COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2018

Winchester finance Virginia

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CITY OF WINCHESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Prepared by:

City of Winchester, Virginia
Finance Department

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CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

Page(s)

INTRODUCTORY SECTION

Officials i
Organization Chart ii
Letter of Transmittal ..... iii-ix
Certificate of Achievement x

FINANCIAL SECTION

Independent Auditor's Report 1-3

Management's Discussion and Analysis 4a-4l

Basic Financial Statements:

Government-Wide Financial Statements:
Exhibit 1 – Statement of Net Position 5
Exhibit 2 – Statement of Activities 6

Fund Financial Statements:
Exhibit 3 – Balance Sheet – Governmental Funds 7
Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 8
Exhibit 5 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 9
Exhibit 6 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund 10-11
Exhibit 7 – Statement of Net Position – Proprietary Funds 12
Exhibit 8 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 13
Exhibit 9 – Statement of Cash Flows – Proprietary Funds 14-15
Exhibit 10 – Statement of Fiduciary Net Position – Fiduciary Funds 16
Exhibit 11 – Statement of Changes in Fiduciary Net Position – Fiduciary Funds 17

Notes to Financial Statements 18-96

FINANCIAL SECTION (Continued) Page(s)

Required Supplementary Information (Continued):

Schedules of Changes in Net Pension Liability and Related Ratios
Exhibit 12A – Primary Government and Winchester Parking Authority 97
Exhibit 12B – Schools – Nonprofessional Employees 98
Exhibit 13 – Schedule of Employer's Share of Net Pension Liability – VRS Teacher Retirement Plan 99
Exhibit 14 – Schedule of Pension Contributions 100
Schedules of Changes in Net OPEB Liability and Related Ratios
Exhibit 15A – VRS Health Insurance Credit – City 101
Exhibit 15B – VRS Health Insurance Credit – Schools Nonprofessional Employees 102
Exhibit 15C – Local Plan – Totals for all employers 103
Exhibit 16 – Schedule of Employer's Share of Net OPEB Liability 104
Schedules of OPEB Contributions
Exhibit 17A – City 105
Exhibit 17B – Schools 106
Notes to Required Supplementary Information 107-108

Other Supplementary Information:

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds 109
Exhibit 18 – Combining Balance Sheet – Nonmajor Special Revenue Funds 110
Exhibit 19 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds 111
Exhibit 20 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds 112
Exhibit 21 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds 113

Internal Service Funds 114
Exhibit 22 – Combining Statement of Net Position 115
Exhibit 23 – Combining Statement of Revenue, Expenses, and Changes in Fund Net Position 116
Exhibit 24 – Combining Statement of Cash Flows 117

Fiduciary Funds 118
Exhibit 25 – Combining Statement of Fiduciary Net Position – Agency Funds 119
Exhibit 26 – Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds 120

Discretely Presented Component Unit – School Board 121-122
Exhibit 27 – Balance Sheet – Governmental Funds 123
Exhibit 28 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 124
Exhibit 29 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund 125
Exhibit 30 – Combining Balance Sheet – Nonmajor Governmental Funds 126

FINANCIAL SECTION (Continued) Page(s)

Other Supplementary Information: (Continued)

Discretely Presented Component Unit – School Board (Continued)

Exhibit 31 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds 127

Exhibit 32 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds 128

Exhibit 33 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds 129

Exhibit 34 – Statement of Net Position – Internal Service Fund 130

Exhibit 35 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Fund 131

Exhibit 36 – Statement of Cash Flows – Internal Service Fund 132

Exhibit 37 – Combining Statement of Fiduciary Net Position 133

Exhibit 38 – Combining Statement of Changes in Fiduciary Net Position 134

Exhibit 39 – Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds 135

Discretely Presented Component Unit – Parking Authority 136

Exhibit 40 – Statement of Net Position (Deficit) – Winchester Parking Authority 137

Exhibit 41 – Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit) – Winchester Parking Authority 138

Exhibit 42 – Statement of Cash Flows – Winchester Parking Authority 139

STATISTICAL SECTION

Narrative 140

Table 1 – Net Position by Component 141

Table 2 – Changes in Net Position 142-144

Table 3 – Fund Balances of Governmental Funds 145

Table 4 – Changes in Fund Balances of Governmental Funds 146-147

Table 5 – Assessed Value and Actual Value of Taxable Property 148

Table 6 – Direct Property Tax Rates 149

Table 7 – Principal Property Taxpayers 150

Table 8 – Property Tax Levies and Collections 151

Table 9 – Ratios of Outstanding Debt by Type 152

STATISTICAL SECTION (Continued) Page(s)

Table 10 – Ratios of Net General Bonded Debt Outstanding 153
Table 11 – Direct and Overlapping Governmental Activities Debt 154
Table 12 – Legal Debt Margin Information 155
Table 13 – Pledged-Revenue Coverage 156
Table 14 – Demographic and Economic Statistics 157
Table 15 – Principal Employers 158
Table 16 – Full-time Equivalent City Government Employees by Function 159
Table 17 – Operating Indicators by Function 160
Table 18 – Capital Assets Statistics by Function 161

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* 162-163

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance 164-165

Summary of State and Local Compliance Matters 166

Schedule of Findings and Questioned Costs 167-169

Schedule of Expenditures of Federal Awards 170-171

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

John D. Smith, Jr., Mayor
William D. Wiley, President
Les C. Veach, Sr., Vice President
John W. Hill., Vice Mayor

Evan H. Clark
Kevin G. McKannan
John A. Willingham
Milton F. McInturff
Corey S. Sullivan

OFFICIALS

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

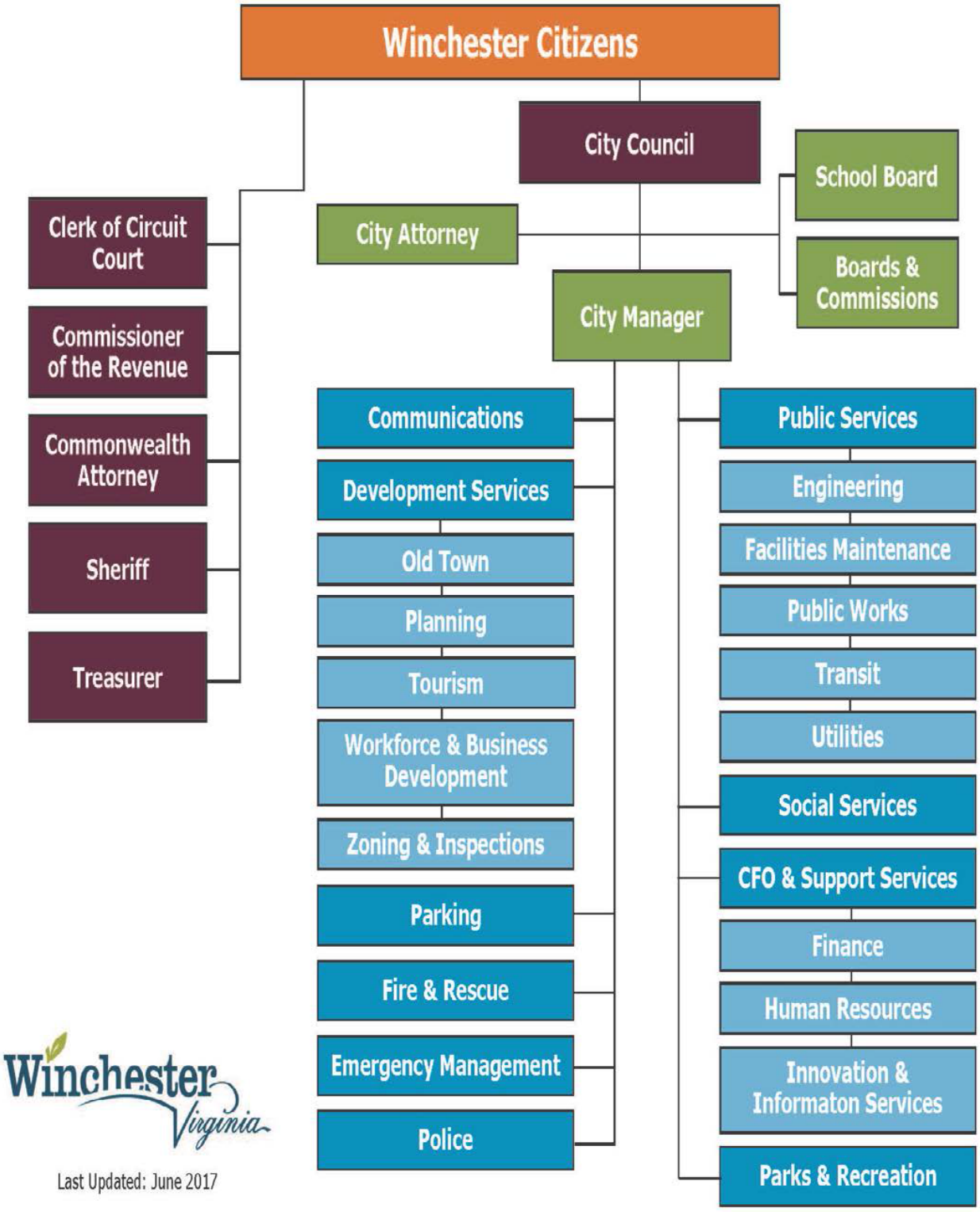
CONSTITUTIONAL OFFICERS

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	City Attorney
Mary M. Blowe	Chief Financial Officer/ Director of Support Services
Paula A. Nofsinger	Director of Human Resources
Tyler B. Schenck	Innovation and Information Services Director
Celeste R. Broadstreet	Financial Services Director/Real Estate Administrator
Shawn P. Hershberger	Development Services Director
Perry A. Eisenach	Public Services Director
John R Piper	Police Chief
Allen W. Baldwin	Fire and Rescue Chief
Jennifer E. Bell	Downtown Manager, Old Town Advancement Commission
Lynn A. Miller	Parks & Recreation Director
Amber Dopkowski	Social Services Director
Dr. Jason Van Heukelum	Superintendent of Schools
Justin R. Kerns	Executive Director, Win-Fred Co. Convention & Visitor's Bureau
Timothy A. Youmans	Planning Director
Aaron M. Grisdale	Zoning & Inspections Director
Victoria J. Palmerton	Building Official
Elizabeth W. Martin	Voter Registrar

City of Winchester
Organizational Chart



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November 21, 2018

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, 2018 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, 2018. 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.

"To provide a safe, vibrant, sustainable community while striving to constantly improve the quality of life for our citizens and economic partners."

Profile of the City of Winchester

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.3 square miles and serves a resident population of approximately 27,743. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, MD, 97 miles away. As a regional employment and health care center, the City's daytime population increases to approximately 75,000.

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

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

The CAFR includes all funds, component unit agencies, and boards and commissions for which the City is financially accountable. Financial accountability is defined as appointment of a voting majority of such an entity's Board, and either (a) the ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing criteria, the financial activities of the following organizations are included in the financial statements for the reasons indicated:

- Winchester Parking Authority (WPA): The Winchester Parking Authority was created at the request of the City of Winchester under Chapter 221 the 1964 Acts of the Virginia General Assembly on March 27, 1964 as a public body and body politic and corporate to acquire, construct, reconstruct, equip, improve, extend, enlarge, maintain, repair and operate off-street parking facilities; providing for the issuance of revenue bonds of the Parking Authority, payable solely from revenues; to pay all or any part of the cost of such parking facilities; providing for the imposition and collection of rates, rentals, fees, and charges for the use of and for the services furnished by the parking facilities; authorizing the issuance of revenue refunding bonds; and prescribing the powers and duties of the Authority in connection with the parking facilities and adjoining areas. All members of the WPA are appointed by the City's Common Council.

- Winchester School Board (Board): The Board was created by Common Council in accordance with Article VIII, Section 7 of the Virginia Constitution and Section 14.01(A) of the Winchester City Charter as a public body corporate. Pursuant to the foregoing, the Board is vested with the authority to supervise the City's publicly funded primary and secondary school system. The Board is authorized to oversee the operation and management of the City's public schools, and receives annual appropriations in furtherance of these efforts from Common Council and other funding sources. All members of the Board are appointed by the City's Common Council, in accordance with the provisions of the City's Charter.

Profile of the City of Winchester (Continued)

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

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

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

Local Economy

The City is the region's commercial, industrial, and medical center serving a 75-mile radius. Because of the City's position as a regional economic center and its extensive highway system, the City's workforce is drawn from a substantially broader area. Employers in the area offer a wide variety of private sector jobs ranging from agriculture, forestry, and manufacturing, to retail, professional, educational, and medical services.

The City's largest employer is Valley Health Systems, which owns and operates the Winchester Medical Center and five smaller primary care hospitals in the region along with other related services such as urgent care clinics, home health services, a childcare facility, and transport services. A level II trauma center and level III Neonatal Intensive Care Unit (NICU), the Winchester Medical Center is a non-profit, regional referral hospital, serving the tri-state region surrounding the city. The 455-bed facility offers a full range of inpatient and outpatient diagnostic, medical, advanced surgical options and rehabilitative services.

Located within Winchester is Shenandoah University, a United Methodist Church-affiliated institution, which was founded in 1875 in Dayton, Virginia, and moved to Winchester in 1960. Today, Shenandoah University has an enrollment of approximately 4,000 students. These students participate in more than 100 programs of study at the undergraduate, graduate, doctorate and professional levels in seven schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, School of Nursing, and School of Education and Human Development. The University has continued to grow its presence in downtown Winchester through the creation of housing, administrative and classroom facilities.

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

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Local Economy (Continued)

The City's commercial tax base accounts for 38.1% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with over 80 stores, specialty merchants and restaurants. Plazas such as Apple Blossom Corners, Winchester Crossing, Winchester Station and Winchester Plaza house Martin's, Staples, Hobby Lobby, Kohl's, HomeGoods, Books-A-Million, Michael's, Old Navy, Bed Bath and Beyond, Dick's Sporting Goods, Planet Fitness and a newly opened Kirklands. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of boutiques, specialty shops and restaurants and is often viewed as the cultural center of the community. There are also several anchorless retail centers and one life style center that house Ann Taylor Loft, Talbots, Jos A Bank Clothier, and other high-end retail stores. The city is also home to several national chain restaurants. In addition, the city has several class A office buildings serving the professional services sector and business service entities. In addition to retail, hospitality and office space, the City is home to several large manufacturing companies including O'Sullivan Films, National Fruit Company, Rubbermaid Commercial Products, American Woodmark and Trex Corporation. These companies provide over 1,400 jobs to Winchester.

The City's Development Services Team and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development and growth within Winchester. The EDA worked with the City, U.S. Department of Housing and Urban Development and private companies to redevelop the historic Taylor Hotel into a multi-use space that incorporates downtown living, two restaurants and a premier public gathering space. In 2016, the EDA acquired the Winchester Towers property (a 35,000 square foot building and parking lot) at 200 North Cameron Street for the purpose of demolishing the structure and pursing redevelopment. Currently, the EDA is working with Lynx Ventures LLC on the redevelopment of the property. The EDA has also acquired 6 lots at the corner of Kent and Piccadilly Streets and are working with Providence Capital Partners, LLC on a mixed-use redevelopment of the site to consist of first floor retail and up to 50 apartment units. 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 Advancement Commission (OTAC) continues to successfully market the City's downtown. New businesses continue to locate downtown, while existing businesses thrive. The OTAC administers the Main Street Program, focused on downtown revitalization - putting the traditional assets of downtown, such as unique architecture and locally-owned businesses, to work as a catalyst for economic growth and community pride. The efforts of OTAC have earned recognition for excellence in the field of downtown revitalization by meeting high standards of performance set by the Virginia Main Street Program and the National Trust for Historic Preservations National Main Street Center.

Long-term Financial Planning

Unassigned fund balance in the general fund (24.0% of General Fund expenditures) exceeds the policy guidelines set by Council for planning purposes. Twenty percent is the adopted minimum target for the City's General Fund balance. Amounts that exceed 25% are transferred to the capital reserve account up to the funding maximum of $2.0 million, as currently established by City Council.

Long-term Financial Planning (Continued)

As part of our strategic plan, the City has implemented a 20-year financial planning model to help project revenue and expenditures through the year 2039. 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. School projects include the complete renovation of the Douglas Community Learning Center facility to convert it to the Winchester Public School central office is planned with a $7.5 million bond issuance or lease buyback in the near future. In addition, the School Board plans to convert the former John Kerr Elementary School into The Shihadeh Innovation Center partially funded with a $9.4 million bond issuance and donations over the next two fiscal years. Also, Frederick Douglas Elementary School will require a future bond issuance of approximately $3.5 million within the next 5-10 years for renovation of its mechanical, engineering, and plumbing systems. Winchester Public Schools projects that enrollment will grow by approximately 100 students by 2022-2023 to an anticipated total enrollment of over 4,400. Current educational facilities are adequately sized at the elementary level for such growth, but secondary level assets will be strained by student enrollment in grades 7-12. These improvements should take us well into the future, allowing us to continue providing a quality education for all students in the City.

Relevant Financial Policies

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

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

Major Initiatives

A. Hope Drive Extension

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

B. Valley Avenue Drainage and Sidewalk Improvements

The final design to construct drainage and sidewalks along Valley Avenue between Middle Road and the southern City limits has also been completed and the right-of-way acquisition process has commenced. This project will correct the significant drainage problem near the intersection of Valley/Tevis and will also install sidewalks on both sides of the roadway where none currently exist. Construction on this $7.4 million project is expected to begin by the end of 2019. Half of the costs of this project will also be paid for using VDOT Revenue Sharing funds.

Major Initiatives (Continued)

C. Tevis Street Extension

Construction on this $1.6 million project that extends Tevis Street from Legge Blvd east to where a future bridge will be constructed over Interstate-81 has been completed. Half of the cost of this project was paid for using VDOT Revenue Sharing funds. The adjacent property owner paid for the other half of the project cost.

D. Sidewalk Improvements

Making repairs to sidewalks in poor condition is one of the highest priorities for Winchester residents. As such, over the next three years, the City will be replacing approximately 13 miles of sidewalks that are in poor condition at a cost of over $8 million. The majority of the sidewalk replacements will be completed in conjunction with utility infrastructure replacements. The City has also been approved for a Section 108 loan from CDBG to complete $1 million of these sidewalk replacements. Even though this will be the highest level of investment for sidewalk replacements ever, over a three year period within the City, unfortunately, this will still leave over 30 miles of sidewalks in poor condition that will cost over $20 million to replace. In order to address this major problem and make all sidewalks passable, the City will also be implementing an aggressive repair program over the next three years of grinding down the concrete at uneven sidewalk sections, when possible, and also placing asphalt over broken sections of sidewalk or in cases of uneven sidewalk sections when the concrete can't be ground down. While this is not intended to be a long term solution, it will make the sidewalks passable and allow the City to have adequate time to continue to replace these sidewalks which will take a sustained effort over the next 10 to 15 years.

E. Green Circle Trail

The City continues to work towards completing the Green Circle Trail. The final design of the section of the trail along Jubal Early between just west of Harvest Drive and just east of Valley Avenue has been completed and construction will be completed in 2019. In addition, the City has been awarded $3,092,000 in Smart Scale funds from VDOT to complete the final section of the trail along Jubal Early between Plaza Drive and Millwood Avenue, but these funds will not be available until 2021.

F. Wentworth Drive Improvements

The City has been awarded $450,000 in federal funds through VDOT to construct new sidewalks along Wentworth Drive as part of the Safe Routes to School program. The project also includes the installation of curb & gutter and water and sewer main replacements. The design of this project is nearly completed and construction is expected to begin in the summer of 2019.

G. Winchester Towers

The Winchester Towers property located at the intersection of Cameron and Piccadilly and was sold by the City to the Economic Development Authority (EDA). The EDA has entered into an MOU with Lynx Ventures, LLC to redevelop the site; final project details will be determined in early 2019.

H. Kent/Piccadilly Redevelopment Site

The Winchester EDA has purchased six (6) parcels at the corner of Kent and Piccadilly Streets, equaling 0.63 acres for a redevelopment project consisting of a mixed-use structure to accommodate 45+ residential units with commercial/retail space on the first floor. The EDA is working under an MOU with Providence Capital Partners, LLC on the redevelopment effort; construction is anticipated for mid-late 2019.

Major Initiatives (Continued)

I. Utility Infrastructure Improvements

Work has started on multiple utility projects that will be completed in the next few years and are being paid for by the Utility fund. These projects are necessary to replace old infrastructure and include the following:

1. Water and sewer main replacements
2. Replacement of all 3/4-inch and 1-inch water meters in the system
3. Sewer pump station replacements
4. Improvements at the water treatment plant
5. New maintenance facility at City Yards

Awards and Acknowledgment

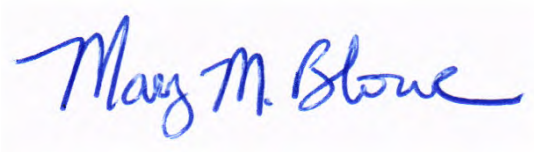
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winchester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the twenty-sixth year that the City of Winchester has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Eden E. Freeman
City Manager

Mary M. Blowe
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, 2017

Christopher P. Morrill

Executive Director/CEO

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BROWNEDWARDS
certified public accountants

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, 2018, 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.

Your Success is Our Focus
1909 Financial Drive • Harrisonburg, VA 22801-4004 • 540-434-6736 • Fax: 540-434-3097 • www.BEcpas.com

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, 2018, 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.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 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
November 21, 2018

City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

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, 2018. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

Financial Highlights

- The assets of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2018 by $93.8 million (net position).
- The City's total net position increased approximately $10.9 million over the course of this year's operations. Net position of governmental activities increased $7.4 million, and net position of business-type activities increased $3.5 million over the prior year.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $31.1 million, a decrease of $3.3 million in comparison with the prior year. Approximately 62.7% of this amount, $19.5 million, is available for spending at the government's discretion (unassigned fund balance).
- As of the close of the current fiscal year, the City's general fund unassigned fund balance was $19.5 million. This amount represents 24.0% of total general fund expenditures.
- The City's total debt increased by $24.6 million, or 12.5%. The City's general obligation bond debt decreased by $9.1 million and revenue bond debt increased by $34.7 million from the prior year.

Overview of the Financial Statements

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

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

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

The City maintains eight 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 and capital projects fund, which are considered major funds. 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 - 96 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 97 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by $93.8 million at the close of fiscal year 2018.

