Early Intervention | 84.181 | H181A150017 | | 185,349 |
| Total U.S. Department of Education | | | | <u>3,367,220</u> |
| Department of Health and Human Services: | | | | |
| Pass-through Payments: | | | | |
| Department of Social Services: | | | | |
| Promoting Safe and Stable Families | 93.556 | 0950115 | | 21,271 |
| Temporary Assistance to Needy Families | 93.558 | 0400116 | | 284,699 |
| Refugee and Entrant Assistance | 93.566 | 0500116 | | 391 |
| Low Income Home Energy Assistance | 93.568 | 0600416 | | 28,414 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760116 | | 46,176 |
| Chafee Education and Training Vouchers Program | 93.599 | 9160114 | | 3,200 |
| Child Welfare Services | 93.645 | 0900116 | | 2,037 |
| Foster Care - Title IV-E | 93.658 | 1100116 | | 355,101 |
| Adoption Assistance | 93.659 | 1120116 | | 302,570 |
| Social Service Block Grant | 93.667 | 1000116 | | 185,375 |
| Chafee Foster Care Independence Program | 93.674 | 9150116 | | 3,105 |
| Medical Assistance Program | 93.778 | 1200116 | | 539,817 |
| State Children's Insurance Program | 93.767 | 0540116 | | 17,609 |
| Total U.S. Department of Health and Human Services | | | | <u>1,789,765</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 9,430,531</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 \$116,996 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, 2016 is \$1,400,751.