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)

Governmental activities. As shown in Table 1, net position for governmental activities increased from $19.7 million (as restated – Note 18) at the end of FY 2017 to $27.1 million ($7.4 million increase) at the end of FY 2018. This increase is attributed mainly to the decrease in long-term debt. The City did not issue any new debt in FY 2018 but refunded some outstanding debt and paid down existing debt thereby reducing ($7.0 million decrease) the overall general obligation debt liability. In FY 2015, the City began complying with the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This standard requires the City for the first time to report a net pension liability for the Defined Benefit Pension Plan that is offered to City employees. For detailed information on the Defined Benefit Pension Plan see Note 11, page 48. In addition, in FY 2018 the City began complying with GASB Statements No. 74 and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the City for the first time to report a net Other Postemployment Benefits (OPEB) liability for its cost sharing defined benefit healthcare plan offered to eligible retirees and other OPEB plans offered employees through the Virginia Retirement System see Note 13, page 69. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

Table 1
City of Winchester's Net Position
Fiscal Year ended June 30, 2018
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Current and other assets	$ 42.6	$ 48.0	$ 51.4	$ 9.8	$ 94.0	$ 57.8	$ 7.2	$ 11.4
Capital assets	97.6	94.5	163.5	167.3	261.1	261.8	124.7	123.0
Total Assets	140.2	142.5	214.9	177.1	355.1	319.6	131.9	134.4
Deferred Outflows of Resources								
Deferred charge on refunding	4.9	4.6	1.3	1.7	6.2	6.3	-	-
Pension related deferred outflows	1.9	3.6	0.1	0.3	2.0	3.9	6.3	8.7
Other postemployment benefit related deferred outflows	0.4	-	-	-	0.4	-	0.5	-
Total Deferred outflows of resources	7.2	8.2	1.4	2.0	8.6	10.2	6.8	8.7
Liabilities								
Current and other liabilities	5.7	4.8	2.5	2.5	8.2	7.3	6.0	6.0
Long-term liabilities	110.2	117.3	146.9	112.7	257.1	230.0	54.9	55.5
Total Liabilities	115.9	122.1	149.4	115.2	265.3	237.3	60.9	61.5
Deferred Inflows of Resources								
Property taxes collected in advance	1.1	1.0	-	-	1.1	1.0	-	-
Pension related deferred inflows	2.8	1.4	0.2	0.1	3.0	1.5	6.2	1.8
Other postemployment benefit related deferred inflows	0.5	-	-	-	0.5	-	0.5	-
Total Deferred inflows of resources	4.4	2.4	0.2	0.1	4.6	2.5	6.7	1.8
Net Position								
Net investment in capital assets	70.4	70.4	59.6	57.7	130.0	128.1	120.7	123.0
Restricted	0.2	0.4	-	-	0.2	0.4	1.8	0.3
Unrestricted	(43.5)	(44.6)	7.1	6.1	(36.4)	(38.5)	(51.4)	(43.5)
Total Net Position	**$ 27.1**	**$ 26.2**	**$ 66.7**	**$ 63.8**	**$ 93.8**	**$ 90.0**	**$ 71.1**	**$ 79.8**

Government-wide Financial Analysis (Continued)

In addition, since the GASB 34 implementation the City reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board.

If the debt related to the construction of schools ($59.8 million) were not presented in Table 2, the net position for the governmental activities would be $86.9 million and the total net position for the primary government would be $153.6 million.

Table 2
Changes in the City of Winchester's Net Position
Fiscal Year ended June 30, 2018
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues								
Program Revenues								
Charges for services	$ 5.1	$ 5.1	$ 28.8	$ 28.9	$ 33.9	$ 34.0	$ 0.8	$ 0.8
Operating grants and contributions	15.7	14.0	0.2	0.2	15.9	14.2	28.5	28.5
Capital grants and contributions	1.0	1.4	0.1	0.3	1.1	1.7	0.5	0.4
General Revenues								
Property taxes	42.2	40.1	-	-	42.2	40.1	-	-
Sales taxes	9.7	9.4	-	-	9.7	9.4	-	-
Other taxes	23.1	22.6	-	-	23.1	22.6	-	-
Grants and contributions not restricted to specific programs	3.1	3.1	-	-	3.1	3.1	-	-
Unrestricted investment earnings	0.1	0.1	0.1	-	0.2	0.1	0.1	0.1
Other	0.1	0.1	-	-	0.1	0.1	30.3	29.3
Total revenues	**$ 100.1**	**$ 95.9**	**$ 29.2**	**$ 29.4**	**$ 129.3**	**$ 125.3**	**$ 60.2**	**$ 59.1**
Expenses								
General government administration	6.0	5.4	-	-	6.0	5.4	-	-
Judicial administration	4.0	3.9	-	-	4.0	3.9	-	-
Public safety	23.3	22.1	-	-	23.3	22.1	-	-
Public works	12.0	12.1	-	-	12.0	12.1	-	-
Health and welfare	10.1	9.0	-	-	10.1	9.0	-	-
Education	30.4	29.2	-	-	30.4	29.2	61.5	61.7
Parks, recreation and culture	3.6	3.5	-	-	3.5	3.5	-	-
Community development	1.8	2.4	-	-	1.8	2.4	-	-
Interest on long-term debt	3.0	3.5	-	-	3.0	3.5	-	-
Bond issuance costs	-	0.1	-	-	-	0.1	-	-
Water and sewer	-	-	24.2	23.0	24.2	23.0	-	-
Total expenses	**94.2**	**91.2**	**24.2**	**23.0**	**118.4**	**114.2**	**61.5**	**61.7**
Increase (decrease) in net position before transfers	**5.9**	**4.7**	**5.0**	**6.4**	**10.9**	**11.1**	**(1.3)**	**(2.6)**
Transfers	1.5	1.6	(1.5)	(1.6)	-	-	-	-
Increase (decrease) in net position	**7.4**	**6.3**	**3.5**	**4.8**	**11.0**	**11.1**	**(1.3)**	**(2.6)**
Net position - beginning, as restated (Note 18)	**19.7**	**19.9**	**63.2**	**59.0**	**82.9**	**78.9**	**72.4**	**82.4**
Net position - ending	**$ 27.1**	**$ 26.2**	**$ 66.7**	**$ 63.8**	**$ 93.8**	**$ 90.0**	**$ 71.1**	**$ 79.8**

Government-wide Financial Analysis (Continued)

As shown in Table 2, the City's revenues from governmental activities totaled $100.1 million for FY 2018, an increase of $4.2 million from FY 2017. Operating grants and contributions increased $1.7 million from the prior year mainly due to an increase in revenue sharing grants for on-going road improvement projects and an increase State and Federal funding due to higher social program expenditures.

Capital grants and contributions decreased by $0.4 million mainly due to the decrease in capital revenue contributed to the Transit Fund from the Federal government for Transit bus replacements. Winchester's general revenues increased by $2.9 million from the prior year including a $2.1 million increase in Property Taxes, this continues the trend of steady growth in local revenues based on a strong local economy. Governmental activities expenditures increased by $3.0 million from the prior year. Increases include public safety totaling $1.2 million, primarily due to an increase in the City's share of the regional jail operating costs ($0.5 million) and police and fire equipment grants ($0.5 million). $1.1 million in Health and Welfare, due to rising social service costs; and $0.6 million in General Government expenditures, primarily for Information Technology software and equipment.

As shown in Figure A, the City received 74.9% of its revenue from taxes. The major source of revenue for the City was property taxes ($42.2 million or 42.2%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for the 2017 and 2018 increased by approximately 5.5% from the prior assessment year. The increase in property tax values is due to the reassessment of real property and the increase in personal property taxes due to the increase in the personal property tax rate from $4.50 per $100/assessed values to $4.80 per $100 of assessed values. The City revalues real property every two years. The increase is real property values is another strong indicator of the City's continuing growth. Other tax revenues (sales and other taxes) increased $0.8 million from the prior year.

The City's expenses from governmental activities totaled $94.2 million (Table 2) for the fiscal year ended June 30, 2018, an increase of $3.0 million from the prior year. As shown in Figure B, education was the largest expense at $30.4 million or 32.3% of total governmental expenses. Public safety was the second largest expense at $23.3 million or 24.8% of total governmental expenses.

Government-wide Financial Analysis (Continued)

Figure A
Revenues by Source – Governmental Activities

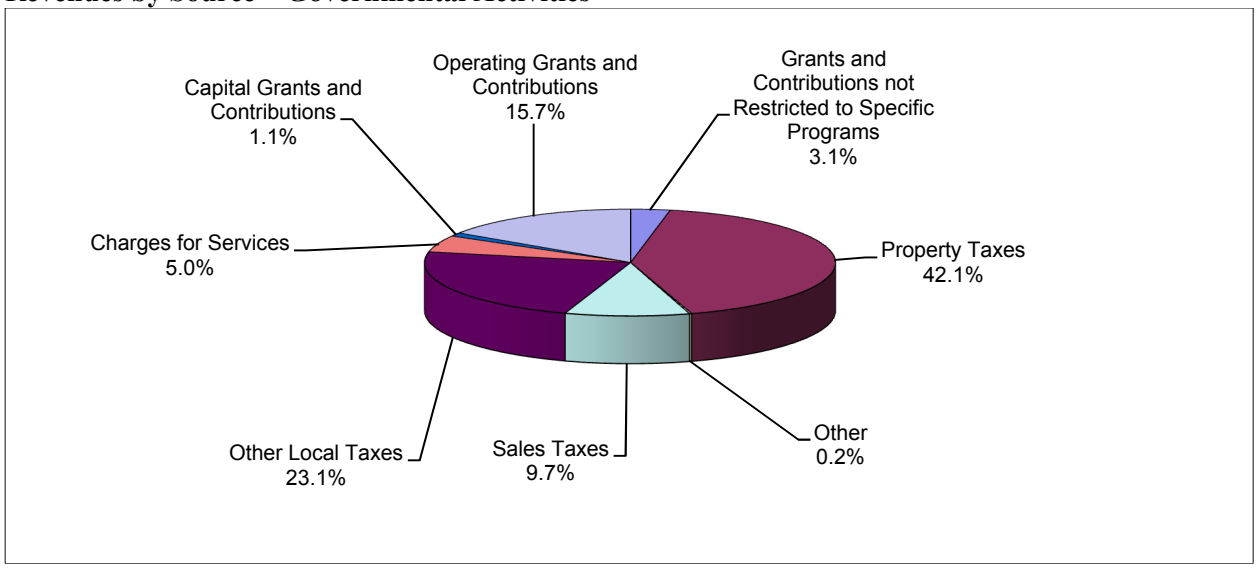
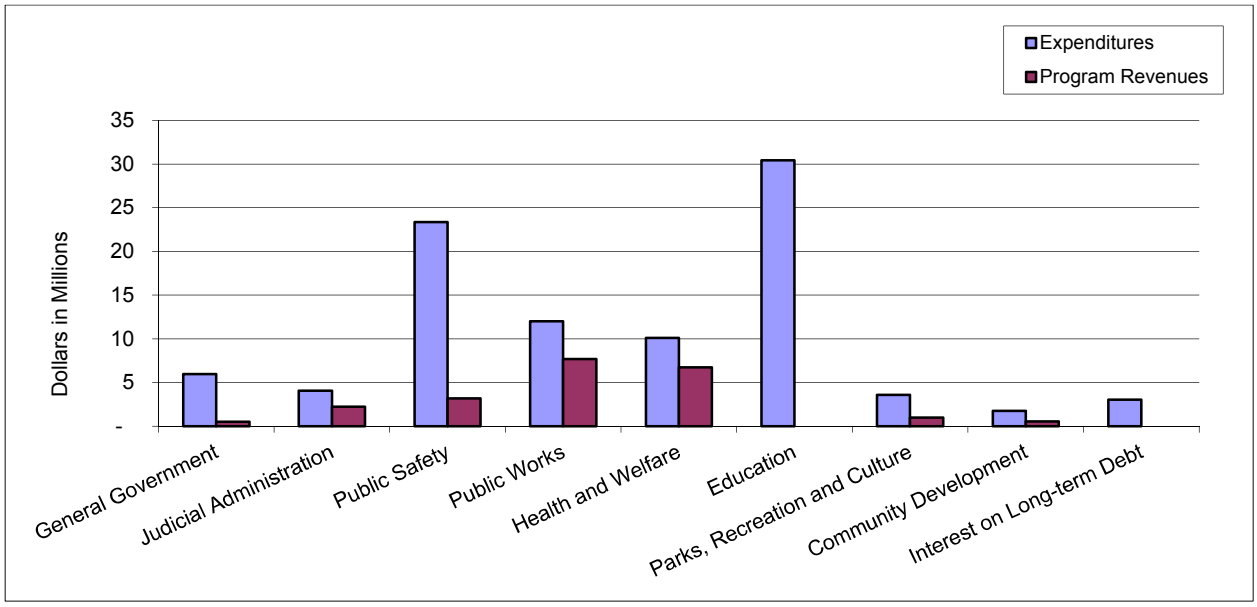


Figure B
Expenses and Program Revenues – Governmental Activities



Business-type activities. The City's business-type activities include the water and sewer fund. The net position of these business-type activities totaled $66.7 million (Table 2) an increase of $3.5 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility fees, which totaled $28.8 million or 98.6% of the total revenues for business-type activities, a decrease of $0.1 million from the prior year. Expenses of the business-type activities totaled $24.2 million (Table 2) an increase from the prior year of $1.2 million. This increase in expenses is mainly due to an increase in operational expenses for ongoing repairs of maintenance of the water and sewer system.

Government-wide Financial Analysis (Continued)

Figure C
Revenues by Source – Business-type Activities

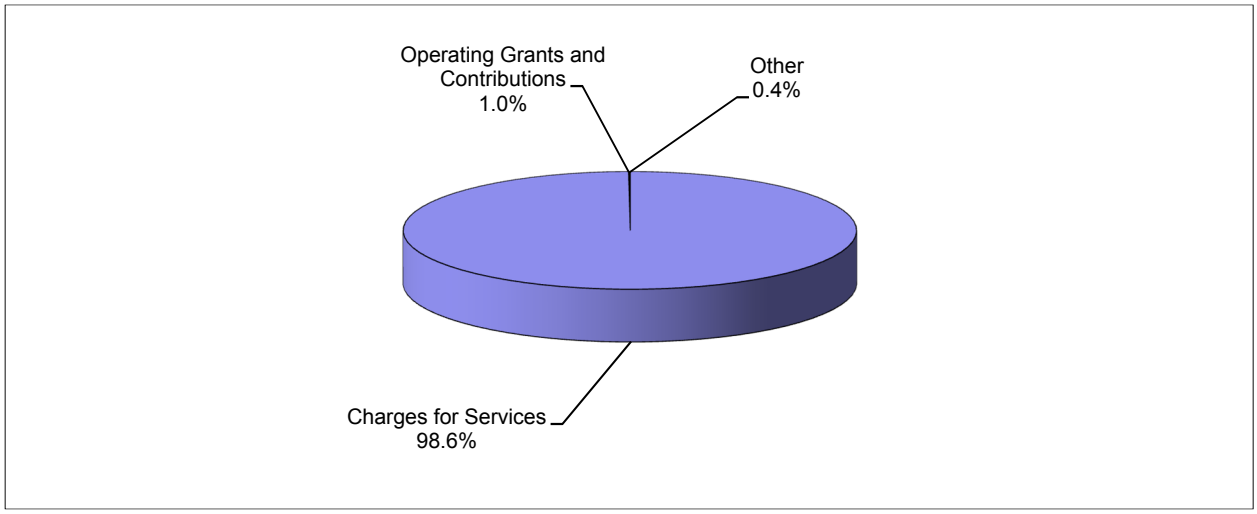
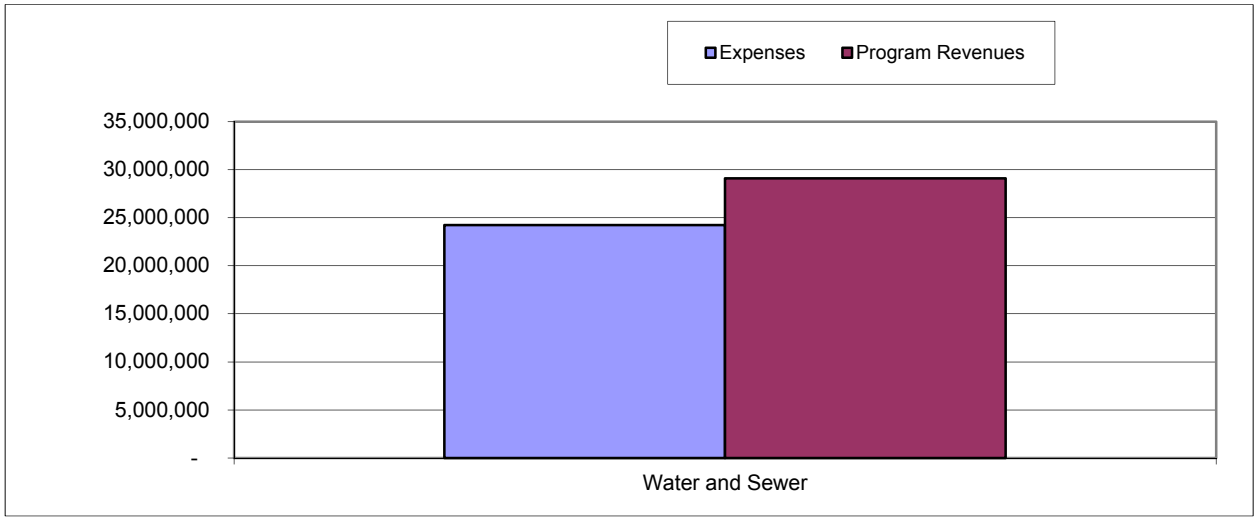


Figure D
Expenses and Program Revenues – Business-type Activities



School Board activities. The net position of the School Board totaled $71.1 million (Table 1). School Board revenues (Table 2) increased by $1.1 million (1.9%), largely due to a funding increase from the City of $1.0 million (3.4%) for operations. Overall, School Board expenses decreased $0.1 million (0.2%) due to positive adjustments for pensions. Disregarding pension adjustment, School Board expenses increased by $1.5 million, which included a salary increase for teachers making them more competitive with neighboring school systems.

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, 2018, the City's governmental funds reported combined fund balances of $31.1 million, a decrease of $3.2 million in comparison with the prior year. Approximately $19.5 million of the combined total fund balances constitutes unassigned fund balance, which is generally available for spending at the City's discretion.

General Fund. The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2018, the unassigned fund balance of the general fund was $19.5 million, while total fund balance reached $26.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents 24.0% (25.1% in the prior year) of total general fund expenditures, and decreased due to the planned use of fund balance for one-time capital projects in FY 2019. Total total fund balance represents 32.6% (31.6% in the prior year) of general fund expenditures.

Financial Analysis of the City's Funds (Continued)

Total fund balance in the general fund increased by $1.5 million during the current fiscal year mainly from positive operating results. Total revenues increased $2.9 million or 3.5% over the prior year. Real property taxes increased $1.2 million (4.3%), from increased real property reassessments, while personal property taxes increased $0.7 million (5.7%). Sales and use taxes increased $0.3 million (3.4%) and meals taxes increased $0.2 million (3.1%) while business personal property taxes increased $0.2 million or 3.4% compared to the prior year. Total expenditures increased $2.1 million or 2.7% as compared to the prior year. Education expenditures increased by $1.0 million (3.4%) due to an increased contribution to the Winchester School Board for the implementation of a compensation study to facilitate competitive teacher salaries and general instructional costs. Northwestern Regional Adult Detention Center expenditures increased by $0.5 million (10.8%) for the City's increased share, based on the jail population of City residents, for a general increase in operating costs. Public safety expenditures increased by $0.6 million for Police, Emergency Management ($0.2 million for a new maintenance agreement associated with the upgraded Emergency Communications System activated in the prior year) and Fire Department operating and equipment replacements. General government expenditures increased by $0.5 million or 9.1% compared to the prior year. Debt service payments decreased by $0.4 million (3.7%) due to the planned retirement of debt.

Capital Improvements Fund. The Capital Improvements Fund has a total fund balance of $3.6 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled $2.5 million, of which $1.2 million was intergovernmental revenue, $0.4 million was transfer from the general fund. Intergovernmental revenue included $0.9 million in funding from the state for road improvement projects, and $0.3 million in federal funding for a road improvement projects. Expenditures totaled $7.2 million, of which the most significant were for the renovation of City Hall, the purchase of the Creamery building and the Crossover Boulevard road construction project.

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, 2018, amounted to $7.2 million, an increase of $1.1 million from the prior year.

General Fund Budgetary Highlights

City Council revised the City budget three times 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 $20.6 million, mainly due to the refunding of bonds ($19.4 million), the carryforward of City capital projects, and school excess funds for capital improvement from FY 2017.

Actual revenues were more than final budget amounts by $0.9 million, and actual expenditures were $2.5 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 $1.9 million primarily due to higher than projected sales tax, vehicle license fees and strong meals tax indicating that the local economy in Winchester continues to prosper and show positive signs of growth.
- Revenues from general property taxes were $0.4 million less than budgeted amounts mainly due to uncollected real property tax revenues.

General Fund Budgetary Highlights (Continued)

- Actual combined general government, judicial administration, public safety, public works, health and welfare, community development, and parks, recreation and cultural, expenditures were $1.6 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Education expenditures were $0.9 million less than budgeted amounts primarily from savings in personnel and operating costs by the Winchester Public Schools.

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, 2018, amounts to $261.1 million net of depreciation, which represents a decrease of $0.6 million, or 0.3% 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:

- Purchase of the Creamery building to increase available office and storage space totaled $1.6 million
- Joint Judicial Center building improvements totaled $0.4 million
- Outdoor Pool resurfacing project totaled $0.2 million.
- Replacement of public safety and public works equipment totaled $1.5 million, including police vehicles, public works equipment and defibrillators.
- Replacement of public services infrastructure and equipment totaled $0.6 million.

Table 3 summarizes the City's capital assets as of June 30, 2017 and 2018.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2018

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	$ 7,305,583	$ 7,305,583	$ 1,201,485	$ 1,201,485	$ 8,507,068	$ 8,507,068
Construction in progress	7,089,592	2,304,174	846,239	-	7,935,831	2,304,174
Buildings	23,983,176	22,555,367	-	-	23,983,176	22,555,367
Treatment plants	-	-	37,157,946	38,058,611	37,157,946	38,058,611
Improvements other than buildings	7,981,479	8,282,094	2,256	2,711	7,983,735	8,284,805
Infrastructure	40,806,501	43,438,482	87,583,888	89,202,906	128,390,389	132,641,388
Machinery & Equipment	10,473,953	10,630,992	1,212,808	1,001,069	11,686,761	11,632,061
FWSA purchased capacity	-	-	35,468,166	37,883,864	35,468,166	37,883,864
Total Capital Assets	**$ 97,640,284**	**$ 94,516,692**	**$ 163,472,788**	**$ 167,350,646**	**$ 261,113,072**	**$ 261,867,338**

Capital Assets and Debt Administration (Continued)

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of $221.6 million, for the fiscal year ended June 30, 2018, an increase of $24.6 million from the fiscal year ended June 30, 2017. This entire amount is backed by the full faith and credit of the City, with $136.8 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2018, the City retired $9.1 million of outstanding general obligation bond principal due to the scheduled retirement of principal. The business-type activities obligations payable amount decreased by $1.0 million and the revenue bonds payable amount increased by $34.7 million. The City's Water and Sewer Fund issued new revenue bonds in the amount of $37.7 million to upgrade the City's aging water and sewer system. Projects include water meter replacements, water line replacements, water storage tank replacements, upgrades to the Percy D. Miller Water Treatment plant, and a new Maintenance 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, 2018

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 84,826,275	$ 91,836,844	$ 10,528,445	$ 12,612,614	$ 95,354,720	$ 104,449,458
Revenue Bonds	-	-	89,834,246	55,090,531	89,834,246	55,090,531
Obligations payable	-	-	36,474,141	37,505,135	36,474,141	37,505,135
Total Outstanding Debt	**$ 84,826,275**	**$ 91,836,844**	**$ 136,836,832**	**$ 105,208,280**	**$ 221,663,107**	**$ 197,045,124**

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 $320 million. As of June 30, 2018, the City of Winchester's total debt applicable to the limitation totaled $95.3 million, leaving a legal debt margin of $224.9 million.

Economic Factors and Next Year's Budgets and Rates

- The City of Winchester uses a robust strategic planning process to identify and address significant community issues. The process involves both the City Council and staff working together to create and update the plan. The 2016 -2020 strategic plan includes the City's Vision 2028, the City's work plan through 2020 and the City's mission statement. City Council developed the following four main goals during the planning process: encourage sustainable growth and partnerships through business and workforce development; promote and accelerate revitalization of target areas throughout the city; advance the quality of life for all Winchester residents by increasing cultural, recreational and tourism opportunities; enhance and maintain infrastructure; and promote and improve public safety; and improve City services and advance the strategic plan goals by promoting a culture of transparency, efficiency and innovation. The City has embraced these goals and Council and staff work together to forward these goals.

Economic Factors and Next Year's Budgets and Rates (Continued)

- The City has adopted storm water regulations to comply with federal and state mandates related primarily to the Chesapeake Bay initiatives that are intended to improve water quality in the Bay. These regulations will become more stringent in the next 10 years and will require the City to undertake additional activities related to storm water management. One of these requirements is that the City must accurately map the storm water system. This effort is progressing and should be completed within the next two years. City staff is also planning for potential storm water infrastructure projects that may be necessary to meet the new regulations.

- Due to the need to continue to replace aging water and sewer infrastructure, the City completed a comprehensive analysis of the existing utility rates. Based on this analysis and the 5-year capital improvement plan to complete approximately $50 million of capital improvements for the utility system, City Council adopted a series of water and sewer rate increases that will begin on July 1, 2018. Annual increases will take effect on July 1 of each year until 2022. By 2023, it is anticipated that approximately $5 million in cash revenue will be generated each year that will be dedicated to replacing old water and sewer infrastructure and will significantly lower the need to borrow funds for this purpose.

- The City of Winchester reassesses real property every two years; the next reassessment is effective January 1, 2019. Based on current trends, the 2019 overall assessment values are projected to show modest growth over 2017 values.

- For the month of June 2018, the City's unemployment rate was 3.0%, compared to the State's 3.2% and the Federal rate of 4.0%.

- The approved $93.6 million FY 2019 General Fund budget does include the use of $4.5 million of unassigned fund balance for one-time capital improvement projects and a new Fire and Rescue Ladder Truck ($1.0 million). The FY 2019 budget also includes funding for the 2% cost of living increase ($0.4 million) for employees; the full implementation of compensation study recommendations ($0.2 million) to address parity to market salaries and compression with departments; and an increase ($0.4 million) contribution to the Winchester Public Schools. The FY 2019 budget does not include any tax increases.

- The FY2019 Budget includes funding for an analysis of the City's Solid Waste and Recyling program. It is anticipated that the study will provide recommendations on service levels, routes, rates and identify efficiencies for improving services to the community.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, City of Winchester, 15 N. Cameron Street, Winchester, VA 22601.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2018

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash and cash equivalents	$ 20,719,082	$ 4,924,963	$ 25,644,045	$ 7,116,909	$ 340,540
Investments	5,063,946	1,203,710	6,267,656	1,738,983	83,232
Receivables, net:					
Taxes, including penalties	2,830,402	-	2,830,402	-	-
Accounts	1,822,651	4,793,460	6,616,111	21,225	7,736
Promises to give	-	-	-	491,378	-
Due from other governments	7,052,533	2,688	7,055,221	1,477,313	-
Internal balances	117,067	(117,067)	-	-	-
Prepaids	40,000	-	40,000	-	-
Inventories	119,619	101,640	221,259	65,453	-
Cash and cash equivalents - restricted	239,746	-	239,746	-	-
Investments - restricted	4,604,168	40,538,288	45,142,456	201,836	-
Capital assets:					
Nondepreciable	14,395,175	2,047,724	16,442,899	3,965,216	11,685
Depreciable, net	83,245,109	161,425,064	244,670,173	116,817,037	7,307,225
Total assets	140,249,498	214,920,470	355,169,968	131,895,350	7,750,418
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	4,909,285	1,309,275	6,218,560	-	-
Pension related deferred outflows	1,909,634	158,294	2,067,928	6,332,147	18,286
Other postemployment benefit related deferred outflows	415,550	17,383	432,933	541,792	2,011
Total deferred outflows of resources	7,234,469	1,484,952	8,719,421	6,873,939	20,297
LIABILITIES					
Accounts payable and other current liabilities	4,564,879	1,598,598	6,163,477	5,983,043	26,797
Accrued interest	1,139,927	914,554	2,054,481	-	150,829
Noncurrent liabilities:					
Net pension liability	7,462,277	618,564	8,080,841	45,252,541	71,455
Net other postemployment benefit liability	6,718,535	348,122	7,066,657	7,298,738	41,044
Due within one year	9,451,905	7,345,243	16,797,148	115,881	280,379
Due in more than one year	86,647,861	138,605,966	225,253,827	2,249,748	7,082,834
Total liabilities	115,985,384	149,431,047	265,416,431	60,899,951	7,653,338
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts on refunding	-	-	-	-	98,130
Property taxes collected in advance	1,130,111	-	1,130,111	-	-
Pension related deferred inflows	2,764,130	229,124	2,993,254	6,248,339	26,468
Other postemployment benefit related deferred inflows	511,352	20,640	531,992	467,022	2,308
Total deferred inflows of resources	4,405,593	249,764	4,655,357	6,715,361	126,906
NET POSITION					
Net investment in capital assets	70,459,348	59,597,359	130,056,707	120,782,253	(121,520)
Restricted for:					
Unspent bond proceeds	-	-	-	1,831,921	-
Revenue for public safety programs	180,235	-	180,235	-	-
Unrestricted	(43,546,593)	7,127,252	(36,419,341)	(51,460,197)	111,991
Total net position	$ 27,092,990	$ 66,724,611	$ 93,817,601	$ 71,153,977	$ (9,529)

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Exhibit 2

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
Primary government:									
Governmental activities:									
General government	$ 5,979,196	$ 235,862	$ 252,939	$ -	$ (5,490,395)		$ (5,490,395)		
Judicial administration	4,068,397	698,834	1,538,029	-	(1,831,534)		(1,831,534)		
Public safety	23,349,564	1,297,234	1,759,040	105,000	(20,188,290)		(20,188,290)		
Public works	12,006,083	1,474,553	5,226,191	980,606	(4,324,733)		(4,324,733)		
Health and welfare	10,109,412	80,057	6,652,589	-	(3,376,766)		(3,376,766)		
Education	30,404,117	-	-	-	(30,404,117)		(30,404,117)		
Parks, recreation, and culture	3,565,732	889,174	94,520	-	(2,582,038)		(2,582,038)		
Community development	1,762,569	387,336	172,460	-	(1,202,773)		(1,202,773)		
Interest on long-term debt	3,014,335	-	-	-	(3,014,335)		(3,014,335)		
Total governmental activities	94,259,405	5,063,050	15,695,768	1,085,606	(72,414,981)		(72,414,981)		
Business-type activities:									
Water and sewer	24,222,296	28,793,288	269,348	17,280	-	$ 4,857,620	4,857,620		
Total business-type activities	24,222,296	28,793,288	269,348	17,280	-	4,857,620	4,857,620		
Total primary government	$ 118,481,701	$ 33,856,338	$ 15,965,116	$ 1,102,886	(72,414,981)	4,857,620	(67,557,361)		
Component units:									
School board	$ 61,583,347	$ 848,227	$ 28,573,524	$ 490,731				$ (31,670,865)	$ -
Parking authority	1,128,292	1,306,798	-	-				-	178,506
Total component unit	$ 62,711,639	$ 2,155,025	$ 28,573,524	$ 490,731				(31,670,865)	178,506
		General revenues:							
		Taxes:							
		Property taxes			42,217,997	-	42,217,997	-	-
		Sales taxes			9,749,245	-	9,749,245	-	-
		Utility taxes			2,163,796	-	2,163,796	-	-
		Business license taxes			6,744,219	-	6,744,219	-	-
		Franchise taxes			488,219	-	488,219	-	-
		Hotel and meals taxes			9,496,911	-	9,496,911	-	-
		Communication taxes			1,959,936	-	1,959,936	-	-
		Other local taxes			2,246,671	-	2,246,671	-	-
		Miscellaneous			32,996	18,393	51,389	156,157	17,822
		Payments from City			-	-	-	30,142,733	-
		Grants and contributions not restricted to specific programs			3,079,396	-	3,079,396	-	-
		Unrestricted investment earnings			144,080	105,567	249,647	86,982	122
		Transfers			1,500,000	(1,500,000)	-	-	-
		Total revenues and transfers			79,823,466	(1,376,040)	78,447,426	30,385,872	17,944
		Change in net position			7,408,485	3,481,580	10,890,065	(1,284,993)	196,450
		Net position - beginning, as restated (Note 18)			19,684,505	63,243,031	82,927,536	72,438,970	(205,979)
		Net position - ending			$ 27,092,990	$ 66,724,611	$ 93,817,601	$ 71,153,977	$ (9,529)

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

FUND FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 3

	General	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 18,403,552	$ 472	$ 970,490	$ 19,374,514
Investments	4,498,010	115	237,196	4,735,321
Receivables, net:				
Taxes, including penalties	2,830,402	-	-	2,830,402
Accounts	1,335,977	202,769	266,955	1,805,701
Prepaids	-	-	40,000	40,000
Inventories	4,299	-	-	4,299
Due from other funds	2,008,000	-	-	2,008,000
Due from other governments	4,065,525	1,261,264	1,725,744	7,052,533
Investments - restricted	-	4,604,168	-	4,604,168
Total assets	$ 33,145,765	$ 6,068,788	$ 3,240,385	$ 42,454,938
LIABILITIES				
Liabilities:				
Accounts payable	$ 1,143,246	$ 950,833	$ 1,338,103	$ 3,432,182
Deposits payable	85,737	-	-	85,737
Accrued payroll	516,860	-	116,543	633,403
Unearned revenue	-	74,581	-	74,581
Due to other funds	-	1,398,000	610,000	2,008,000
Total liabilities	1,745,843	2,423,414	2,064,646	6,233,903
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	1,130,111	-	-	1,130,111
Unavailable revenue	3,683,008	-	259,101	3,942,109
Total deferred inflows of resources	4,813,119	-	259,101	5,072,220
FUND BALANCES				
Nonspendable	4,299	-	40,000	44,299
Restricted	180,235	3,653,335	-	3,833,570
Committed	758,966	-	-	758,966
Assigned	6,097,662	-	880,491	6,978,153
Unassigned	19,545,641	(7,961)	(3,853)	19,533,827
Total fund balances	26,586,803	3,645,374	916,638	31,148,815
Total liabilities, deferred inflows of resources and fund balances	$ 33,145,765	$ 6,068,788	$ 3,240,385	
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.				97,576,954
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				3,942,109
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.				1,736,199
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.				4,909,285
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Pension related deferred outflows				1,890,270
Pension related deferred inflows				(2,736,101)
Net pension liability				(7,386,608)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.				
Other postemployment benefit related deferred outflows				413,199
Other postemployment benefit related deferred inflows				(508,631)
Net other postemployment benefit liability				(6,670,804)
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				(84,826,275)
Issuance premiums				(8,630,971)
Accrued interest				(1,139,927)
Compensated absences				(2,624,524)
Net position of governmental activities				$ 27,092,990

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 4

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	$ 42,004,425	$ -	$ -	$ 42,004,425
Other local taxes	32,848,997	-	-	32,848,997
Permits, privilege fees, and regulatory licenses	374,275	-	-	374,275
Fines and forfeitures	151,034	-	-	151,034
Revenues from use of money and property	218,338	104,440	8,676	331,454
Charges for services	1,304,251	-	1,285,492	2,589,743
Miscellaneous	985,127	-	99,794	1,084,921
Recovered costs	794,655	689,673	-	1,484,328
Intergovernmental:				
Frederick County	-	-	150,500	150,500
Commonwealth	6,452,542	949,014	7,421,113	14,822,669
Federal	434,251	311,074	3,290,586	4,035,911
Total revenues	85,567,895	2,054,201	12,256,161	99,878,257
EXPENDITURES				
Current:				
General government administration	5,761,070	-	-	5,761,070
Judicial administration	3,858,775	-	45,897	3,904,672
Public safety	21,361,874	-	1,125,000	22,486,874
Public works	3,777,203	-	4,899,259	8,676,462
Health and welfare	753,218	-	9,436,405	10,189,623
Education	30,208,188	-	-	30,208,188
Parks, recreation, and culture	3,063,164	-	-	3,063,164
Community development	1,404,080	-	379,339	1,783,419
Capital outlay	979,645	7,262,679	313,716	8,556,040
Debt service:				
Principal retirement	6,720,569	-	-	6,720,569
Interest and fiscal charges	3,327,472	-	-	3,327,472
Bond issuance costs	254,708	-	-	254,708
Total expenditures	81,469,966	7,262,679	16,199,616	104,932,261
Excess (deficiency) of revenues over expenditures	4,097,929	(5,208,478)	(3,943,455)	(5,054,004)
OTHER FINANCING SOURCES (USES)				
Sale of property	3,443	-	-	3,443
Insurance recoveries	32,996	-	-	32,996
Issuance of bonds	16,660,000	-	-	16,660,000
Proceeds from premium on bond issuance	2,751,878	-	-	2,751,878
Payment to refunded bond escrow agent	(19,151,899)	-	-	(19,151,899)
Transfers in	1,500,000	412,705	3,982,550	5,895,255
Transfers out	(4,395,255)	-	-	(4,395,255)
Total other financing sources (uses)	(2,598,837)	412,705	3,982,550	1,796,418
Net change in fund balances	1,499,092	(4,795,773)	39,095	(3,257,586)
Fund balance - beginning	25,087,711	8,441,147	877,543	34,406,401
Fund balance - ending	$ 26,586,803	$ 3,645,374	$ 916,638	$ 31,148,815

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

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, 2018

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)		$ (3,257,586)
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, $8,556,040, exceeded depreciation, $5,397,523, in the current period.		3,158,517
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		105,000
In the Statement of Activities, only the *gain or loss* 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 *cost* of the property sold.		(176,926)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		151,637
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	1,890,270	
Pension expense	(621,719)	1,268,551
Governmental funds report other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions	358,714	
Other postemployment benefit expense	(699,642)	(340,928)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Principal repayments		6,720,569
Issuance of bonds		(19,411,878)
Payment to refunded bond escrow agent		19,151,899
Amortization of issuance premium		966,391
Amortization of deferred charge on refunding		(747,377)
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		(65,976)
Accrued interest		94,123
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 activites in the Statement of Activities.		
Net revenue (expense) of internal service funds		(230,411)
Allocation of net revenue (expense) to business-type activities		22,880
Change in net position of governmental activities		$ 7,408,485

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

Exhibit 6

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
General property taxes	$ 42,402,300	$ 42,402,300	$ 42,004,425	$ (397,875)
Other local taxes	30,873,500	30,873,500	32,848,997	1,975,497
Permits, privilege fees, and regulatory licenses	356,800	356,800	374,275	17,475
Fines and forfeitures	95,000	151,300	151,034	(266)
Revenues from use of money and property	275,000	218,700	218,338	(362)
Charges for services	1,465,800	1,398,200	1,304,251	(93,949)
Miscellaneous	1,013,000	1,013,000	985,127	(27,873)
Recovered costs	751,000	818,600	794,655	(23,945)
Intergovernmental:				
Commonwealth	6,357,100	6,462,100	6,452,542	(9,558)
Federal	1,007,000	912,710	434,251	(478,459)
Total revenues	84,596,500	84,607,210	85,567,895	960,685
EXPENDITURES				
Current:				
General government administration:				
Legislative	237,800	248,100	246,109	1,991
General and financial administration	5,553,100	5,501,300	5,320,998	180,302
Board of elections	224,400	224,400	193,963	30,437
Total general government administration	6,015,300	5,973,800	5,761,070	212,730
Judicial administration:				
Courts	2,449,150	2,525,150	2,523,006	2,144
Commonwealth attorney	1,397,900	1,403,900	1,401,502	2,398
Total judicial administration	3,847,050	3,929,050	3,924,508	4,542
Public safety:				
Law enforcement and traffic control	8,261,000	8,211,710	8,179,745	31,965
Fire and rescue services	5,724,005	5,833,037	5,677,748	155,289
Correction and detention	5,560,435	5,731,111	5,728,826	2,285
Inspections	573,100	573,100	536,618	36,482
Other protection	2,343,200	2,221,168	1,856,835	364,333
Total public safety	22,461,740	22,570,126	21,979,772	590,354
Public Works:				
Maintenance of highways, streets, bridges and sidewalks	319,500	306,200	277,356	28,844
Sanitation and waste removal	1,677,500	1,677,500	1,767,915	(90,415)
Maintenance of buildings and grounds	2,016,200	2,016,200	1,932,682	83,518
Total public works	4,013,200	3,999,900	3,977,953	21,947
Health and welfare:				
Health	305,426	305,426	305,426	-
Chapter X board	222,306	222,306	222,306	-
Welfare/Social Services	250,000	250,000	225,486	24,514
Total health and welfare	777,732	777,732	753,218	24,514
Education:				
Contributions to community college	65,455	65,455	65,455	-
Contributions to School Board	30,114,102	31,031,432	30,142,733	888,699
Total education	30,179,557	31,096,887	30,208,188	888,699
Parks, recreation, and cultural:				
Parks and recreation	2,824,900	2,834,900	2,528,777	306,123
Cultural enrichment	100,000	100,000	189,500	(89,500)
Contribution to Regional Library	419,020	419,020	419,020	-
Total parks, recreation, and cultural	3,343,920	3,353,920	3,137,297	216,623

(Continued)

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

Exhibit 6 (Continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES (continued)				
Current: (continued)				
Community development:				
Planning and community development	$ 1,592,201	$ 1,581,201	$ 1,425,211	$ 155,990
Total community development	1,592,201	1,581,201	1,425,211	155,990
Debt service:				
Principal retirement	7,251,700	6,981,700	6,720,569	261,131
Interest and fiscal charges	3,612,600	3,467,266	3,327,472	139,794
Bond issuance costs	-	259,979	254,708	5,271
Total debt service	10,864,300	10,708,945	10,302,749	406,196
Total expenditures	83,095,000	83,991,561	81,469,966	2,521,595
Excess of revenues over expenditures	1,501,500	615,649	4,097,929	3,482,280
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	3,443	3,443
Insurance recoveries	-	-	32,996	32,996
Proceeds from bond issuance	-	16,660,000	16,660,000	-
Proceeds from premium on bond issuance	-	2,751,878	2,751,878	-
Payment to refunded bond escrow agent	-	(19,151,899)	(19,151,899)	-
Transfers in	1,500,000	1,500,000	1,500,000	-
Transfers out	(5,955,000)	(6,534,886)	(4,395,255)	2,139,631
Appropriation of fund balance	2,953,500	4,159,258	-	(4,159,258)
Total other financing sources (uses)	(1,501,500)	(615,649)	(2,598,837)	(1,983,188)
Net change in fund balances	$ -	$ -	$ 1,499,092	$ 1,499,092

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

Exhibit 7

	Business-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,924,963	$ 1,344,568
Investments	1,203,710	328,625
Accounts receivable, net	4,793,460	16,950
Due from other governments	2,688	-
Inventories	101,640	115,320
Cash and cash equivalents - restricted	-	239,746
Investments - restricted	40,538,288	-
Total current assets	51,564,749	2,045,209
Noncurrent assets:		
Capital assets:		
Nondepreciable	2,047,724	-
Depreciable, net	161,425,064	63,330
Total capital assets, net	163,472,788	63,330
Total noncurrent assets	163,472,788	63,330
Total assets	215,037,537	2,108,539
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,309,275	-
Pension related deferred outflows	158,294	19,364
Other postemployment benefit related deferred outflows	17,383	2,351
Total deferred outflows of resources	1,484,952	21,715
LIABILITIES		
Current liabilities:		
Accounts payable	981,504	332,738
Customer deposits	515,008	-
Accrued payroll	102,086	6,238
Accrued interest	914,554	-
Compensated absences - current	94,707	7,468
Bonds payable and other obligations - current	7,250,536	-
Total current liabilities	9,858,395	346,444
Noncurrent liabilities:		
Compensated absences	133,510	10,528
Net pension liability	618,564	75,669
Net other postemployment benefit liability	348,122	47,731
Bonds payable and other obligations	138,472,456	-
Total noncurrent liabilities	139,572,652	133,928
Total liabilities	149,431,047	480,372
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	229,124	28,029
Other postemployment benefit related deferred inflows	20,640	2,721
Total deferred inflows of resources	249,764	30,750
NET POSITION		
Net investment in capital assets	59,597,359	63,330
Unrestricted	7,244,319	1,555,802
Total net position	66,841,678	$ 1,619,132
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.	(117,067)	
Net position of business-type activities	$ 66,724,611	

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 8

	Business-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	$ 23,120,840	$ 2,166,522
Miscellaneous	18,393	-
Recovered costs	5,672,448	-
Total operating revenues	28,811,681	2,166,522
OPERATING EXPENSES		
Personal services	3,916,671	615,831
Contractual services	5,045,115	481,182
Other supplies and expenses	5,260,112	823,676
Insurance claims and expenses	-	477,464
Depreciation	5,314,675	5,111
Total operating expenses	19,536,573	2,403,264
Operating income (loss)	9,275,108	(236,742)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental:		
Federal	269,348	-
Investment earnings	105,567	4,685
Interest and fiscal charges	(4,662,843)	-
Gain on disposal of capital assets	-	1,646
Total nonoperating revenues (expenses)	(4,287,928)	6,331
Income (loss) before contributions and transfers	4,987,180	(230,411)
CAPITAL CONTRIBUTIONS	17,280	-
TRANSFERS OUT	(1,500,000)	-
Change in net position	3,504,460	(230,411)
Total net position - beginning, as restated (Note 18)	63,337,218	1,849,543
Total net position - ending	$ 66,841,678	$ 1,619,132

Change in net position	$ 3,504,460
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(22,880)
Change in net position of business-type activities	$ 3,481,580

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 9

	Busines-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 22,763,321	$ -
Cash received from internal services provided	-	2,159,413
Cash paid to suppliers	(10,275,889)	(1,260,588)
Cash paid for internal services received	(194,089)	-
Cash paid to employees	(4,276,259)	(648,791)
Premiums paid	-	(543,666)
Recovered costs and other receipts	5,701,525	-
Net cash provided by (used in) operating activities	13,718,609	(293,632)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	(1,500,000)	-
Net cash used in noncapital financing activities	(1,500,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,296,058)	(42,110)
Principal paid on capital debt	(6,096,448)	-
Interest paid on capital debt	(4,841,565)	-
Proceeds from debt issuances	41,065,323	-
Proceeds from sale of capital assets		1,646
Proceeds from federal grants	269,348	-
Net cash provided by (used in) capital and related financing activities	29,100,600	(40,464)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchases) of investments, net	(40,899,201)	(11,249)
Investment income	105,567	4,685
Net cash provided by (used in) investing activities	(40,793,634)	(6,564)
Net increase (decrease) in cash and cash equivalents	525,575	(340,660)
Cash and cash equivalents - beginning of year	4,399,388	1,924,974
Cash and cash equivalents - end of year	$ 4,924,963	$ 1,584,314
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash and cash equivalents	$ 4,924,963	$ 1,344,568
Restricted cash	-	239,746
Total	$ 4,924,963	$ 1,584,314

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

(Continued)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

Exhibit 9 (Continued)

	Busines-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ 9,275,108	$ (236,742)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	5,314,675	5,111
Pension expense, net of employer contributions	(189,597)	(1,910)
Other postemployment benefit expense, net of employer contributions	(247,164)	(34,846)
(Increase) decrease in:		
Accounts receivable	(296,492)	(7,109)
Prepaids	-	-
Due from other governments	10,684	-
Inventories	1,617	35,868
Increase (decrease) in:		
Accounts payable	(122,891)	(57,800)
Customer deposits	(61,027)	(294)
Accrued payroll	25,151	4,090
Compensated absences	8,545	-
Total adjustments	4,443,501	(56,890)
Net cash provided by (used in) operating activities	$ 13,718,609	$ (293,632)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions of water and sewer lines from developers	$ 17,280	$ -
Change in capital asset purchases included in accounts payable at year end	$ 123,479	$ -

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

Exhibit 10

	Other Postemployment Benefits Trust Fund	Total Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 1,231,141
Investments	3,517,337	1,560,216
Prepaids	-	1,751
Total assets	$ 3,517,337	$ 2,793,108
LIABILITIES		
Accounts payable	$ -	$ 33,772
Accrued payroll	-	51,624
Amounts held for others	-	2,707,712
Total liabilities	$ -	$ 2,793,108
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	$ 3,517,337	$ -

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

Exhibit 11

	Other Postemployment Benefits Trust Fund
ADDITIONS	
Employer contributions	$ 3,510,077
Net investment income	7,260
Total additions	$ 3,517,337
Total net position - beginning	-
Total net position - ending	$ 3,517,337

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

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

Discretely Presented Component Units:

The City of Winchester School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. All members of the School Board are appointed by City Council, and the City has the ability to impose its will upon the Board. In addition, because the School Board does not have taxing powers, the School Board is fiscally dependent upon the City to provide significant funding to operate the public schools. The School Board must also obtain the City's approval for debt issuances.

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

Separate financial statements of these component units are not available.

Joint Ventures:

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning, and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services. The City has certain long-term obligations with the Authority that are described further in Note 9. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at P.O. Box 43, Winchester, Virginia 22604.

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During 2018, the City provided total support of $101,655. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 491 Airport Road, Winchester, Virginia 22602.

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Joint Ventures (Continued):

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants must subsidize operations and capital needs. During 2018, the City provided total support of $506,641. 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 2018, the City provided total support of $4,910,139. 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 2018. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

Government-Wide and Fund Financial Statements

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

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Internal Service Funds account for employee benefits and equipment inventory 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 and Equipment Operating Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Deposits and Investments

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

State statues 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Receivables and Payables

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

Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 20 and December 5. The City bills and collects its own taxes. The City's real estate and business-related personal property taxes are levied each calendar year on all taxable property located in the City, and are accounted for in the General fund. Therefore, real estate and business-related personal property taxes that are due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Levy Date	January 1
Due Date	June 20/December 5

Property Taxes - Motor Vehicles

The City employs a system providing for both proration and monthly billing/assessment for personal property taxes on motor vehicles. Property is assessed on a monthly cycle based on the date which a vehicle gains situs in the City, using its value as of the starting month and year of the vehicle's twelve-month billing cycle. Taxes attach as a lien on the property as of the date assessed, and are due thirty days after assessment. The City bills and collects its own taxes. These taxes are levied on each vehicle each year in the month in which the property first became taxable in the City. Vehicles already in the City at the adoption of this system were grandfathered in using the same system as for real estate, except that taxes were due in one installment on December 5. Replacement vehicles are taxed using the new system. These taxes are accounted for in the General Fund.

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, 2018 consisted of the following:

General Fund (property taxes, penalties, and interest)	$ (1,449,676)
Emergency Medical Service Fund	249,478
Water and Sewer Fund	280,979
	$ 1,980,133

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 acquisition 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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

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

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

Long-term Obligations

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

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

School Board Debt/Capital Asset Reporting

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the City and Schools' Plans and the additions to/deductions from the City and Schools' Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement which presents financial position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement which presents financial position reports 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.

- Deferred charge on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows and inflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB; these will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between projected and actual earnings on pension and OPEB plan investments. These differences will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion and differences between employer contributions and the proportionate share of employer contributions, resulting from participation in cost-sharing pension and OPEB plans, are reported as deferred outflows or inflows as appropriate.
- Property taxes collected in advance of the period for which they were levied. These amounts are recognized as revenue in the period for which they were levied.
- Governmental funds report unavailable revenue from property taxes and other receivables not collected within the availability period. These amounts are recognized as an inflow of resources in the period they become available.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources (Continued)

- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Minimum Fund Balance Policy

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

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

Net Position

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

Fair Value Measurement

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

Use of Estimates

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Prior to March 30, the City Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

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

Budgetary Information (Continued)

2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated annual budgets are adopted for the General, Special Revenue, and Capital Improvements Funds of the primary government and School Board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital improvements funds. The Discretely Presented Component Unit - School Board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP), with the exception of appropriations of prior fund balance, which are treated as revenue sources on the budgetary basis.
7. Appropriations lapse on June 30 for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City required budget amendments during the year, which increased total appropriations in the General Fund by $20,628,346.

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.

Note 3. Deposits and Investments (Continued)

Investments

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

Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
Investments – Level 1:			
U.S. Treasury notes	$ 1,233,159	AA+	0.21
Investments – Level 2:			
Federal agency bonds and notes	2,955,800	AA+	3.09
Mutual funds – fixed income	1,292,054	AA (average)	5.53
Mutual funds – equity	2,227,113	Unavailable	N/A
Negotiable certificates of deposit	4,539,501	N/A	1.83
Investments reported at amortized cost:			
LGIP	325,057	AAAm	0.25
SNAP	45,344,219	AAAm	0.17
Total investments	57,916,903		
Cash and cash equivalents	35,890,010		
Nonnegotiable certificates of deposit	1,232,395		
Total deposits	37,122,405		
Total deposits and investments	95,039,308		

* - Average Maturity in Years

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

		Component Units		
	Primary Government	School Board	Winchester Parking Authority	Total
Statement of Net Position:				
Cash and cash equivalents	$ 25,644,045	$ 7,116,912	$ 340,540	$ 33,101,497
Investments	6,267,656	1,738,983	83,232	8,089,871
Cash and cash equivalents - restricted	239,746	-	-	239,746
Investments - restricted	45,142,456	201,836	-	45,344,292
Fiduciary:				
Cash and cash equivalents	1,231,141	1,317,625	-	2,548,766
Investments	5,077,553	637,583	-	5,715,136
Total	$ 83,602,597	$ 11,012,939	$ 423,772	$ 95,039,308

(Continued)

Note 3. Deposits and Investments (Continued)

Investments (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 2 investments are valued using a matrix pricing technique, which is based on the investments' benchmark quoted prices.

Neither LGIP nor SNAP are registered with the SEC, but are overseen by the Treasurer of Virginia and the State Treasury Board. The value of the City's position in the pools is the same as the value of the pool shares and is stated at amortized cost in accordance with GASB Statement 79, which approximates fair value.

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

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

Credit Risk - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, mutual funds, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

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

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

Restricted cash and investments:

Restricted cash and investments consist of the following:

	Primary Government	School Board
Unspent bond proceeds restricted for capital projects	$ 45,142,456	$ 201,836
Flexible spending accounts held for benefit of employees	239,746	-

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	$ -	$ 549,133
Title VI-B	-	143,309
Title I	-	307,695
Virginia Preschool Initiative Plus	-	203,118
Other federal and state school funds	-	274,058
Local sales tax	1,585,193	-
Transit grants	456,027	-
Highway construction funds	1,661,630	-
Welfare grants	734,477	-
Communication tax	156,285	-
Other federal and state funds	603,134	-
Total due from federal and state sources	5,196,746	1,477,313
Frederick County:		
Joint Judicial Center – debt service	1,666,524	-
Joint Judicial Center – operating expenses	124,088	-
Other receivables	67,863	-
Total due from other governments	$ 7,055,221	$ 1,477,313

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	$ 102,004
Receivable in one to five years	308,333
Receivable in five to ten years	186,253
Total unconditional promises to give	596,590
Less discounts to present value	(105,212)
Net unconditional promises to give	$ 491,378

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

Note 6. Interfund Receivables, Payables, and Transfers

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

Primary Government	
Due to general fund from:	
Capital improvements fund	$ 1,398,000
Non-major governmental funds	610,000
Total due to general fund	$ 2,008,000
Component Unit – School Board	
Due to school operating fund from:	
Federal grants fund	$ 426,099
Due to school capital improvement fund from:	
School construction fund	$ 2,000

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

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

Primary Government	
Transfers to general fund from:	
Water and sewer fund	$ 1,500,000
Transfers to capital improvements fund from:	
General fund	$ 412,705
Transfers to non-major governmental funds from:	
General fund	$ 3,982,550

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.

Note 7. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset, not being depreciated:				
Land	$ 7,305,583	$ -	$ -	$ 7,305,583
Construction in progress	2,304,174	4,845,439	(60,021)	7,089,592
Total capital assets not being depreciated	9,609,757	4,845,439	(60,021)	14,395,175
Capital assets, being depreciated:				
Buildings	34,594,793	2,142,603	-	36,737,396
Improvements other than buildings	13,193,327	189,699	-	13,383,026
Infrastructure	73,146,314	-	-	73,146,314
Equipment	21,158,849	1,525,411	(754,956)	21,929,304
Total capital assets being depreciated	142,093,283	3,857,713	(754,956)	145,196,040
Less accumulated depreciation for:				
Buildings	(12,039,426)	(714,794)	-	(12,754,220)
Improvements other than buildings	(4,911,233)	(490,314)	-	(5,401,547)
Infrastructure	(29,707,832)	(2,631,981)	-	(32,339,813)
Equipment	(10,527,857)	(1,565,545)	638,051	(11,455,351)
Total accumulated depreciation	(57,186,348)	(5,402,634)	638,051	(61,950,931)
Total capital assets being depreciated, net	84,906,935	(1,544,921)	(116,905)	83,245,109
Governmental activities capital assets, net	$ 94,516,692	$ 3,300,518	$ (176,926)	$ 97,640,284

(Continued)

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	$ 155,667
Judicial administration	245,808
Public safety	1,070,710
Public works	3,398,223
Health and welfare	16,744
Parks, recreation, and cultural	507,955
Community development	7,527
Total depreciation expense – governmental activities	$ 5,402,634

Note 7. Capital Assets (Continued)

Primary Government (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,201,485	$ -	$ -	$ 1,201,485
Construction in progress	-	846,239	-	846,239
Total capital assets not being depreciated	1,201,485	846,239	-	2,047,724
Capital assets, being depreciated:				
Treatment plants	45,043,669	-	-	45,043,669
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	119,653,513	220,770	-	119,874,283
Equipment	3,055,407	391,529	(15,730)	3,431,206
FWSA purchased capacity	52,496,047	-	-	52,496,047
Total capital assets being depreciated	220,367,473	590,578	(15,730)	220,964,042
Less accumulated depreciation for:				
Treatment plants	(6,985,058)	(900,665)	-	(7,885,723)
Improvements other than buildings	(116,126)	(455)	-	(116,581)
Infrastructure	(30,450,607)	(1,839,788)	-	(32,290,395)
Equipment	(2,054,338)	(179,790)	15,730	(2,218,398)
FWSA purchased capacity	(14,612,183)	(2,415,698)	-	(17,027,881)
Total accumulated depreciation	(54,218,312)	(5,314,675)	15,730	(59,538,978)
Total capital assets being depreciated, net	166,149,161	(4,724,097)	-	161,425,064
Business-type activities capital assets, net	$ 167,350,646	$ (3,877,858)	$ -	$ 163,472,788

Note 7. Capital Assets (Continued)

Primary Government (Continued)

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

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

Construction Commitments:

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

	Total Contracts	Total Payments	Future Amounts to be Expended
Primary Government			
City Hall renovation	$ 3,307,781	$ 1,883,633	$ 1,424,148
Crossover Boulevard construction	1,776,294	1,304,815	471,479
	$ 5,084,075	$ 3,188,448	$ 1,895,627
School Board			
Security vestibules	$ 40,540	$ 33,280	$ 7,260
Douglas Community Learning Center	94,545	88,798	5,747
Emil and Grace Shihadeh Innovation Center	454,020	25,650	428,370
	$ 589,105	$ 147,728	$ 441,377

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	175,450	164,935	(133,197)	207,188
Total capital assets not being depreciated	3,933,478	164,935	(133,197)	3,965,216
Capital assets, being depreciated:				
Buildings	148,702,951	-	-	148,702,951
Improvements other than buildings	4,699,819	867,878	-	5,567,697
Equipment	7,884,551	414,078	(50,390)	8,248,239
Total capital assets being depreciated	161,287,321	1,281,956	(50,390)	162,518,887
Less accumulated depreciation for:				
Buildings	(34,723,951)	(2,888,001)	-	(37,611,952)
Improvements other than buildings	(2,297,125)	(186,268)	-	(2,483,393)
Equipment	(5,154,968)	(501,927)	50,390	(5,606,505)
Total accumulated depreciation	(42,176,044)	(3,576,196)	50,390	(45,701,850)
Total capital assets being depreciated, net	119,111,277	(2,294,240)	-	116,817,037
School board capital assets, net	$ 123,044,755	$ (2,129,305)	$ (133,197)	$ 120,782,253

Note 7. Capital Assets (Continued)

Component Unit – Parking Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 11,685	$ -	$ -	$ 11,685
Total capital assets not being depreciated	11,685	-	-	11,685
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	784,465	-	-	784,465
Total capital assets being depreciated	10,592,043	-	-	10,592,043
Less accumulated depreciation for:				
Buildings	(2,450,049)	(194,849)	-	(2,644,898)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	(522,284)	(61,457)	-	(583,741)
Total accumulated depreciation	(3,028,512)	(256,306)	-	(3,284,818)
Total capital assets being depreciated, net	7,563,531	(256,306)	-	7,307,225
Parking Authority capital assets, net	$ 7,575,216	$ (256,306)	$ -	$ 7,318,910

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	$ 3,576,196
Business-type activities:	
Parking Authority	$ 256,306

Note 8. Unavailable Revenue

Unavailable revenue is comprised of the following:

	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 45 days after year-end	$ 2,016,484	$ -
Uncollected joint judicial commission debt service billings	1,666,524	-
EMS billings not collected within 45 days after year-end	-	259,101
Total general fund unavailable revenue	$ 3,683,008	$ 259,101

Note 9. Long-Term Debt

Primary Government

Changes in Long-Term Debt

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	$ 91,836,844	$ 16,660,000	$ (23,670,569)	$ 84,826,275	$ 7,388,901
Unamortized bond premium	8,005,340	2,751,878	(2,126,247)	8,630,971	966,390
Compensated absences	2,572,454	1,148,213	(1,078,147)	2,642,520	1,096,614
Governmental activities long-term liabilities	$ 102,414,638	$ 20,560,091	$ (26,874,963)	$ 96,099,766	$ 9,451,905

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Business-type Activities:					
General obligation bonds	$ 12,612,614	$ -	$ (2,084,169)	$ 10,528,445	$ 2,175,818
Revenue bonds	55,090,531	37,725,000	(2,981,285)	89,834,246	3,092,777
Obligations payable FWSA	37,505,135	-	(1,030,994)	36,474,141	1,229,128
Unamortized bond premium	6,150,689	3,340,323	(604,852)	8,886,160	752,813
Compensated absences	219,672	108,487	(99,942)	228,217	94,707
Business-type activities long-term liabilities	$ 111,578,641	$ 41,173,810	$ (6,801,242)	$ 145,951,209	$ 7,345,243

(Continued)

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, $17,996 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund and special revenue funds.

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness		
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	$ 377,360	$ 377,360
$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	20,894,630	3,460,370
$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	21,174,085	5,140,915
$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	5,120,000	-

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
$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	$ 6,825,200	$ 1,549,800
$7,075,000 General Obligation Public Improvement Bond, Series 2015, issued October 28, 2015, maturing annually beginning May 1, 2016 through May 1, 2035, interest payable semi-annually at rate of 2.45%. Purpose: General capital projects	6,475,000	-
$7,400,000 General Obligation Public Improvement Bond, Series 2016 issued July 14, 2016, maturing annually beginning July 15, 2017 through July 15, 2036, interest payable semi-annually at rate of 2.12%. Purpose: General capital projects	7,300,000	-
$16,660,000 General Obligation Public Improvement Bond, Series 2017 refunding, issued July 18, 2017, maturing annually beginning September 1, 2023 through September 1, 2033, interest payable semi-annually at rate of 1.5-5.0%. Purpose: Refund certain outstanding bonds	16,660,000	-
Total General Obligation Bonds	$ 84,826,275	$ 10,528,445
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	$ -	$ 585,000
$11,820,000 Virginia Resources Authority Revenue Bond, Series of 2009A, issued June 1, 2009, maturing annually beginning October 1, 2010 through October 1, 2029 interest payable semi-annually at rates of 4.125-5.125% Purpose: Utilities capital projects	-	1,085,000

(Continued)

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
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	$ -	$ 8,810,000
$12,165,000 Virginia Resources Authority Revenue Bond, Series of 2010C, issued November 1, 2010, maturing annually beginning October 1, 2012 through October 1, 2031 interest payable semi-annually at rates of 4.200%-6.041%. Purpose: Utilities capital projects	-	9,340,000
$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	-	1,329,246
$19,470,000 Virginia Resources Authority Revenue Bond, Series 2011B, issued October 16, 2011, maturing annually beginning October 1, 2013 through October 1, 2032, interest payable semi-annually at rates of 3.44%-5.125%. Purpose: Utilities capital projects	-	3,210,000

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
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	$ -	$ 14,690,000
$13,115,000 Virginia Resources Authority Revenue Bond, Series 2016A, issued March 31, 2017, maturing annually beginning November 1, 2016 through November 1, 2032, interest payable semi-annually at rates of 3.13%-5.13%. Purpose: Refund certain outstanding bonds	-	13,060,000
$37,725,000 Virginia Resources Authority Revenue Bond, Series 2018, issued March 30, 2018, maturing annually beginning October 1, 2020 through October 1, 2039, interest payable semi-annually at rates of 3.59%-5.13%. Purpose: Utilities capital projects	-	37,725,000
Total Revenue Bonds	$ -	$ 89,834,246
Obligations Payable:		
$26,452,442 FWSA Opequon Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2039 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects	$ -	$ 11,686,641
$25,092,500 FWSA Green Energy Project obligations, commencing June 30, 2016, maturing annually through October 1, 2038 interest payable monthly at rates of 3.13%-5.13%. Purpose: Utilities capital projects	-	24,787,500
Total Obligations Payable	$ -	$ 36,474,141

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	
	Principal	Interest
2019	$ 7,388,901	$ 3,282,884
2020	7,741,602	2,921,681
2021	7,803,671	2,608,948
2022	8,096,642	2,308,577
2023	8,053,134	1,993,403
2024-2028	29,017,325	5,407,687
2029-2033	12,290,000	1,811,428
2034-2038	4,435,000	142,004
	$ 84,826,275	$ 20,476,612

	Business-type Activities					
	General Obligation Bonds		Revenue Bonds		Obligations Payable FWSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 2,175,818	$ 427,688	$ 3,092,778	$ 4,612,341	$ 1,229,128	$ 1,426,400
2020	1,883,398	325,267	3,208,523	4,569,518	1,428,944	1,379,183
2021	1,371,329	257,941	4,489,687	4,383,469	1,372,289	1,325,428
2022	1,423,358	201,764	4,710,887	4,152,206	1,426,571	1,270,186
2023	931,866	153,016	4,927,123	3,264,144	1,489,023	1,210,020
2024-2028	2,742,676	229,083	28,365,500	12,176,311	8,473,261	5,121,615
2029-2033	-	-	23,472,503	5,376,224	9,268,154	3,257,950
2034-2038	-	-	11,930,449	2,232,572	9,535,415	1,550,491
2039-2043	-	-	5,636,796	221,559	2,251,356	51,697
	$ 10,528,445	$ 1,594,759	$ 89,834,246	$ 40,988,344	$ 36,474,141	$ 16,592,970

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

Frederick-Winchester Service Authority (FWSA) treatment plant rights

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

In November 2013, the City, along with the FWSA, the County of Frederick, and the Frederick County Sanitation Authority, approved the Green Energy Project (the "Project") for the purpose of implementing a series of capacity and efficiency improvements to the Opequon Water Reclamation Facility. To finance this project, the FWSA authorized the issuance of $53,000,000 in bonds. In late fiscal year 2017, the Project began accepting waste. The City has assumed responsibility for a portion of the related debt service in the approximate amount of $25,092,500.

Current Year Refunding of Debt

In July 2017, the City issued general obligation public improvement bonds totaling $16,660,000 for the purpose of refunding $16,950,000 of outstanding series 2013 bonds. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next sixteen years by $744,114, resulting in an economic gain of $720,863.

Prior Defeasance of Debt

In addition to the current year refunding, the City also defeased certain outstanding general obligation and revenue bonds payable in prior years. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2018, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds				
PIB Series 2007	$ 4,335,000	$ -	$ -	$ 4,335,000
PIB Series 2013	-	16,950,000	(300,000)	16,650,000
Revenue bonds				
VRA VPFP 2008B	7,655,000	-	-	7,655,000
VRA VPFP 2011B	12,955,000	-	-	12,955,000
	$ 24,945,000	$ 16,950,000	$ (300,000)	$ 41,595,000

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:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities - School Board					
Compensated absences	$ 2,057,167	$ 434,409	$ (125,947)	$ 2,365,629	$ 115,881

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:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Business-type Activities – Component Unit Parking Authority					
Revenue bond	$ 7,490,000	$ 7,342,300	$ (7,490,000)	$ 7,342,300	$ 271,700
Unamortized bond premium	174,467	-	(174,467)	-	-
Compensated absences	55,873	-	(34,960)	20,913	8,679
Parking authority long-term liabilities	$ 7,720,340	$ 7,342,300	$ (7,699,427)	$ 7,363,213	$ 280,379

Details of Long-Term Indebtedness

$7,342,300 Revenue Bonds, Series of 2018, issued February 1, 2018, maturing annually beginning August 1, 2018 through August 1, 2037, interest payable semi-annually at a rate of 3.65%. Purpose: Refund certain outstanding bonds	$ 7,342,300

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
2019	$ 271,700	$ 247,402
2020	264,600	253,248
2021	277,600	243,353
2022	285,400	233,078
2023	297,900	222,433
2024-2028	1,642,300	939,311
2029-2033	1,961,100	611,249
2034-2038	2,341,700	219,451
	$ 7,342,300	$ 2,969,525

Current Year Refunding of Debt

In February 2018, the Parking Authority issued a taxable parking revenue bond totaling $7,342,300 for the purpose of refunding $7,280,000 of outstanding series 2007 bonds. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the Authority's long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twenty years by $1,188,425, resulting in an economic gain of approximately $835,622.

Note 10. Contingent Liabilities and Commitments

Federal programs in which the City participates were audited in accordance with provisions of the *Uniform Guidance*. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of material noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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

Note 11. Defined Benefit Pension Plan

Plan Description

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

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

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

(Continued)

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

(Continued)

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.
- **Creditable Service –** Same as Plan 1.
- **Vesting –** Same as Plan 1.
- **Calculating the Benefit –** See definition under Plan 1.
- **Average Final Compensation –** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier –** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age –** Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility –** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility –** Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement –** The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
    - **Eligibility** – Same as Plan 1.

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

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

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage –** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –**
  - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
    - Hybrid Retirement Plan members are ineligible for ported service.
  - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 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	234	2	36
Inactive members:			
Vested inactive members	67	1	3
Non-vested inactive members	133	1	19
Inactive members active elsewhere in VRS	157	1	11
Total inactive members	357	3	33
Active members	450	4	85
Total covered employees	1,041	9	154

Note 11. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City and WPA's contractually required contribution rate for the year ended June 30, 2018 was 9.6% of covered employee compensation. The School Board Non-Professional Employee Plan's contractually required contribution rate for the year ended June 30, 2018 was 6.55% of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2015.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability. Contributions to the pension plan from the City were $2,067,928 and $2,029,550 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the pension plan from the WPA were $18,286 and $22,288 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the pension plan from School Board Non-Professional Employee Plan were $141,361 and $143,042 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits - 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 – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

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:

Note 11. Defined Benefit Pension Plan (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
EPublic Equity	640.00 %	14.54 %	01.82 %
Fixed Income	15.00	0.69	0.10
NCredit Strategies	415.00	53.96	0.59
PReal Assets	215.00	65.76	0.86
Private Equity	115.00	19.53	1.43
Total	100.00 %		54.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		87.30 %

* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

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, 2016, 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, 2019 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.

Note 11. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	$ 86,108,046	$ 73,250,717	$ 12,857,329
Changes for the year:			
Service cost	2,556,443	-	2,556,443
Interest	5,902,882	-	5,902,882
Changes of assumptions	(686,506)	-	(686,506)
Differences between expected and actual experience	(568,125)	-	(568,125)
Contributions – employer	-	2,036,188	(2,036,188)
Contributions – employee	-	1,097,742	(1,097,742)
Net investment income	-	8,948,530	(8,948,530)
Benefit payments, including refunds of employee contributions	(3,714,774)	(3,714,774)	-
Administrative expenses	-	(51,251)	51,251
Other changes	-	(50,027)	50,027
Net changes	3,489,920	8,266,408	(4,776,488)
Balances at June 30, 2017	$ 89,597,966	$ 81,517,125	$ 8,080,841

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, 2016	$ 934,162	$ 792,966	$ 141,196
Changes for the year:			
Service cost	22,605	-	22,605
Interest	52,196	-	52,196
Changes of assumptions	(6,070)		(6,070)
Differences between expected and actual experience	(5,024)	-	(5,024)
Contributions – employer	-	18,005	(18,005)
Contributions – employee	-	9,707	(9,707)
Net investment income	-	79,127	(79,127)
Benefit payments, including refunds of employee contributions	(32,848)	(32,848)	-
Administrative expenses	-	(453)	453
Other changes	-	27,062	(27,062)
Net changes	30,859	100,600	(69,741)
Balances at June 30, 2017	$ 965,021	$ 893,566	$ 71,455

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 (Asset) (a) – (b)
Balances at June 30, 2016	$ 7,356,654	$ 6,900,647	$ 456,007
Changes for the year:			
Service cost	229,749	-	229,749
Interest	503,177	-	503,177
Changes of assumptions	(139,925)	-	(139,925)
Differences between expected and actual experience	(160,784)	-	(160,784)
Contributions – employer	-	142,642	(142,642)
Contributions – employee	-	109,305	(109,305)
Net investment income	-	839,313	(839,313)
Benefit payments, including refunds of employee contributions	(336,811)	(336,811)	-
Administrative expenses	-	(4,829)	4,829
Other changes	-	(748)	748
Net changes	95,406	748,872	(653,466)
Balances at June 30, 2017	$ 7,452,060	$ 7,649,519	$ (197,459)

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 (asset)	$ 20,656,713	$ 8,080,841	$ (2,251,174)
WPA's net pension liability (asset)	182,657	71,455	(19,906)
School Board Non-Professional Employee Plan's net pension liability (asset)	671,320	(197,459)	(932,678)

Note 11. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of $607,869. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,288,798
Changes of assumptions	-	504,409
Net difference between projected and actual earnings on pension plan investments	-	1,200,047
Employer contributions subsequent to the measurement date	2,067,928	-
Total	$ 2,067,928	$ 2,993,254

The $2,067,928 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	$ (1,739,633)
2020	(205,010)
2021	(280,411)
2022	(768,200)
2023	-
Thereafter	-

Note 11. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2018, the WPA recognized pension gain of $(17,015). At June 30, 2018, 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	$ -	$ 11,396
Changes of assumptions	-	4,460
Net difference between projected and actual earnings on pension plan investments	-	10,611
Employer contributions subsequent to the measurement date	18,286	-
Total	$ 18,286	$ 26,467

The $18,286 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	$ (15,383)
2020	(1,813)
2021	(2,480)
2022	(6,791)
2023	-
Thereafter	-

Note 11. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2018, the School Board Non-Professional Employee Plan recognized pension gain of $(59,643). At June 30, 2018, 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	$ -	$ 195,508
Changes of assumptions	-	96,871
Net difference between projected and actual earnings on pension plan investments	-	107,960
Employer contributions subsequent to the measurement date	141,361	-
Total	$ 141,361	$ 400,339

The $141,361 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	$ (208,918)
2020	(96,073)
2021	(23,463)
2022	(71,885)
2023	-
Thereafter	-

Note 11. Defined Benefit Pension Plan (Continued)

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 multiple employer, cost sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously funded service.

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

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. Each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The 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. Contributions to the pension plan from the school division were $4,713,786 and $4,205,966 for the years ended June 30, 2018 and June 30, 2017, respectively.

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, 2018, the school division reported a liability of $45,450,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018 and 2017, the school division's proportion was 0.37%.

For the year ended June 30, 2018, the school division recognized pension expense of $3,497,966. 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, 2018, 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	$ -	$ 3,218,000
Changes of assumptions	663,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,651,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	814,000	979,000
Employer contributions subsequent to the measurement date	4,713,786	-
Total	$ 6,190,786	$ 5,848,000

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

The $4,713,786 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

General Information about the Teacher Cost Sharing Plan (Continued)

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

Year Ending June 30,	Reduction to Pension Expense
2019	$ (1,642,000)
2020	(27,000)
2021	(667,000)
2022	(1,743,000)
2023	(292,000)
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	$ 12,297,975
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	$ 67,871,000	$ 45,450,000	$ 26,902,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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, 2018, approximately $684,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll for the Teacher Cost Sharing Plan and School Board Non-Professional Employee Plan combined.

Note 13. Other Postemployment Benefits Liability and Plan

Plan Description and Benefits Provided

The City of Winchester administers a cost-sharing defined benefit healthcare plan (the "Retiree Health Plan"). Participating employers include the City, the WPA, the Northwestern Juvenile Detention Center Commission, and the Frederick-Winchester Service Authority. 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. Management of the plan is vested in the City's OPEB Finance Board, which is comprised of the City's CFO, Treasurer, and a citizen representative. The City has established a dedicated OPEB Trust which targets maintaining a funding ratio of 70%. Benefits are not available to employees hired after July 1, 2017.

Summary of Significant Accounting Policies

Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30. Securities without an established market are reported at estimated fair value.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	City and WPA	Other Employers
Inactive employees or beneficiaries:		
Currently receiving benefits	29	-
Active plan members	404	63
Total	433	63

Investment Policies

The City's policy for the allocation of invested assets is established and may be amended by the OPEB Finance Board. It is the policy of the OPEB Finance Board to ensure that assets are diversified to minimize the impact of large losses from individual investments, and to achieve a long-term level of return commensurate with contemporary economic conditions. The investment policy discourages the use of cash equivalents, except for liquidity purposes.

(Continued)

Note 13. Other Postemployment Benefits Liability and Plan (Continued)

Contributions

Contribution requirements are established by City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. Contributions to the OPEB plan from the City were $3,510,077 for the year ended June 30, 2018.

Net OPEB Liability

At June 30, 2018, the City and WPA reported liabilities of $2,559,396 and $24,258, respectively for their proportionate shares of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's and WPA's proportion of the collective net OPEB liability was based on a projection of the City's and WPA's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers actuarially determined. At June 30, 2018, the City and WPA's proportion was 95.61 percent, which was an increase of 1.98 percent from its proportion measured as of June 30, 2017 (93.63 percent).

Actuarial Assumptions and Other Inputs

In the July 1, 2017 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 6.5% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the plan's investments calculated based on the funded level of the plan at the valuation date.

The following additional simplifying assumptions were made:

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

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

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

Economic Assumptions – Medical claims are assumed to decrease from 5.9% to 5.5% per year. While medical costs have increased by a rate well in excess of 5.9% in recent years, prevailing practice is to assume that these increases will slow in the future. This is based on the macroeconomic assumption that if they do not moderate, medical expenses will consume an unacceptable percentage of the gross national product. The long-term assumption selected is consistent with the Centers for Medicare and Medicaid Services office of the actuary's assumption for per-capita increases in medical costs.

(Continued)

Note 13. Other Postemployment Benefits Liability and Plan (Continued)

Payroll is assumed to increase at 2.5% per annum. This assumption is used to determine the level percentage of payroll amortization factor. Inflation is assumed to be 2.3% per annum.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB investments was determined using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, the expectation for inflation of 2.5%, productivity, and labor force growth. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Capital Market Assumptions	Expected Long-term Return (Net of Inflation)
Domestic equity	39.00 %	7.70 %	5.20 %
International Developed Equity	15.00	7.70	5.20
International Emerging Markets Equity	6.00	7.70	5.20
Core Fixed	20.00	5.50	3.00
Investment Grade Corporate Debt	10.00	6.25	3.75
Emerging Markets Debt	5.00	7.25	4.75
High Yield	5.00	6.75	4.25
Total	100.00 %		

Discount Rate, Rate of Return and Concentrations

The discount rate used to measure the net OPEB liability was 6.50%. Over the long-term, five years or longer, the performance objective for the OPEB Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense was 0.59 percent.

Specific investments exceeding 5% of the Plan's net position consist of the following: Johcm International Select Fund, Vanguard Total International ST Index Fund, Vanguard Total Stock Market Index Fund, Baird Core Plug Bond Fund, Doubleline Core Fixed Income I and Vanguard Intermediate Term Investment Grade Admiral Shares.

Note 13. Other Postemployment Benefits Liability and Plan (Continued)

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Net OPEB liability – City	$ 3,279,328	$ 2,559,396	$ 1,932,742
Net OPEB liability – WPA	31,082	24,258	18,319
Net OPEB liability – Other Employers	152,000	118,630	89,584
Total	$ 3,462,410	$ 2,702,284	$ 2,040,645

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease (2.80%)	Current Healthcare Cost Trend Rates (3.80%)	1.00% Increase (4.80%)
Net OPEB liability – City	$ 1,752,212	$ 2,559,396	$ 3,538,684
Net OPEB liability – WPA	16,608	24,258	33,540
Net OPEB liability – Other Employers	81,216	118,630	164,021
Total	$ 1,850,036	$ 2,702,284	$ 3,736,245

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City, WPA, and other participating employers recognized OPEB expenses of $469,111, $4,446, and $21,744, respectively. At June 30, 2018, the City and WPA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 13. Other Postemployment Benefits Liability and Plan (Continued)

	City		WPA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,731	$ -	$ 26
Net difference between projected and actual earnings on OPEB plan investments	80,936	-	767	-
Total	$ 80,936	$ 2,731	$ 767	$ 26

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense City	Increase (Reduction) to OPEB Expense WPA
2019	$ 19,778	$ 187
2020	19,778	187
2021	19,778	187
2022	19,780	187
2023	(456)	(4)
Thereafter	(453)	(3)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City, Schools, and WPA also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB. Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at
https://www.varetire.org/retirees/insurance/healthinscredit/index.asp

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	City	WPA	Schools Non-Professional Employees
Inactive members or their beneficiaries currently receiving benefits	43	-	9
Inactive members:			
Vested inactive members	4	-	1
Total inactive members	4	-	10
Active members	354	4	85
Total covered employees	401	4	95

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Line of Duty Act Program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple employer, cost sharing plan.

Specific information about the LODA is available at https://www.valoda.org/

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.

			Schools Teachers and
	City	WPA	Non-professional
June 30, 2018 Contribution	$115,442	$995	$167,149
June 30, 2017 Contribution	$112,722	$972	$163,741

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Teacher Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	$363,973
June 30, 2017 Contribution	$324,530

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.13% of covered employee compensation.

	City	WPA	Schools
June 30, 2018 Contribution	$21,414	$249	$5,669
June 30, 2017 Contribution	$22,030	$256	$5,614

Line of Duty Act Program

Governed by:	*Code of Virginia* 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	$567.37 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2018 Contribution	$100,141
June 30, 2017 Contribution	$106,949

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program

	City	WPA	Schools Teacher and Non-professional
June 30, 2018 proportionate share of liability	$1,768,738	$15,245	$2,569,000
June 30, 2017 proportion	0.13 %	0.13 %	0.17%
June 30, 2016 proportion	0.13%	0.13%	0.17%
June 30, 2018 expense	$14,886	$114	$24,000

Teacher Health Insurance Credit Program

June 30, 2018 proportionate share of liability	$4,700,000
June 30, 2017 proportion	0.37%
June 30, 2016 proportion	0.38%
June 30, 2018 expense	$369,000

Line of Duty Act Program

June 30, 2018 proportionate share of liability	$2,606,000
June 30, 2017 proportion	0.99%
June 30, 2016 proportion	0.95%
June 30, 2018 expense	$243,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program

Changes in the City's net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) – (b)**
Balances at June 30, 2016	$ 471,790	$ 308,315	$ 163,475
Changes for the year:			
Service cost	13,869	-	13,869
Interest	32,614	-	32,614
Benefit changes		-	
Differences between expected and actual experience	-	-	-
Changes of assumptions	(17,790)	-	(17,790)
Contributions – employer	-	22,030	(22,030)
Net investment income	-	36,424	(36,424)
Benefit payments	(11,741)	(11,741)	-
Administrative expenses	-	(608)	608
Other changes	-	1,799	(1,799)
Net changes	16,952	47,904	(30,952)
Balances at June 30, 2017	$ 488,742	$ 356,219	$ 132,523

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Changes in the WPA's net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2016	$ 5,486	$ 3,585	$ 1,901
Changes for the year:			
Service cost	161	-	161
Interest	379	-	379
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(207)	-	(207)
Contributions – employer	-	256	(256)
Net investment income	-	424	(424)
Benefit payments	(137)	(137)	-
Administrative expenses	-	(7)	7
Other changes	-	20	(20)
Net changes	196	556	(360)
Balances at June 30, 2017	$ 5,682	$ 4,141	$ 1,541

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Changes in the Schools Non-Professional Employees net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2016	$ 106,496	$ 68,905	$ 37,591
Changes for the year:			
Service cost	3,096	-	3,096
Interest	7,360	-	7,360
Benefit changes	-	-	
Differences between expected and actual experience	-	-	-
Changes of assumptions	(4,270)	-	(4,270)
Contributions – employer	-	5,614	(5,614)
Net investment income	-	8,159	(8,159)
Benefit payments	(2,701)	(2,701)	-
Administrative expenses	-	(135)	135
Other changes	-	401	(401)
Net changes	3,485	11,338	(7,853)
Balances at June 30, 2017	$ 109,981	$ 80,243	$ 29,738

At June 30, 2018, the City, WPA, and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 39,797
Changes of assumptions	-	91,090
Net difference between projected and actual earnings on OPEB plan investments	-	66,328
Changes in proportion	-	30,954
Employer contributions subsequent to the measurement date	115,442	-
Total	$ 115,442	$ 228,169

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program - WPA

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 343
Changes of assumptions	-	785
Net difference between projected and actual earnings on OPEB plan investments	-	572
Changes in proportion	-	267
Employer contributions subsequent to the measurement date	995	-
Total	$ 995	$ 1,967

Group Life Insurance Program – Schools (Teacher and Non-professional)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 57,000
Changes of assumptions	-	132,000
Net difference between projected and actual earnings on OPEB plan investments	-	97,000
Changes in proportion	5,001	32,000
Employer contributions subsequent to the measurement date	167,149	-
Total	$ 172,150	$ 318,000

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	49,000
Net difference between projected and actual earnings on OPEB plan investments	-	8,000
Changes in proportion	-	86,000
Employer contributions subsequent to the measurement date	363,973	-
Total	$ 363,973	$ 143,000

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	15,541
Net difference between projected and actual earnings on OPEB plan investments	-	11,551
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	21,414	-
Total	$ 21,414	$ 27,092

General Employee Health Insurance Credit Program - WPA

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	181
Net difference between projected and actual earnings on OPEB plan investments	-	134
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	249	-
Total	$ 249	$ 315

General Employee Health Insurance Credit Program - Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	3,442
Net difference between projected and actual earnings on OPEB plan investments	-	2,580
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	5,669	-
Total	$ 5,669	$ 6,022

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	270,000
Net difference between projected and actual earnings on OPEB plan investments	-	4,000
Changes in proportion	115,000	-
Employer contributions subsequent to the measurement date	100,141	-
Total	$ 215,141	$ 274,000

The deferred outflows of resources related to OPEB resulting from the City's, WPA's, and Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program - City

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (46,996)
2020	(46,996)
2021	(46,996)
2022	(46,999)
2023	(27,710)
Thereafter	(12,472)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program - WPA

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (405)
2020	(405)
2021	(405)
2022	(405)
2023	(239)
Thereafter	(108)

Group Life Insurance Program - Schools

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (64,470)
2020	(64,470)
2021	(64,470)
2022	(64,473)
2023	(38,013)
Thereafter	(17,103)

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (23,721)
2020	(23,721)
2021	(23,721)
2022	(23,703)
2023	(18,374)
Thereafter	(29,760)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program - City

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (5,137)
2020	(5,137)
2021	(5,137)
2022	(5,138)
2023	(2,249)
Thereafter	(4,294)

General Employee Health Insurance Credit Program - WPA

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (60)
2020	(60)
2021	(60)
2022	(59)
2023	(26)
Thereafter	(50)

General Employee Health Insurance Credit Program - Schools

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (1,473)
2020	(1,473)
2021	(1,473)
2022	(1,473)
2023	(130)
Thereafter	-

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Line of Duty Act Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	$ (19,951)
2020	(19,951)
2021	(19,951)
2022	(19,963)
2023	(19,317)
Thereafter	(59,867)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.0%; LODA 3.56%

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Changes to LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

Changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes, available at https://www.vml.org/wp-content/uploads/2017/06/SummaryChangesHB1345_LODA02.12.16.pdf and https://www.varetire.org/pdf/publications/legislative-summary-2017.pdf, will be factored into future actuarial valuations for the LODA Program.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan	Line of Duty Act Program
Total OPEB Liability	$ 2,942,426	$ 1,364,702	$ 266,252
Plan fiduciary net position	1,437,586	96,091	3,461
Employers' net OPEB liability (asset)	$ 1,504,840	$ 1,268,611	$ 262,791
Plan fiduciary net position as a percentage of total OPEB liability	48.86%	7.04%	1.30%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS 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 OPEB 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 3017.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.56% The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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, 2019, the rate contributed by the employer for the OPEB liabilties will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

The following presents the net OPEB liabilities of the City, WPA, and Schools, as well as what the net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% HIC; GLI/2.56% LODA) or one percentage point higher (8.00% HIC; GLI/4.56% LODA) than the current discount rate:

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability – City	$ 2,342,583	$ 1,768,738	$ 1,380,408
GLI Net OPEB liability – WPA	20,191	15,245	11,898
GLI Net OPEB liability - Schools Teacher and Non-professional	3,402,480	2,569,000	2,004,970
Teacher HIC Net OPEB liability	$ 5,245,715	$ 4,700,000	$ 4,236,206
General Employee HIC Net OPEB liability – City	$ 189,349	$ 132,523	$ 84,759
General Employee HIC Net OPEB liability – WPA	2,202	1,541	986
General Employee HIC Net OPEB liability – Schools	41,175	29,738	19,940
	(2.56 %)	**(3.56 %)**	**(4.56 %)**
LODA Net OPEB liability	$ 2,955,016	$ 2,606,000	$ 2,314,104

Sensitivity of the LODA Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the City using health care trend rate of 7.75% decreasing to 5.00%, as well as what the City's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Net LODA OPEB liability	$ 2,211,219	$ 2,606,000	$ 3,095,306

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other cities and counties in the Virginia Liability Risk Management Plan (VARISK2), a Commonwealth of Virginia risk pool currently operating as a risk management program for public body members in Virginia. The City pays an annual premium to VARISK2 for its public officials general law enforcement and medical malpractice liability insurance coverage. The Department of Treasury obtains its authority to act from the statutory provisions of the Code and will limit liability up to $1 million for each insured event.

Through the Virginia Municipal League, the City has joined together with other Virginia public bodies in the Virginia Municipal League Insurance Programs pools currently operating as common risk management and insurance programs for members in Virginia. The City pays an annual premium to VML Insurance Programs for its workers' compensation and employer's liability, general liability, excess property, crime, and automobile coverage. The agreement for formation of the VML Insurance Programs Pool provides that it will be self-sustaining through member premiums. Workers' compensation coverage provides the benefits as set forth in the Virginia Workers' Compensation Act. VML Insurance Programs will reinsure through commercial insurance companies for claims in excess of $5 million for general liability, and $5 million for automotive liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Note 16. Related Party Transactions

The Social Services fund has a 15 year lease for property that commenced during 2009 for which the City paid $530,953 in 2018. The lease calls for monthly lease payments of $44,246, and an additional deposit of $40,000 is being held by the lessor. One member of the City's Common Council had an economic interest in the leasing company.

(Continued)

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	Nonmajor Governmental Funds
Nonspendable:			
Prepaids	$ -	$ -	$ 40,000
Inventories	4,299	-	-
Total nonspendable	4,299	-	40,000
Restricted for:			
Revenue for public safety programs	180,235	-	-
Debt proceeds not yet spent for projects	-	3,653,335	-
Total restricted	180,235	3,653,335	-
Committed to:			
Judicial administration	65,482	-	-
Community development	100,000	-	-
Other capital projects	593,484	-	-
Total committed	758,966	-	-
Assigned to:			
Judicial administration	-	-	131,484
Public safety	84,363	-	450,000
Public works	-	-	277,823
Education	888,699	-	-
Parks, recreation and cultural	-	-	1,468
Other capital projects	-	-	-
Subsequent year appropriation	5,124,600	-	19,716
Total assigned	6,097,662	-	880,491
Unassigned	19,545,641	(7,961)	(3,853)
Total fund balance	$ 26,586,803	$ 3,645,374	$ 916,638

Note 18. Restatement of Beginning Net Position

In the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 75:

	Governmental Activities	***Business-Type Activities***	***School Board***
			$ 79,799,676
Net position July 1, 2017, as previously reported	$ 26,192,755	$ 63,841,574	
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB Statement No. 75	(6,508,250)	(598,543)	(7,360,706)
			$ 72,438,970
Net position July 1, 2017, as restated	$ 19,684,505	$ 63,243,031	

	Winchester Parking Authority	***Water and Sewer Fund***	***Internal Service Funds***
Net position July 1, 2017, as previously reported	$ (134,406)	$ 63,935,761	$ 1,932,490
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB Statement No. 75	(71,573)	(598,543)	(82,947)
Net position July 1, 2017, as restated	$ (205,979)	$ 63,337,218	$ 1,849,543

Note 19. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

(Continued)

Note 19. New Accounting Standards (Continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018.The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT 12A

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Primary Government and Winchester Parking Authority Plan Year Ended June 30,			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 2,579,048	$ 2,505,857	$ 2,454,330	$ 2,316,409
Interest on total pension liability	5,955,078	5,655,539	5,566,393	5,265,624
Benefit payments, including refunds of employee contributions	(3,747,622)	(3,717,526)	(3,463,806)	(3,782,051)
Difference between actual and expected experience	(573,149)	(249,368)	(2,623,418)	-
Changes of assumptions	(692,576)	-	-	-
Net change in total pension liability	3,520,779	4,194,502	1,933,499	3,799,982
Total pension liability - beginning	87,042,208	82,847,706	80,914,207	77,114,225
Total pension liability - ending	$ 90,562,987	$ 87,042,208	$ 82,847,706	$ 80,914,207
Plan Fiduciary Net Position				
Contributions - employer	$ 2,054,193	$ 2,551,366	$ 2,496,346	$ 2,480,335
Contributions - employee	1,107,449	1,102,156	1,063,902	1,010,980
Net investment income	9,027,657	1,291,832	3,207,547	9,515,209
Benefit payments, including refunds of employee contributions	(3,747,622)	(3,717,526)	(3,463,806)	(3,782,051)
Administrative expenses	(51,704)	(44,712)	(43,206)	(50,971)
Other changes	(22,965)	63,874	(47,957)	502
Net change in plan fiduciary net position	8,367,008	1,246,990	3,212,826	9,174,004
Plan fiduciary net position - beginning	74,043,683	72,796,693	69,583,867	60,409,863
Plan fiduciary net position - ending	$ 82,410,691	$ 74,043,683	$ 72,796,693	$ 69,583,867
Net pension liability - ending	$ 8,152,296	$ 12,998,525	$ 10,051,013	$ 11,330,340
Plan fiduciary net position as a percentage of total pension liability	91%	85%	88%	86%
Covered payroll	$ 22,001,965	$ 22,043,861	$ 21,352,682	$ 20,509,189
Net pension liability as a percentage of covered payroll	37%	59%	47%	55%

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

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

EXHIBIT 12B

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Schools - Nonprofessional employees Plan Year Ended June 30,			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 229,749	$ 239,831	$ 232,607	$ 234,274
Interest on total pension liability	503,177	487,897	460,720	432,031
Benefit payments, including refunds of employee contributions	(336,811)	(317,220)	(291,762)	(221,176)
expected experience	(160,784)	(182,415)	(597)	-
Changes of assumptions	(139,925)	-	-	-
Net change in total pension liability	95,406	228,093	400,968	445,129
Total pension liability - beginning	7,356,654	7,128,561	6,727,593	6,282,464
Total pension liability - ending	$ 7,452,060	$ 7,356,654	$ 7,128,561	$ 6,727,593
Plan Fiduciary Net Position				
Contributions - employer	$ 142,642	$ 182,973	$ 182,430	$ 202,866
Contributions - employee	109,305	104,368	104,329	100,009
Net investment income	839,313	118,191	298,135	884,655
Benefit payments, including refunds of employee contributions	(336,811)	(317,220)	(291,762)	(221,176)
Administrative expenses	(4,829)	(4,204)	(4,031)	(4,659)
Other changes	(748)	(51)	(62)	46
Net change in plan fiduciary net position	748,872	84,057	289,039	961,741
Plan fiduciary net position - beginning	6,900,647	6,816,590	6,527,551	5,565,810
Plan fiduciary net position - ending	$ 7,649,519	$ 6,900,647	$ 6,816,590	$ 6,527,551
Net pension liability (asset) - ending	$ (197,459)	$ 456,007	$ 311,971	$ 200,042
Plan fiduciary net position as a percentage of total pension liability (asset)	103%	94%	96%	97%
Covered payroll	2,245,349	2,127,334	2,109,954	$ 2,044,072
Net pension liability (asset) as a percentage of covered payroll	-9%	21%	15%	10%

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

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

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2018

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.37%	$ 45,450,000	$ 29,329,091	154.97%	73%
2016	0.38%	53,014,000	28,839,427	183.82%	68%
2015	0.38%	47,549,000	28,107,384	169.17%	71%
2014	0.37%	44,422,000	27,264,162	162.93%	71%

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

EXHIBIT 14

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government and Winchester Parking Authority					
2018	$ 2,086,214	$ 2,086,214	$ -	$ 22,250,533	9.38%
2017	2,051,838	2,051,838	-	22,001,965	9.33%
2016	2,567,157	2,567,157	-	22,043,861	11.65%
2015	2,638,462	2,638,462	-	21,352,682	12.36%
Schools - Nonprofessional Employees					
2018	$ 141,361	$ 141,361	$ -	$ 2,278,347	6.20%
2017	143,042	143,042	-	2,245,349	6.37%
2016	183,396	183,396	-	2,127,334	8.62%
2015	182,815	182,815	-	2,109,954	8.66%
Schools - VRS Teacher Retirement Plan					
2018	$ 4,713,786	$ 4,713,786	$ -	$ 29,604,640	15.92%
2017	4,205,966	4,205,966	-	29,329,091	14.34%
2016	4,021,395	4,021,395	-	28,839,427	13.94%
2015	4,074,900	4,074,900	-	28,107,384	14.50%

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

EXHIBIT 15A

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

VRS Health Insurance Credit - City and WPA	Plan Year Ended June 30, 2017
Total OPEB Liability	
Service cost	$ 14,031
Interest on total OPEB liability	32,994
Changes of assumptions	(17,997)
Benefit payments, including refunds of employee contributions	(11,878)
Net change in total OPEB liability	17,150
Total OPEB liability - beginning	477,282
Total OPEB liability - ending	494,432
Plan Fiduciary Net Position	
Contributions - employer	22,287
Net investment income	36,848
Benefit payments	(11,878)
Administrative expenses	(615)
Other	1,823
Net change in plan fiduciary net position	48,465
Plan fiduciary net position - beginning	311,904
Plan fiduciary net position - ending	360,369
Net OPEB liability - ending	$ 134,063
Plan fiduciary net position as a percentage of total OPEB liability	73%
Covered payroll	$ 17,226,470
Net OPEB liability as a percentage of covered payroll	1%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 15B

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

VRS Health Insurance Credit - Schools Nonprofessional Employees	Plan Year Ended June 30, 2017
Total OPEB Liability	
Service cost	$ 3,096
Interest on total OPEB liability	7,360
Changes of assumptions	(4,270)
Benefit payments, including refunds of employee contributions	(2,701)
Net change in total OPEB liability	3,485
Total OPEB liability - beginning	106,496
Total OPEB liability - ending	109,981
Plan Fiduciary Net Position	
Contributions - employer	5,614
Net investment income	8,159
Benefit payments	(2,701)
Administrative expenses	(135)
Other	401
Net change in plan fiduciary net position	11,338
Plan fiduciary net position - beginning	68,905
Plan fiduciary net position - ending	80,243
Net OPEB liability - ending	$ 29,738
Plan fiduciary net position as a percentage of total OPEB liability	73%
Covered payroll	$ 2,245,349
Net OPEB liability as a percentage of covered payroll	1%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 15C

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

Local Plan - Totals for all employers	**Plan Year Ended June 30, 2018**
Total OPEB Liability	
Service cost	$ 214,120
Interest on total OPEB liability	374,376
Changes in benefit terms	
Difference between expected and actual experience	(3,365)
Changes of assumptions	
Benefit payments, including refunds of employee contributions	(253,650)
Net change in total OPEB liability	331,481
Total OPEB liability - beginning	5,888,140
Total OPEB liability - ending	6,219,621
Plan Fiduciary Net Position	
Contributions - employer	3,763,727
Contributions - employee	
Net investment income	7,260
Benefit payments	(253,650)
Administrative expenses	
Other	
Net change in plan fiduciary net position	3,517,337
Plan fiduciary net position - beginning	
Plan fiduciary net position - ending	3,517,337
	-
Net OPEB liability - ending	$ 2,702,284
Plan fiduciary net position as a percentage of total OPEB liability	57%
Covered payroll	$ 23,926,081
Net OPEB liability as a percentage of covered payroll	11%
Schedule of Investment Returns	
Annual money-weighted rate of return, net of investment expense	0.59%

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 16

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2018

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Local Plan - City and WPA					
2018	95.61%	$ 2,583,654	$ 23,926,081	10.80%	56.55%
Virginia Retirement System - Group Life Insurance - City and WPA					
2017	0.13%	$ 1,783,983	$ 21,855,882	8.16%	48.86%
Virginia Retirement System - Line of Duty Act - City					
2017	0.99%	$ 2,606,000	$ 9,299,054	28.02%	1.30%
Virginia Retirement System - Group Life Insurance - Schools (Teacher and Non-professional)					
2017	0.17%	$ 2,569,000	$ 2,248,135	114.27%	48.86%
Virginia Retirement System - Health Insurance Credit - Teachers					
2017	0.37%	$ 4,700,000	$ 29,240,563	16.07%	7.04%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - e.g., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 17A

CITY OF WINCHESTER, VIRGINIA

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - CITY
June 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Health Insurance Credit - City and WPA					
2018	$ 21,663	$ 21,663	$ -	$ 17,312,179	0.13%
Virginia Retirement System - Group Life Insurance - City and WPA					
2018	$ 116,437	$ 116,437	$ -	$ 22,336,167	0.52%
Virginia Retirement System - Line of Duty Act - City					
2018	$ 100,141	$ 100,141	$ -	$ 9,175,671	1.09%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the Authority’s fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 17B

CITY OF WINCHESTER, VIRGINIA

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - SCHOOLS
June 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Health Insurance Credit - Schools Nonprofessional Employees					
2018	$ 5,669	$ 5,669	$ -	$ 2,267,717	0.25%
Virginia Retirement System - Group Life Insurance - Schools (Teacher and Non-professional)					
2018	$ 167,149	$ 167,149	$ -	$ 31,898,684	0.52%
Virginia Retirement System - Health Insurance Credit - Teachers					
2018	$ 363,973	$ 363,973	$ -	$ 29,591,167	1.23%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the Authority's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this schedule.

Note 1. Changes of Benefit Terms

Pension

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, 2017 are not material.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:
- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:
- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

COMBINING AND INDIVIDUAL FUND

STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

Exhibit 18

	Special Revenue Funds						
	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 and cash equivalents	$ 372,636	$ 260	$ 477,761	$ 16,373	$ 102,923	$ 537	$ 970,490
Investments	91,076	64	116,770	4,001	25,154	131	237,196
Accounts receivable, net	-	-	264,779	-	1,360	816	266,955
Prepaids	40,000	-	-	-	-	-	40,000
Due from other governments	735,883	521,460	-	-	12,374	456,027	1,725,744
Total assets	$ 1,239,595	$ 521,784	$ 859,310	$ 20,374	$ 141,811	$ 457,511	$ 3,240,385
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 1,144,236	$ 50,721	$ 115,084	$ 15,198	$ 10,076	$ 2,788	$ 1,338,103
Accrued payroll	59,212	23,651	15,413	3,706	248	14,313	116,543
Due to other funds	-	213,000	-	-	-	397,000	610,000
Total liabilities	1,203,448	287,372	130,497	18,904	10,324	414,101	2,064,646
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	259,101	-	-	-	259,101
Fund balances:							
Nonspendable	40,000	-	-	-	-	-	40,000
Assigned	-	234,412	469,712	1,470	131,487	43,410	880,491
Unassigned	(3,853)	-	-	-	-	-	(3,853)
Total fund balances	36,147	234,412	469,712	1,470	131,487	43,410	916,638
Total liabilities, deferred inflows of resources and fund balances	$ 1,239,595	$ 521,784	$ 859,310	$ 20,374	$ 141,811	$ 457,511	$ 3,240,385

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 19

	Special Revenue Funds						
	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	$ 1,534	$ 55	$ 487	$ -	$ 8,676
Charges for services	-	-	1,143,178	-	29,200	113,114	1,285,492
Miscellaneous	826	42,155	-	52,563	-	4,250	99,794
Intergovernmental:							
Frederick County	-	-	-	150,500	-	-	150,500
Commonwealth	3,567,236	3,647,460	-	-	-	206,417	7,421,113
Federal	2,830,104	4,000	-	-	-	456,482	3,290,586
Total revenues	6,398,166	3,700,215	1,144,712	203,118	29,687	780,263	12,256,161
EXPENDITURES							
Current:							
Judicial administration	-	-	-	-	45,897	-	45,897
Public safety	-	-	1,125,000	-	-	-	1,125,000
Public works	-	3,911,788	-	-	-	987,471	4,899,259
Health and welfare	9,436,405	-	-	-	-	-	9,436,405
Community development	-	-	-	379,339	-	-	379,339
Capital outlay	-	313,716	-	-	-	-	313,716
Total expenditures	9,436,405	4,225,504	1,125,000	379,339	45,897	987,471	16,199,616
Excess (deficiency) of revenues over expenditures	(3,038,239)	(525,289)	19,712	(176,221)	(16,210)	(207,208)	(3,943,455)
OTHER FINANCING SOURCES							
Transfers in	3,019,500	605,750	-	150,000	-	207,300	3,982,550
Total other financing sources	3,019,500	605,750	-	150,000	-	207,300	3,982,550
Net change in fund balances	(18,739)	80,461	19,712	(26,221)	(16,210)	92	39,095
Fund balance - beginning	54,886	153,951	450,000	27,691	147,697	43,318	877,543
Fund balance - ending	$ 36,147	$ 234,412	$ 469,712	$ 1,470	$ 131,487	$ 43,410	$ 916,638

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, 2018

	Social Services Fund			
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Miscellaneous	-	100	826	726
Intergovernmental:				
Commonwealth	3,043,028	3,877,964	3,567,236	(310,728)
Federal	2,482,972	2,830,871	2,830,104	(767)
Total revenues	5,526,000	6,708,935	6,398,166	(310,769)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	7,930,000	9,728,521	9,436,405	292,116
Total expenditures	7,930,000	9,728,521	9,436,405	292,116
Excess (deficiency) of revenues over expenditures	(2,404,000)	(3,019,586)	(3,038,239)	(18,653)
OTHER FINANCING SOURCES				
Transfers in	2,369,700	3,019,586	3,019,500	(86)
Appropriation of fund balance	34,300	-	-	-
Total other financing sources	2,404,000	3,019,586	3,019,500	(86)
Net change in fund balances	$ -	$ -	$ (18,739)	$ (18,739)

	Win-Fred Convention and Visitors Bureau Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	$ -	$ -	$ 55	$ 55
Charges for services	-	-	-	-
Miscellaneous	93,000	93,000	52,563	(40,437)
Intergovernmental:				
Frederick County	150,000	150,000	150,500	500
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	243,000	243,000	203,118	(39,882)
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	393,000	393,000	379,339	13,661
Total expenditures	393,000	393,000	379,339	13,661
Excess (deficiency) of revenues over expenditures	(150,000)	(150,000)	(176,221)	(26,221)
OTHER FINANCING SOURCES				
Transfers in	150,000	150,000	150,000	-
Appropriation of fund balance	-	-	-	-
Total other financing sources	150,000	150,000	150,000	-
Net change in fund balances	$ -	$ -	$ (26,221)	$ (26,221)

Exhibit 20

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	$ 1,534	$ (466)
-	-	-	-	1,123,000	1,123,000	1,143,178	20,178
-	-	42,155	42,155	-	-	-	-
3,641,400	3,641,400	3,647,460	6,060	-	-	-	-
-	-	4,000	4,000	-	-	-	-
3,648,000	3,648,000	3,700,215	52,215	1,125,000	1,125,000	1,144,712	19,712
-	-	-	-	1,125,000	1,125,000	1,125,000	-
4,268,000	4,377,171	4,225,504	151,667	-	-	-	-
-	-	-	-	-	-	-	-
4,268,000	4,377,171	4,225,504	151,667	1,125,000	1,125,000	1,125,000	-
(620,000)	(729,171)	(525,289)	203,882	-	-	19,712	19,712
620,000	620,000	605,750	(14,250)	-	-	-	-
-	109,171	-	(109,171)	-	-	-	-
620,000	729,171	605,750	(123,421)	-	-	-	-
$ -	$ -	$ 80,461	$ 80,461	$ -	$ -	$ 19,712	$ 19,712

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)
$ -	$ -	$ 487	$ 487	$ -	$ -	$ -	$ -
50,000	50,000	29,200	(20,800)	97,300	97,300	113,114	15,814
-	-	-	-	-	-	4,250	4,250
-	-	-	-	-	-	-	-
-	-	-	-	232,400	237,400	206,417	(30,983)
-	-	-	-	716,000	756,000	456,482	(299,518)
50,000	50,000	29,687	(20,313)	1,045,700	1,090,700	780,263	(310,437)
50,000	50,000	45,897	4,103	-	-	-	-
-	-	-	-	1,321,000	1,371,000	987,471	383,529
-	-	-	-	-	-	-	-
50,000	50,000	45,897	4,103	1,321,000	1,371,000	987,471	383,529
-	-	(16,210)	(16,210)	(275,300)	(280,300)	(207,208)	73,092
-	-	-	-	275,300	280,300	207,300	(73,000)
-	-	-	-	-	-	-	-
-	-	-	-	275,300	280,300	207,300	(73,000)
$ -	$ -	$ (16,210)	$ (16,210)	$ -	$ -	$ 92	$ 92

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2018

Exhibit 21

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenue from use of money and property	$ -	$ -	$ 104,440	$ 104,440
Recovered costs	1,175,000	1,425,000	689,673	(735,327)
Intergovernmental:				
Commonwealth	5,980,000	5,980,000	949,014	(5,030,986)
Federal	1,100,000	1,350,000	311,074	(1,038,926)
Total revenues	8,255,000	8,755,000	2,054,201	(6,700,799)
EXPENDITURES				
Current:				
Public safety	1,680,000	1,880,000	172,041	1,707,959
Public works	15,735,000	16,175,000	6,722,013	9,452,987
Parks, recreation and culture	1,980,000	2,480,000	368,625	2,111,375
Total expenditures	19,395,000	20,535,000	7,262,679	13,272,321
Excess (deficiency) of revenues over expenditures	(11,140,000)	(11,780,000)	(5,208,478)	6,571,522
OTHER FINANCING SOURCES				
Transfers in	11,140,000	11,140,000	412,705	(10,727,295)
Appropriation of fund balance	-	640,000	-	(640,000)
Total other financing sources	11,140,000	11,780,000	412,705	(11,367,295)
Net change in fund balances	$ -	$ -	$ (4,795,773)	$ (4,795,773)

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.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018

Exhibit 22

	Employee Benefits Fund	Equipment Operating Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,201,580	$ 142,988	$ 1,344,568
Investments	293,677	34,948	328,625
Accounts receivable, net	16,534	416	16,950
Inventories	-	115,320	115,320
Cash and cash equivalents - restricted	239,746	-	239,746
Total current assets	1,751,537	293,672	2,045,209
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	63,330	63,330
Total assets	1,751,537	357,002	2,108,539
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	-	19,364	19,364
Other postemployment benefit related deferred outflows	-	2,351	2,351
Total deferred outflows of resources	-	21,715	21,715
LIABILITIES			
Current liabilities:			
Accounts payable	254,634	78,104	332,738
Accrued payroll	-	6,238	6,238
Compensated absences - current	-	7,468	7,468
Total current liabilities	254,634	91,810	346,444
Noncurrent liabilities:			
Compensated absences	-	10,528	10,528
Net pension liability	-	75,669	75,669
Net other postemployment benefit liability	-	47,731	47,731
Total noncurrent liabilities	-	133,928	133,928
Total liabilities	254,634	225,738	480,372
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	-	28,029	28,029
Other postemployment benefit related deferred inflows	-	2,721	2,721
Total deferred inflows of resources	-	30,750	30,750
NET POSITION			
Net investment in capital assets	-	63,330	63,330
Unrestricted	1,496,903	58,899	1,555,802
Total net position	$ 1,496,903	$ 122,229	$ 1,619,132

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

Exhibit 23

	Employee Benefits Fund	Equipment Operating Fund	Total
OPERATING REVENUES			
Charges for services	$ 477,771	$ 1,688,751	$ 2,166,522
Total operating revenues	477,771	1,688,751	2,166,522
OPERATING EXPENSES			
Personal services	269,172	346,659	615,831
Contractual services	-	481,182	481,182
Other supplies and expenses	-	823,676	823,676
Insurance claims and expenses	477,464	-	477,464
Depreciation	-	5,111	5,111
Total operating expenses	746,636	1,656,628	2,403,264
Operating income (loss)	(268,865)	32,123	(236,742)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	4,364	321	4,685
Gain on disposal of capital assets	-	1,646	1,646
Income before transfers	(264,501)	34,090	(230,411)
Change in net position	(264,501)	34,090	(230,411)
Total net position - beginning, as restated (Note 18)	1,761,404	88,139	1,849,543
Total net position - ending	$ 1,496,903	$ 122,229	$ 1,619,132

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

Exhibit 24

	Employee Benefits Fund	Equipment Operating Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	$ 467,966	$ 1,691,447	$ 2,159,413
Cash paid to suppliers	-	(1,260,588)	(1,260,588)
Cash paid to employees	(269,172)	(379,619)	(648,791)
Premiums paid	(543,666)	-	(543,666)
Net cash provided by (used in) operating activities	(344,872)	51,240	(293,632)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(42,110)	(42,110)
Proceeds from sale of capital assets	-	1,646	1,646
Net cash used in capital and related financing activities	-	(40,464)	(40,464)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds (purchases) of investments, net	(3,201)	(8,048)	(11,249)
Investment income	4,364	321	4,685
Net cash provided by investing activities	1,163	(7,727)	(6,564)
Net increase (decrease) in cash and cash equivalents	(343,709)	3,049	(340,660)
Cash and cash equivalents - beginning of year	1,785,035	139,939	1,924,974
Cash and cash equivalents - end of year	$ 1,441,326	$ 142,988	$ 1,584,314
Cash and cash equivalents at end of year is comprised of the following:			
Cash and cash equivalents	$ 1,201,580	$ 142,988	$ 1,344,568
Cash and cash equivalents - restricted	239,746	-	239,746
Total	$ 1,441,326	$ 142,988	$ 1,584,314
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (268,865)	$ 32,123	$ (236,742)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	5,111	5,111
Pension expense, net of employer contributions	-	(1,910)	(1,910)
Other postemployment benefit expense, net of employer contributions	-	(34,846)	(34,846)
(Increase) decrease in:			
Accounts receivable	(9,805)	2,696	(7,109)
Prepaids	-	-	-
Inventories	-	35,868	35,868
Increase (decrease) in:			
Accounts payable	(66,202)	8,402	(57,800)
Accrued payroll	-	(294)	(294)
Compensated absences	-	4,090	4,090
Total adjustments	(76,007)	19,117	(56,890)
Net cash provided by (used in) operating activities	$ (344,872)	$ 51,240	$ (293,632)

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, 2018

Exhibit 25

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS				
Cash and cash equivalents	$ 1,123	$ -	$ 1,230,018	$ 1,231,141
Investments	-	1,259,587	300,629	1,560,216
Prepaids	-	1,751	-	1,751
Total assets	$ 1,123	$ 1,261,338	$ 1,530,647	$ 2,793,108
LIABILITIES				
Accounts payable	$ -	$ -	$ 33,772	$ 33,772
Accrued payroll	-	-	51,624	51,624
Amounts held for others	1,123	1,261,338	1,445,251	2,707,712
Total liabilities	$ 1,123	$ 1,261,338	$ 1,530,647	$ 2,793,108

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2018

Exhibit 26

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Special Welfare Fund				
Assets:				
Cash	$ 4,884	$ 18,968	$ 22,729	$ 1,123
Total Assets	$ 4,884	$ 18,968	$ 22,729	$ 1,123
Liabilities:				
Amounts held for social services clients	$ 4,884	$ 18,968	$ 22,729	$ 1,123
Total Liabilities	$ 4,884	$ 18,968	$ 22,729	$ 1,123
Northwestern Regional Jail Authority Construction Fund				
Assets:				
Investments	$ 1,251,847	$ 1,230,425	$ 1,222,685	$ 1,259,587
Prepaids	1,751	-	-	1,751
Total Assets	$ 1,253,598	$ 1,230,425	$ 1,222,685	$ 1,261,338
Liabilities:				
Amounts held for NRJA	$ 1,253,598	$ 1,230,425	$ 1,222,685	$ 1,261,338
Total Liabilities	$ 1,253,598	$ 1,230,425	$ 1,222,685	$ 1,261,338
Northwestern Regional Juvenile Detention Center Fund				
Assets:				
Cash	$ 1,172,077	2,856,277	$ 2,798,336	$ 1,230,018
Investments	225,303	75,326	-	300,629
Accounts receivable	-	1,938,924	1,938,924	-
Total Assets	$ 1,397,380	$ 4,870,527	$ 4,737,260	$ 1,530,647
Liabilities:				
Accounts payable	$ 30,146	$ 466,397	$ 462,771	$ 33,772
Accrued payroll	45,339	2,339,385	2,333,100	51,624
Amounts held for NRJDC	1,321,895	2,064,745	1,941,389	1,445,251
Total Liabilities	$ 1,397,380	$ 4,870,527	$ 4,737,260	$ 1,530,647
Total All Agency Funds				
Assets:				
Cash	$ 1,176,961	$ 2,875,245	$ 2,821,065	$ 1,231,141
Investments	1,477,150	1,305,751	1,222,685	1,560,216
Accounts receivable	-	1,938,924	1,938,924	-
Prepaids	1,751	-	-	1,751
Total Assets	$ 2,655,862	$ 6,119,920	$ 5,982,674	$ 2,793,108
Liabilities:				
Accounts payable	$ 30,146	$ 466,397	$ 462,771	$ 33,772
Accrued payroll	45,339	2,339,385	2,333,100	51,624
Amounts held for social services clients	4,884	18,968	22,729	1,123
Amounts held for NRJA	1,253,598	1,230,425	1,222,685	1,261,338
Amounts held for NRJDC	1,321,895	2,064,745	1,941,389	1,445,251
Total Liabilities	$ 2,655,862	$ 6,119,920	$ 5,982,674	$ 2,793,108

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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.

(Continued)

INTERNAL SERVICE FUND

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

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

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

AGENCY FUNDS

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

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

CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 27

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,377,037	$ 372,746	$ 1,472,724	$ 261	$ 1,344,651	$ 6,567,419
Investments	825,381	90,858	359,949	64	328,430	1,604,682
Receivables, net:						
Accounts	21,225	-	-	-	-	21,225
Promises to give	-	491,378	-	-	-	491,378
Due from other funds	426,099	-	2,000	-	-	428,099
Due from other governments	646,933	8,000	18,631	-	803,749	1,477,313
Inventories	-	-	-	-	65,453	65,453
Investments - restricted	-	-	-	201,836	-	201,836
Total assets	$ 5,296,675	$ 962,982	$ 1,853,304	$ 202,161	$ 2,542,283	$ 10,857,405
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 798,666	$ -	$ 177,267	$ 25,650	$ 58,457	$ 1,060,040
Accrued payroll	4,455,189	-	-	-	412,773	4,867,962
Due to other funds	-	-	-	2,000	426,099	428,099
Total liabilities	5,253,855	-	177,267	27,650	897,329	6,356,101
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	2,133	491,378	-	-	-	493,511
Total deferred inflows of resources	2,133	491,378	-	-	-	493,511
Fund balances:						
Nonspendable	-	-	-	-	65,453	65,453
Restricted:						
Debt proceeds not yet spent	-	-	-	201,836	-	201,836
Assigned	40,687	471,604	1,676,037	(27,325)	1,579,501	3,740,504
Total fund balances	40,687	471,604	1,676,037	174,511	1,644,954	4,007,793
Total liabilities and fund balances	$ 5,296,675	$ 962,982	$ 1,853,304	$ 202,161	$ 2,542,283	

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.	120,782,253
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	493,511
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.	628,750
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	(2,365,629)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Pension related deferred outflows	6,332,147
Pension related deferred inflows	(6,248,339)
Net pension liability	(45,252,541)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Other postemployment benefit related deferred outflows	541,792
Other postemployment benefit related deferred inflows	(467,022)
Net other postemployment benefit liability	(7,298,738)
Net position of governmental activities	$ 71,153,977

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, 2018

Exhibit 28

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Revenues from use of money and property	$ 72,058	$ 3,341	$ 5,003	$ 1,925	$ 4,329	$ 86,656
Charges for services	359,209	-	-	-	489,018	848,227
Miscellaneous	295,617	277,077	-	-	18,765	591,459
Recovered costs	-	-	156,157	-	-	156,157
Intergovernmental revenues:						
Local	29,225,403	-	717,330	-	200,000	30,142,733
Commonwealth	23,680,292	-	6,986	-	43,950	23,731,228
Federal	-	-	-	-	4,842,296	4,842,296
Total revenues	53,632,579	280,418	885,476	1,925	5,598,358	60,398,756
EXPENDITURES						
Current:						
Education	53,564,059	5,260	213,752	-	5,407,022	59,190,093
Capital outlay	47,531	584,082	569,906	128,025	22,987	1,352,531
Total expenditures	53,611,590	589,342	783,658	128,025	5,430,009	60,542,624
Excess (deficiency) of revenues over expenditures	20,989	(308,924)	101,818	(126,100)	168,349	(143,868)
Net change in fund balances	20,989	(308,924)	101,818	(126,100)	168,349	(143,868)
Fund balances - beginning	19,698	780,528	1,574,219	300,611	1,476,605	
Fund balances - ending	$ 40,687	$ 471,604	$ 1,676,037	$ 174,511	$ 1,644,954	

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 of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($3,576,196) exceeded capital asset additions ($1,313,693) in the current period.		(2,262,503)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(100,728)
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.		(22,595)
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		(308,462)
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	4,855,147	
Pension expense	(3,438,722)	1,416,425
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	536,792	
Pension expense	(400,054)	136,738
Change in net position of governmental activities		$ (1,284,993)

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SCHOOL OPERATING FUND
For the Year Ended June 30, 2018

Exhibit 29

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	$ 55,000	$ 55,000	$ 72,058	$ 17,058
Charges for services	125,000	125,000	359,209	234,209
Miscellaneous	292,314	374,268	295,617	(78,651)
Recovered costs	91,134	91,134	-	(91,134)
Intergovernmental:				
Local	30,459,525	30,130,270	29,225,403	(904,867)
Commonwealth	23,956,789	24,369,591	23,680,292	(689,299)
Total revenues	54,979,762	55,145,263	53,632,579	(1,512,684)
EXPENDITURES				
Current:				
Education	54,891,071	55,069,195	53,564,059	1,505,136
Capital outlay	88,691	95,766	47,531	48,235
Total expenditures	54,979,762	55,164,961	53,611,590	1,553,371
Excess (deficiency) of revenues over expenditures	-	(19,698)	20,989	40,687
OTHER FINANCING USES				
Appropriation of fund balance	-	19,698	-	(19,698)
Total other financing uses	-	19,698	-	(19,698)
Net change in fund balances	$ -	$ -	$ 20,989	$ 20,989

CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 30

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 480,241	$ -	$ 864,410	$ 1,344,651
Investments	117,160	-	211,270	328,430
Due from other governments	33,492	770,257	-	803,749
Inventories	65,453	-	-	65,453
Total assets	$ 696,346	$ 770,257	$ 1,075,680	$ 2,542,283
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,546	$ 56,911	$ -	$ 58,457
Accrued payroll	125,526	287,247	-	412,773
Due to other funds	-	426,099	-	426,099
Total liabilities	127,072	770,257	-	897,329
Fund balances:				
Nonspendable	65,453	-	-	65,453
Assigned	503,821	-	1,075,680	1,579,501
Total fund balances	569,274	-	1,075,680	1,644,954
Total liabilities and fund balances	$ 696,346	$ 770,257	$ 1,075,680	$ 2,542,283

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, 2018

Exhibit 31

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
REVENUES				
Revenues from use of money and property	$ 1,364	$ -	$ 2,965	$ 4,329
Charges for services	489,018	-	-	489,018
Miscellaneous	18,765	-	-	18,765
Intergovernmental revenues:				
Local	-	-	200,000	200,000
Commonwealth	43,950	-	-	43,950
Federal	1,684,902	3,157,394	-	4,842,296
Total revenues	2,237,999	3,157,394	202,965	5,598,358
EXPENDITURES				
Current:				
Education	2,249,538	3,157,394	90	5,407,022
Capital outlay	22,987	-	-	22,987
Total expenditures	2,272,525	3,157,394	90	5,430,009
Excess (deficiency) of revenues over expenditures	(34,526)	-	202,875	168,349
Net change in fund balances	(34,526)	-	202,875	168,349
Fund balance - beginning	603,800	-	872,805	1,476,605
Fund balance - ending	$ 569,274	$ -	$ 1,075,680	$ 1,644,954

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, 2018

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 1,500	$ 1,500	$ 1,364	$ (136)
Charges for services	897,666	897,666	489,018	(408,648)
Miscellaneous	15,000	15,000	18,765	3,765
Intergovernmental:				
Local	-	-	-	-
Commonwealth	44,265	44,265	43,950	(315)
Federal	1,350,000	1,446,875	1,684,902	238,027
Total revenues	2,308,431	2,405,306	2,237,999	(167,307)
EXPENDITURES				
Current:				
Education	2,239,431	2,334,139	2,249,538	84,601
Capital outlay	69,000	71,167	22,987	48,180
Total expenditures	2,308,431	2,405,306	2,272,525	132,781
Excess (deficiency) of revenues over expenditures	-	-	(34,526)	(34,526)
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	$ -	$ -	$ (34,526)	$ (34,526)

Exhibit 32

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	
$ -	$ -	$ -	$ -	$ -	$ -	$ 2,965	$ 2,965
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	200,000	200,000	-
-	-	-	-	-	-	-	-
3,355,022	4,489,716	3,157,394	(1,332,322)	-	-	-	-
3,355,022	4,489,716	3,157,394	(1,332,322)	-	200,000	202,965	2,965
3,355,022	4,489,716	3,157,394	1,332,322	400,000	1,072,805	90	1,072,715
-	-	-	-	-	-	-	-
3,355,022	4,489,716	3,157,394	1,332,322	400,000	1,072,805	90	1,072,715
-	-	-	-	(400,000)	(872,805)	202,875	1,075,680
-	-	-	-	400,000	872,805	-	(872,805)
-	-	-	-	400,000	872,805	-	(872,805)
$ -	$ -	$ -	$ -	$ -	$ -	$ 202,875	$ 202,875

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, 2018

	School Fundraising Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ -	$ -	$ 3,341	$ 3,341
Miscellaneous	160,000	932,000	277,077	(654,923)
Recovered costs	-	-	-	-
Intergovernmental:				
Local	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	160,000	932,000	280,418	(651,582)
EXPENDITURES				
Education	-	6,000	5,260	740
Capital outlay	160,000	926,000	584,082	341,918
Total expenditures	160,000	932,000	589,342	342,658
Excess (deficiency) of revenues over expenditures	-	-	(308,924)	(308,924)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ -	$ -	$ (308,924)	$ (308,924)

Exhibit 33

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	
$ -	$ -	$ 5,003	$ 5,003	$ -	$ -	$ 1,926	$ 1,926
-	-	-	-	-	-	-	-
-	-	156,157	156,157	-	-	-	-
-	717,330	717,330	-	150,000	300,611	-	(300,611)
-	6,986	6,986	-	-	-	-	-
-	724,316	885,476	161,160	150,000	300,611	1,926	(298,685)
400,000	859,173	213,752	645,421	-	-	-	-
300,000	1,439,365	569,906	869,459	150,000	300,611	128,025	172,586
700,000	2,298,538	783,658	1,514,880	150,000	300,611	128,025	172,586
(700,000)	(1,574,222)	101,818	1,676,040	-	-	(126,099)	(126,099)
700,000	1,574,222	-	(1,574,222)	-	-	-	-
700,000	1,574,222	-	(1,574,222)	-	-	-	-
$ -	$ -	$ 101,818	$ 101,818	$ -	$ -	$ (126,099)	$ (126,099)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
June 30, 2018

Exhibit 34

	School Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 549,490
Investments	134,301
Total current assets	683,791
LIABILITIES	
Current liabilities:	
Accounts payable	$ 55,041
NET POSITION	
Unrestricted	$ 628,750

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, 2018

Exhibit 35

	School Insurance Fund
OPERATING REVENUES	
Charges for services	$ 5,531,488
Total operating revenues	5,531,488
OPERATING EXPENSES	
Other supplies and expenses	20
Insurance claims and expenses	5,554,389
Total operating expenses	5,554,409
Operating loss	(22,921)
NONOPERATING REVENUES	
Investment earnings	326
Total nonoperating revenues	326
Change in net position	(22,595)
Total net position - beginning	651,345
Total net position - ending	$ 628,750

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2018

Exhibit 36

		School Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from internal services provided	$	5,533,568
Cash paid to suppliers		55,021
Premiums paid		(5,554,389)
Net cash provided by operating activities		34,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchases) of investments, net		(29,618)
Interest and dividends received		326
Net cash used in investing activities		(29,292)
Net increase in cash and cash equivalents		4,908
Cash and cash equivalents - beginning of year		544,582
Cash and cash equivalents - end of year	$	549,490
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(22,921)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Change in assets and liabilities:		
Decrease (increase) in accounts receivable		2,080
Increase (decrease) in accounts payable		55,041
Total adjustments		57,121
Net cash provided by operating activities	$	34,200

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2018

Exhibit 37

	Private-Purpose Trust Funds				Agency Funds		
	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total	School Activity Funds	School Employee Benefits Fund	Total
ASSETS							
Cash and cash equivalents	$ 35,790	$ 2,231	$ 86,846	$ 124,867	$ 538,322	654,437	$ 1,192,759
Investments	447,893	28,870	-	476,763	-	160,820	160,820
Total assets	$ 483,683	$ 31,101	$ 86,846	$ 601,630	$ 538,322	$ 815,257	$ 1,353,579
LIABILITIES							
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 815,257	$ 815,257
Amounts held for others	-	-	-	-	538,322	-	538,322
Total liabilities	$ -	$ -	$ -	$ -	$ 538,322	$ 815,257	$ 1,353,579
NET POSITION							
Held in trust for scholarships	$ 483,683	$ 31,101	$ 86,846	$ 601,630	$ -	$ -	$ -

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, 2018

Exhibit 38

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	$ 27,699	$ 3,000	$ 34,324	$ 65,023
Investment earnings:				
Interest	106	-	33	139
Dividends	17,391	1,679	-	19,070
Realized and unrealized losses on investments	1,481	379	-	1,860
Total additions	46,677	5,058	34,357	86,092
DEDUCTIONS				
Administrative expenses	3,340	41	-	3,381
Scholarships awarded	41,075	7,000	32,000	80,075
Transfers out	3,503	-	-	3,503
Total deductions	47,918	7,041	32,000	86,959
Change in net position	(1,241)	(1,983)	2,357	(867)
Net position - beginning	484,924	33,084	84,489	602,497
Net position - ending	$ 483,683	$ 31,101	$ 86,846	$ 601,630

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, 2018

Exhibit 39

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
School Activity Funds				
Assets:				
Cash and cash equivalents	$ 512,160	$ 786,769	$ 760,607	$ 538,322
Total assets	$ 512,160	$ 786,769	$ 760,607	$ 538,322
Liabilities:				
Amounts held for others	512,160	786,769	760,607	538,322
Total liabilities	$ 512,160	$ 786,769	$ 760,607	$ 538,322
School Employee Benefits Fund				
Assets:				
Cash and cash equivalents	$ 703,151	$ -	$ 48,714	$ 654,437
Investments	115,928	44,892	-	160,820
Total assets	$ 819,079	$ 44,892	$ 48,714	$ 815,257
Liabilities:				
Accounts payable	$ 819,079	$ 44,892	$ 48,714	$ 815,257
Total liabilities	$ 819,079	$ 44,892	$ 48,714	$ 815,257

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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, 2018

Exhibit 40

	Parking Authority Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 340,540
Investments	83,232
Accounts receivable, net	7,736
Total current assets	431,508
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	7,307,225
Total capital assets, net	7,318,910
Total noncurrent assets	7,318,910
Total assets	7,750,418
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	18,286
Other postemployment benefit related deferred outflows	2,011
Total deferred outflows of resources	20,297
LIABILITIES	
Current liabilities:	
Accounts payable	20,676
Accrued payroll	6,121
Accrued interest payable	150,829
Compensated absences - current	8,679
Revenue bonds payable - current	271,700
Total current liabilities	458,005
Noncurrent liabilities:	
Net pension liability	71,455
Net other postemployment benefit liability	41,044
Compensated absences	12,234
Revenue bonds payable	7,070,600
Total noncurrent liabilities	7,195,333
Total liabilities	7,653,338
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	98,130
Pension related deferred inflows	26,468
Other postemployment benefit related deferred inflows	2,308
Total deferred inflows of resources	126,906
NET POSITION (DEFICIT)	
Net investment in capital assets	(121,520)
Unrestricted	111,991

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2018

Exhibit 41

	Parking Authority Fund
OPERATING REVENUES	
Charges for services	$ 1,306,798
Miscellaneous	17,822
Total operating revenues	1,324,620
OPERATING EXPENSES	
Personal services	260,589
Contractual services	97,226
Other supplies and expenses	159,625
Depreciation	256,306
Total operating expenses	773,746
Operating income	550,874
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	122
Interest and fiscal charges	(354,546)
Total nonoperating revenues (expenses)	(354,424)
Change in net position	196,450
Total net position (deficit) - beginning, as restated (Note 18)	(205,979)
Total net position (deficit) - ending	$ (9,529)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2018

Exhibit 42

	Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ 1,320,940
Cash paid to suppliers	(256,813)
Cash paid to employees	(362,052)
Net cash provided by operating activities	702,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(210,000)
Proceeds from debt refunding	7,342,300
Escrow payment for bond refunding	(7,280,000)
Interest paid on capital debt	(372,934)
Bond issue costs	(62,300)
Net cash used in capital and related financing activities	(582,934)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds (purchases) of investments, net	(34,135)
Investment income	122
Net cash used in investing activities	(34,013)
Net increase in cash and cash equivalents	85,128
Cash and cash equivalents - beginning of year	255,412
Cash and cash equivalents - end of year	$ 340,540
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 550,874
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	256,306
Pension expense, net of employer contributions	(35,301)
Other postemployment benefit expense, net of employer contributions	(30,232)
(Increase) decrease in:	
Accounts receivable	(3,680)
Increase (decrease) in:	
Accounts payable	38
Accrued payroll	(970)
Compensated absences	(34,960)
Total adjustments	151,201
Net cash provided by operating activities	$ 702,075

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

Financial Trends – Tables 1 – 4
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

Revenue Capacity – Tables 5 – 8
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 129-132

Debt Capacity – Tables 9 – 13
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

Demographic and Economic Information – Tables 14 – 15
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

Operating Information – Tables 16 – 18
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs 140-142

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

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

Table 1

	2009(1)	2010(1)	2011	2012	2013(1)	2014 (1)	2015 (2)	2016	2017	2018 (3)
Governmental activities										
Net investment in capital assets	$ 44,602,441	$ 62,512,145	$ 62,402,348	$ 58,706,983	$ 56,163,377	$ 57,626,610	$ 62,544,269	$ 66,966,198	$ 69,929,756	$ 70,459,348
Restricted	49,876	-	-	-	-	-	-	-	364,378	180,235
Unrestricted	(59,010,599)	(58,030,587)	(50,945,522)	(41,218,664)	(33,564,155)	(46,366,141)	(55,025,188)	(47,098,924)	(44,101,379)	(43,546,593)
Total governmental activities net position	$ (14,358,282)	$ 4,481,558	$ 11,456,826	$ 17,488,319	$ 22,599,222	$ 11,260,469	$ 7,519,081	$ 19,867,274	$ 26,192,755	$ 27,092,990
Business-type activities										
Net investment in capital assets	$ 36,807,871	$ 44,278,901	$ 43,480,262	$ 48,176,844	$ 49,037,689	$ 51,196,584	$ 54,226,599	$ 56,936,681	$ 57,742,151	$ 59,597,359
Restricted	2,000	-	-	-	-	-	-	-	-	-
Unrestricted	5,579,913	380,107	917,995	(443,640)	778,298	1,811,069	1,468,786	2,059,919	6,099,423	7,127,252
Total business-type activities net position	$ 42,389,784	$ 44,659,008	$ 44,398,257	$ 47,733,204	$ 49,815,987	$ 53,007,653	$ 55,695,385	$ 58,996,600	$ 63,841,574	$ 66,724,611
Primary government										
Net investment in capital assets	$ 81,410,312	$ 106,791,046	$ 105,882,610	$ 106,883,827	$ 105,201,066	$ 108,823,194	$ 116,770,868	$ 123,902,879	$ 127,671,907	$ 130,056,707
Restricted	51,876	-	-	-	-	-	-	-	364,378	180,235
Unrestricted	(53,430,686)	(57,650,480)	(50,027,527)	(41,662,304)	(32,785,857)	(44,555,072)	(53,556,402)	(45,039,005)	(38,001,956)	(36,419,341)
Total primary government net position	$ 28,031,502	$ 49,140,566	$ 55,855,083	$ 65,221,523	$ 72,415,209	$ 64,268,122	$ 63,214,466	$ 78,863,874	$ 90,034,329	$ 93,817,601
School Board Component Unit										
Net investment in capital assets	$ 112,430,425	$ 116,460,222	$ 114,692,709	$ 113,054,855	$ 111,503,820	$ 109,960,064	$ 114,558,724	$ 124,932,493	$ 123,044,755	$ 120,782,253
Restricted	1,767,727	-	-	-	575,798	20,371,300	13,403,506	821,630	300,258	1,831,921
Unrestricted	2,173,262	3,881,107	5,791,479	5,907,579	5,578,658	3,363,800	(43,930,728)	(43,319,468)	(43,545,337)	(51,460,197)
Total governmental activities net position	$ 116,371,414	$ 120,341,329	$ 120,484,188	$ 118,962,434	$ 117,658,276	$ 133,695,164	$ 84,031,502	$ 82,434,655	$ 79,799,676	$ 71,153,977

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.
(3) GASB Statement No. 75 was adopted in fiscal year 2018.

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

Table 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	$ 4,646,225	$ 4,023,701	$ 3,951,051	$ 4,450,987	$ 4,098,528	$ 4,847,983	$ 4,568,861	$ 5,329,460	$ 5,451,957	$ 5,979,196
Judicial administration	2,763,951	2,884,754	2,935,921	2,937,196	3,208,823	3,217,304	3,058,235	3,567,530	3,874,647	4,068,397
Public safety	18,323,978	17,585,438	17,771,948	18,061,684	19,051,218	19,691,104	19,887,873	20,791,778	22,064,479	23,349,564
Public works	7,067,534	7,766,233	9,257,342	11,502,592	10,462,004	12,276,087	10,879,509	11,195,268	12,104,532	12,006,083
Health and welfare	7,579,302	7,246,742	7,730,706	7,659,067	7,208,056	6,874,897	7,425,520	7,773,128	8,962,664	10,109,412
Education	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238	45,697,366	27,576,745	29,707,234	29,222,718	30,404,117
Parks, recreation, and culture	3,354,192	3,413,062	3,461,791	3,525,459	3,792,062	3,504,618	4,021,683	3,366,170	3,497,835	3,565,732
Community development	1,850,299	1,653,859	2,414,352	2,077,685	2,438,493	1,810,977	2,490,393	1,632,494	2,424,272	1,762,569
Interest on long-term debt	4,610,500	4,249,316	4,036,885	3,436,706	3,156,413	3,682,243	3,551,526	3,585,291	3,526,095	3,014,335
Bond issuance costs	-	-	-	-	-	183,567	179,468	75,256	55,800	-
Total governmental activities expenses	78,120,521	74,239,219	76,938,189	79,034,533	80,121,835	101,786,146	83,639,813	87,023,609	91,184,999	94,259,405
Business-type activities:										
Water and sewer	16,030,605	15,973,606	17,132,555	19,207,251	21,294,667	20,636,511	21,456,454	22,171,658	23,053,441	24,222,296
Transit service	910,514	964,912	-	-	-	-	-	-	-	-
Total business-type activities expenses	16,941,119	16,938,518	17,132,555	19,207,251	21,294,667	20,636,511	21,456,454	22,171,658	23,053,441	24,222,296
Total primary government expenses	$ 95,061,640	$ 91,177,737	$ 94,070,744	$ 98,241,784	$ 101,416,502	$ 122,422,657	$ 105,096,267	$ 109,195,267	$ 114,238,440	$ 118,481,701
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 795,459	$ 254,535	$ 276,960	$ 269,955	$ 113,965	$ 147,384	$ 154,503	$ 237,474	$ 173,246	$ 235,862
Judicial administration	204,413	630,433	781,054	837,066	683,121	634,692	653,086	707,512	624,795	698,834
Public safety	888,450	992,875	1,031,282	961,651	1,226,999	1,193,298	1,254,909	1,349,908	1,261,688	1,297,234
Public works	1,064,374	341,284	788,258	1,193,772	1,158,991	1,071,780	1,494,206	1,584,757	1,611,541	1,474,553
Health and welfare	90,838	75,357	70,083	61,555	52,875	52,008	55,214	67,621	73,984	80,057
Parks, recreation, and culture	607,476	781,612	732,187	777,314	665,747	833,837	874,561	839,602	913,764	889,174
Community development	277,349	441,569	312,354	279,155	302,148	316,428	390,299	352,184	390,131	387,336
Operating grants and contributions	8,931,591	10,225,614	11,927,468	13,093,099	11,914,905	11,606,524	12,993,980	15,312,212	14,049,448	15,695,768
Capital grants and contributions	1,835,430	16,184,324	36,524	1,904,428	1,141,420	1,921,832	1,134,183	3,775,641	1,443,507	1,085,606
Total governmental activities revenues	14,695,380	29,927,603	15,956,170	19,377,995	17,260,171	17,777,783	19,004,941	24,226,911	20,542,104	21,844,424
Business-type activities:										
Charges for services:										
Water and sewer	17,926,218	18,236,410	19,636,840	20,219,861	22,411,243	24,814,747	25,686,701	26,809,216	28,894,070	28,793,288
Transit service	79,959	89,482	-	-	-	-	-	-	-	-
Operating grants and contributions	560,688	-	-	-	-	-	-	-	269,203	269,348
Capital grants and contributions	3,412,273	1,583,104	498,821	3,882,896	2,809,805	1,400,500	1,237,760	252,812	321,400	17,280
Total business-type activities revenues	21,979,138	19,908,996	20,135,661	24,102,757	25,221,048	26,215,247	26,924,461	27,062,028	29,484,673	29,079,916
Total primary government revenues	$ 36,674,518	$ 49,836,599	$ 36,091,831	$ 43,480,752	$ 42,481,219	$ 43,993,030	$ 45,929,402	$ 51,288,939	$ 50,026,777	$ 50,924,340

(Continued)

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

Table 2 (Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	$ (63,425,141)	$ (44,311,616)	$ (60,982,019)	$ (59,656,538)	$ (62,861,664)	$ (84,008,363)	$ (64,634,872)	$ (62,796,698)	$ (70,642,895)	$ (72,414,981)
Business-type activities	5,038,019	2,970,478	3,003,106	4,895,506	3,926,381	5,578,736	5,468,007	4,890,370	6,431,232	4,857,620
Total primary government net expense	$ (58,387,122)	$ (41,341,138)	$ (57,978,913)	$ (54,761,032)	$ (58,935,283)	$ (78,429,627)	$ (59,166,865)	$ (57,906,328)	$ (64,211,663)	$ (67,557,361)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 34,178,174	$ 34,168,510	$ 33,797,432	$ 34,768,213	$ 35,952,587	$ 37,597,733	$ 38,692,668	$ 39,173,337	$ 40,050,899	$ 42,217,997
Sales taxes	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682	8,119,431	8,859,376	9,086,187	9,431,564	9,749,245
Utility taxes	1,991,193	1,915,234	1,987,027	1,616,764	2,015,264	2,233,337	2,048,531	1,989,779	1,986,800	2,163,796
Business license taxes	5,458,468	5,236,568	5,451,253	5,678,324	5,736,888	6,016,529	6,096,072	6,373,410	6,541,576	6,744,219
Franchise taxes	293,529	329,097	349,004	302,554	360,030	402,711	407,787	417,860	408,904	488,219
Hotel and meals taxes	5,021,594	5,375,860	5,671,611	5,999,862	6,217,625	6,596,681	8,343,827	8,834,036	9,216,945	9,496,911
E-911 taxes	-	-	-	-	-	-	-	-	-	-
Communication sales taxes	2,277,662	2,207,059	2,260,141	2,142,639	2,199,696	2,145,662	2,142,416	2,070,870	2,020,045	1,959,936
Other local taxes	2,129,896	1,598,674	1,762,905	1,529,900	1,820,712	1,979,202	2,443,144	2,253,116	2,458,236	2,246,671
Gain on sale of capital assets	22,781	-	250,000	386,296	-	-	-	11,250	(6,210)	-
Unrestricted grants and contributions	3,626,897	2,831,277	2,997,533	3,007,083	2,966,192	2,987,618	3,051,563	3,036,203	3,110,202	3,079,396
Investment earnings	460,609	281,219	146,478	138,851	68,675	70,590	78,070	159,131	98,245	144,080
Miscellaneous	527,737	-	4,304	31,860	47,216	33,441	16,349	139,712	51,170	32,996
Special item	-	-	-	-	-	3,451,777	-	-	-	-
Transfers	1,354,150	1,864,000	3,321,749	1,600,000	1,870,000	1,600,000	1,600,000	1,600,000	1,600,000	1,500,000
Total governmental activities	65,379,721	63,197,056	66,085,965	65,688,031	67,973,567	73,234,712	73,779,803	75,144,891	76,968,376	79,823,466
Business-type activities:										
Investment earnings	125,725	56,010	12,746	32,925	20,577	426	1,833	7,565	4,443	105,567
Miscellaneous	10,617	53,060	45,146	6,516	5,825	6,694	2,858	3,280	9,299	18,393
Transfers	(1,354,150)	(1,864,000)	(3,321,749)	(1,600,000)	(1,870,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,500,000)
Total business-type activities	(1,217,808)	(1,754,930)	(3,263,857)	(1,560,559)	(1,843,598)	(1,592,880)	(1,595,309)	(1,589,155)	(1,586,258)	(1,376,040)
Total primary government	$ 64,161,913	$ 61,442,126	$ 62,822,108	$ 64,127,472	$ 66,129,969	$ 71,641,832	$ 72,184,494	$ 73,555,736	$ 75,382,118	$ 78,447,426
Change in Net Position										
Governmental activities	$ 1,954,580	$ 18,885,440	$ 5,103,946	$ 6,031,493	$ 5,111,903	$ (10,773,651)	$ 9,144,931	$ 12,348,193	$ 6,325,481	$ 7,408,485
Business-type activities	3,820,211	1,215,548	(260,751)	3,334,947	2,082,783	3,985,856	3,872,698	3,301,215	4,844,974	3,481,580
Total primary government	$ 5,774,791	$ 20,100,988	$ 4,843,195	$ 9,366,440	$ 7,194,686	$ (6,787,795)	$ 13,017,629	$ 15,649,408	$ 11,170,455	$ 10,890,065

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

Table 2 (Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
School Board Component Unit:										
Education	$ 51,428,596	$ 47,296,567	$ 48,837,882	$ 49,246,256	$ 53,609,858	$ 54,649,291	$ 56,430,750	$ 59,044,154	$ 61,691,194	$ 61,583,347
Total School Board component unit expenses	51,428,596	47,296,567	48,837,882	49,246,256	53,609,858	54,649,291	56,430,750	59,044,154	61,691,194	61,583,347
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	957,618	880,847	880,295	869,102	734,401	697,971	773,193	711,854	795,911	848,227
Operating grants and contributions	19,567,683	21,252,219	19,926,049	20,824,041	23,468,737	23,720,228	25,339,877	27,795,460	28,511,661	28,573,524
Capital grants and contributions	1,471,063	3,031,845	2,216,821	390,328	137,927	248,673	335,570	542,786	389,555	490,731
Total School Board component unit revenues	21,996,364	25,164,911	23,023,165	22,083,471	24,341,065	24,666,872	26,448,640	29,050,100	29,697,127	29,912,482
Net (Expense)/Revenue										
School Board Component Unit	(29,432,232)	(22,131,656)	(25,814,717)	(27,162,785)	(29,268,793)	(29,982,419)	(29,982,110)	(29,994,054)	(31,994,067)	(31,670,865)
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	27,901,103	25,386,902	25,351,902	25,351,902	26,651,702	45,659,975	27,521,529	29,646,946	29,158,944	30,142,733
Investment earnings	216,949	165,518	79,639	73,813	80,761	115,791	105,585	133,071	61,775	86,982
Miscellaneous	1,185,769	145,137	236,623	215,316	214,500	243,541	220,122	136,115	138,369	156,157
Total School Board Component Unit	29,303,821	25,697,557	25,668,164	25,641,031	26,946,963	46,019,307	27,847,236	29,916,132	29,359,088	30,385,872
Change in Net Position										
School Board Component Unit	$ (128,411)	$ 3,565,901	$ (146,553)	$ (1,521,754)	$ (2,321,830)	$ 16,036,888	$ (2,134,874)	$ (77,922)	$ (2,634,979)	$ (1,284,993)

(Continued)

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

Table 3

	2009	2010
Pre-GASB 54 implementation:		
General Fund		
Reserved	$ -	$ 13,465
Unreserved	20,577,901	17,253,692
Total general fund	$ 20,577,901	$ 17,267,157
All Other Governmental Funds		
Reserved	$ -	$ 40,000
Unreserved, reported in:		
Special revenue funds	-	1,811,642
Capital projects funds	4,279,791	824,558
Debt service funds	49,876	-
Total all other governmental funds	$ 4,329,667	$ 2,676,200

	2011	2012	2013	2014	2015	2016	2017	2018
Post-GASB 54 implementation:								
General Fund								
Nonspendable	$ 11,950	$ 7,081	$ 8,408	$ 11,916	$ 12,488	$ 23,986	$ 40,261	$ 4,299
Restricted	441,131	476,780	486,062	495,790	457,025	444,950	359,898	180,235
Committed	950,000	1,300,000	1,218,750	1,926,988	1,811,912	1,678,662	816,327	758,966
Assigned	931,312	5,410,412	4,405,933	3,722,604	2,620,451	2,311,176	3,992,120	6,097,662
Unassigned	18,651,925	15,145,625	16,071,618	16,084,160	17,180,500	18,669,609	19,879,105	19,545,641
Total general fund	$ 20,986,318	$ 22,339,898	$ 22,190,771	$ 22,241,458	$ 22,082,376	$ 23,128,383	$ 25,087,711	$ 26,586,803
All Other Governmental Funds								
Nonspendable	$ 40,000	$ 190,000	$ 182,500	$ 167,500	$ 152,500	$ 40,000	$ 40,000	$ 40,000
Restricted	-	-	-	4,013,360	138,891	2,107,704	7,962,437	3,653,335
Committed	-	-	-	-	-	-	-	-
Assigned	2,068,984	3,172,645	2,316,213	1,493,250	4,134,658	2,319,870	1,316,253	880,491
Unassigned	-	-	-	-	-	-	-	(11,814)
Total all other governmental funds	$ 2,108,984	$ 3,362,645	$ 2,498,713	$ 5,674,110	$ 4,426,049	$ 4,467,574	$ 9,318,690	$ 4,562,012

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

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

Table 4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	$ 33,704,350	$ 33,821,252	$ 33,942,158	$ 34,607,227	$ 36,115,435	$ 37,746,991	$ 38,656,808	$ 39,043,098	$ 40,096,166	$ 42,004,425
Sales taxes	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682	8,119,431	8,859,376	9,086,187	9,431,564	9,749,245
Other local taxes	17,172,342	16,662,492	17,481,942	17,270,042	18,346,602	19,374,122	21,481,775	21,939,070	22,632,506	23,099,752
Permits, privilege fees, and regulatory licenses	285,131	392,290	292,644	252,950	285,746	300,089	409,230	359,045	406,597	374,275
Fines and forfeitures	159,077	147,721	221,715	274,147	161,403	149,170	135,749	103,149	80,424	151,034
Revenues from use of money and property	529,863	439,521	315,006	292,403	219,226	194,025	212,093	309,350	275,080	331,454
Charges for services	1,760,787	1,706,059	1,846,033	1,963,310	1,951,951	2,011,886	2,465,271	2,572,507	2,788,014	2,589,743
Miscellaneous	444,901	453,621	764,927	1,157,315	1,044,782	1,132,586	1,127,260	1,077,661	1,125,757	1,084,921
Recovered costs	1,454,804	979,769	1,045,223	930,667	726,062	612,575	632,710	1,700,831	1,068,531	1,484,328
Intergovernmental	14,393,918	14,754,690	14,737,288	17,742,776	15,888,838	15,711,958	17,139,226	19,412,471	18,121,076	19,009,080
Total revenues	77,942,204	76,746,973	78,733,464	82,976,522	83,458,727	85,352,833	91,119,498	95,603,369	96,025,715	99,878,257
Expenditures										
General government administration	3,999,143	3,803,786	3,690,586	4,304,202	4,607,388	5,046,842	5,489,981	5,314,055	5,278,350	5,761,070
Judicial administration	2,574,148	2,690,827	2,768,905	2,838,387	3,099,072	3,201,762	3,288,665	5,460,743	3,673,845	3,904,672
Public safety	17,907,345	16,963,980	17,471,623	18,028,989	19,021,960	19,944,482	21,462,926	24,408,681	21,452,314	22,486,874
Public works	8,611,361	10,526,541	6,958,722	9,708,681	10,215,038	14,011,949	12,450,392	14,757,732	8,776,740	8,676,462
Health and welfare	7,542,126	7,205,135	7,727,186	7,697,084	7,256,023	6,880,143	7,522,062	7,972,355	8,964,354	10,189,623
Education	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238	45,697,366	27,576,745	29,707,234	29,222,718	30,208,188
Parks, recreation, and culture	3,716,933	3,877,809	3,117,656	3,364,141	3,696,943	3,455,932	3,707,994	3,924,291	3,037,578	3,063,164
Community development	1,757,737	1,574,376	2,332,049	2,109,601	3,554,065	1,808,990	2,529,929	1,708,508	2,414,416	1,783,419
Capital outlay	2,027,584	-	-	-	-	-	-	-	5,480,740	8,556,040
Debt service:										
Principal retirement	5,544,227	5,829,665	5,760,991	5,519,489	6,064,266	6,047,562	6,202,770	6,127,933	6,885,730	6,720,569
Interest and fiscal charges	4,690,387	4,343,895	4,132,168	3,435,326	3,183,954	3,672,839	3,923,059	3,885,011	3,818,856	3,327,472
Bond issuance costs	-	-	-	235,527	216,634	183,567	179,468	75,256	55,800	254,708
Total expenditures	86,295,531	82,232,128	79,338,079	82,624,584	87,621,581	109,951,434	94,333,991	103,341,799	99,061,441	104,932,261
Excess of revenues over (under) expenditures	(8,353,327)	(5,485,155)	(604,615)	351,938	(4,162,854)	(24,598,601)	(3,214,493)	(7,738,430)	(3,035,726)	(5,054,004)

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

Table 4 (Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses)										
Sale of property	$ 43,198	$ -	$ 250,000	$ 386,296	$ -	$ -	$ -	$ 11,250	$ 795,000	$ 3,443
Insurance recoveries	18,576	114,754	4,304	31,860	47,216	33,437	16,349	139,712	51,170	32,996
Bonds issued	-	-	-	27,217,364	27,963,072	24,265,000	11,255,180	7,075,000	7,400,000	16,660,000
Proceeds from premium on bond issuance	-	-	-	3,995,350	-	1,926,248	1,309,592	-	-	2,751,878
Payment to refunded bond escrow agent	-	-	-	(30,975,567)	(26,730,493)	-	(12,373,771)	-	-	(19,151,899)
Transfers in	7,650,015	7,980,231	5,433,719	5,243,455	5,694,575	6,312,546	7,592,391	6,231,504	5,451,618	5,895,255
Transfers out	(6,295,865)	(6,336,231)	(3,589,786)	(3,643,455)	(3,824,575)	(4,712,546)	(5,992,391)	(4,631,504)	(3,851,618)	(4,395,255)
Total other financing sources and uses	1,415,924	1,758,754	2,098,237	2,255,303	3,149,795	27,824,685	1,807,350	8,825,962	9,846,170	1,796,418
Net change in fund balances	$ (6,937,403)	$ (3,726,401)	$ 1,493,622	$ 2,607,241	$ (1,013,059)	$ 3,226,084	$ (1,407,143)	$ 1,087,532	$ 6,810,444	$ (3,257,586)
Debt service as a percentage of noncapital expenditures	12.8%	13.3%	12.6%	11.3%	11.3%	9.5%	11.6%	11.0%	11.4%	10.4%

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

Table 5

		Real Property (1)(3)					Personal Property (1)									
Fiscal Year		Residential	Commercial	Tax Rate per $100	Public Service	Tax Rate per $100	Motor Vehicles and Tangibles	Tax Rate per $100	Public Service	Tax Rate per $100	Machinery & Tools	Tax Rate per $100	Mobile Homes	Tax Rate per $100	Total Taxable Assessed Value	Total Direct Tax Rate
2009	(2)	1,930,786,600	1,145,085,600	0.77	62,322,900	0.77	183,336,720	4.5	10,493	4.5	109,391,904	1.3	192,756	0.77	3,431,126,973	0.98
2010		1,937,277,200	1,138,605,300	0.77	67,087,131	0.77	178,115,588	4.5	16,957	4.5	124,891,288	1.3	202,056	0.77	3,446,195,520	0.98
2011	(2)	1,590,890,500	1,129,950,300	0.86	64,741,641	0.86	186,501,554	4.5	11,236	4.5	124,891,288	1.3	202,056	0.86	3,097,188,575	1.10
2012		1,603,736,800	1,139,679,400	0.95	72,272,617	0.95	211,721,208	4.5	5,494	4.5	120,805,964	1.3	158,888	0.95	3,148,380,371	1.20
2013	(2)	1,618,898,500	1,142,293,500	0.95	64,839,333	0.95	253,205,986	4.5	5,936	4.5	152,329,260	1.3	163,048	0.95	3,231,735,563	1.24
2014		1,629,108,700	1,137,899,900	0.95	67,540,972	0.95	269,630,162	4.5	5,936	4.5	144,655,883	1.3	159,988	0.95	3,249,001,541	1.26
2015	(2)	1,744,437,672	1,170,855,700	0.91	66,459,087	0.91	269,176,193	4.5	32,033	4.5	136,394,356	1.3	218,148	0.91	3,387,573,189	1.21
2016		1,749,683,800	1,177,102,900	0.91	68,938,755	0.91	281,484,105	4.5	25,661	4.5	158,636,967	1.3	238,845	0.91	3,436,111,033	1.22
2017	(2)	1,895,930,700	1,219,641,300	0.91	68,267,350	0.91	284,408,731	4.5	20,377	4.5	143,653,774	1.3	217,381	0.91	3,612,139,613	1.23
2018		1,895,930,700	1,219,641,300	0.91	87,307,664	0.91	303,831,699	4.8	46,895	4.8	135,968,993	1.3	182,061	0.91	3,642,909,312	1.25

Notes:

(1) Property assessed at 100% of actual value. Tax rates are assessed per $100 of assessed value.

(2) General reassessment of real property completed for the 2009, 2011,2013, 2015 and 2017 tax years.

(3) Real Property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

Source:
City of Winchester, Commissioner of the Revenue

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

Table 6

	City Direct Rates (2)				
Fiscal Year	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	Total Direct Rate
2009	0.69	0.01	0.24	0.04	0.98
2010	0.69	0.01	0.23	0.05	0.98
2011	0.76	0.02	0.27	0.05	1.10
2012	0.83	0.02	0.30	0.05	1.20
2013	0.81	0.02	0.35	0.06	1.24
2014	0.81	0.02	0.37	0.06	1.26
2015	0.78	0.02	0.36	0.05	1.21
2016	0.78	0.02	0.37	0.06	1.23
2017	0.78	0.02	0.37	0.06	1.23
2018	0.78	0.02	0.40	0.05	1.25

Notes:

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

(2) Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies.

Source:
City of Winchester, Commissioner of the Revenue

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

Table 7

	December 31, 2017			December 31, 2008		
Taxpayer	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	1.58%	45,217,100	1	1.39%
BRE DDR BR Winchester VA LLC	24,010,600	2	0.77%			
Wal-Mart Realty Company	23,541,800	3	0.75%	19,464,500	6	0.60%
PDK Winchester LC	20,989,400	4	0.67%	20,478,900	4	0.63%
Rubbermaid Commercial Prod Inc	20,389,000	5	0.65%	17,531,400	7	0.54%
Canterbury Hill LLC	20,180,700	6	0.65%			
DDRM Apple Blossom Corners LLC	18,405,900	7	0.59%	25,967,200	3	0.80%
Jubal Square LLC	16,450,500	8	0.53%			
PV Associates LLC	14,688,300	9	0.47%			
National Fruit Prod Co Inc	14,589,400	10	0.47%	14,589,400	8	0.45%
Lowe's Home Center Inc				12,462,300	9	0.38%
Winchester Medical Center				42,421,300	2	1.30%
Trout Segall & Doyle Winc Prop LLC				20,153,500	5	0.62%
Loveless Home X LLC J A				12,455,000	10	0.38%
Total	$ 222,657,000		7.13%	$ 230,740,600		7.09%

Source:
City of Winchester, Commissioner of the Revenue

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

Table 8

Year	Taxes Levied for the Tax Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2009	$ 32,215,883	$ 16,120	$ 32,232,003	$ 31,265,931	97.05%	$ 808,592	$ 32,074,523	99.51%
2010	32,491,201	(66,353)	32,424,848	31,529,273	97.04%	839,047	32,368,320	99.83%
2011	31,980,112	7,542	31,987,654	30,930,370	96.72%	873,835	31,804,204	99.43%
2012	34,956,380	(40,362)	34,916,018	33,776,010	96.62%	1,053,921	34,829,931	99.75%
2013	36,643,360	(53,108)	36,590,252	35,636,313	97.25%	851,515	36,487,828	99.72%
2014	37,341,756	48,695	37,390,451	36,358,575	97.37%	919,607	37,278,182	99.70%
2015	37,893,121	(77,224)	37,815,897	36,950,548	97.51%	377,955	37,328,503	98.71%
2016	35,951,558	40,742	35,992,301	34,356,973	95.56%	340,505	34,697,478	96.40%
2017	38,286,683	46,220	38,332,903	36,485,871	95.30%	284,777	36,770,648	95.92%
2018	28,188,897	8,151	28,197,048	14,617,633	51.86%	431,836	15,049,469	53.37%

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

	Governmental Activities		Business-type Activities					
Fiscal Year	General Obligation Bonds (2)	Obligations Payable	General Obligation Bonds (2)	Revenue Bonds (2)	Obligations Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2009	$ 101,700,196	$ -	$ 27,022,523	$ 23,920,000	$ 8,163,355	$ 160,806,074	18.04%	$ 6,209
2010	95,870,531	-	25,444,814	36,215,000	7,232,324	164,762,669	18.41%	6,259
2011	90,109,540	-	23,779,501	47,610,000	20,221,937	181,720,978	20.34%	6,934
2012	84,848,790	-	22,058,855	66,589,030	19,080,302	192,576,977	21.45%	7,242
2013	85,909,809	900,000	21,557,534	69,725,303	17,709,408	195,802,054	20.78%	7,283
2014	105,525,330	600,000	19,806,474	66,997,071	16,202,542	209,131,417	20.79%	7,684
2015	99,712,411	400,000	17,963,960	65,703,296	14,597,808	198,377,475	18.96%	7,202
2016	100,191,106	200,000	16,131,797	62,598,576	38,040,155	217,161,634	19.49%	7,884
2017	99,842,184	-	14,021,066	59,832,770	37,505,134	211,201,154	17.94%	7,613
2018	93,457,246	-	11,780,883	97,467,968	36,474,141	239,180,238	19.48%	8,541

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)
2009	128,722,719	49,876	128,672,843	3.75%	4,969
2010	121,315,345	-	121,315,345	3.52%	4,609
2011	113,889,041	-	113,889,041	3.68%	4,346
2012	106,907,645	-	106,907,645	3.40%	4,021
2013	107,467,343	-	107,467,343	3.33%	3,998
2014	125,331,804	-	125,331,804	3.86%	4,605
2015	117,676,371	-	117,676,371	3.47%	4,272
2016	116,322,903	-	116,322,903	3.39%	4,223
2017	113,863,250	-	113,863,250	3.32%	4,104
2018	105,238,129	-	105,238,129	2.89%	3,758

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, 2018

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	$ 93,457,246	100%	$ 93,457,246

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	$ 302,560,266	$ 314,296,963	$ 278,558,244	$ 281,568,882	$ 282,603,133	$ 283,454,957	$ 298,175,246	$ 299,572,546	$ 300,004,355	$ 320,287,966
Total net debt applicable to limit	128,672,843	121,315,345	113,889,041	106,907,645	107,467,343	114,224,636	106,210,407	105,885,838	104,449,458	95,354,720
Legal debt margin	$ 173,887,423	$ 192,981,618	$ 164,669,203	$ 174,661,237	$ 175,135,790	$ 169,230,321	$ 191,964,839	$ 193,686,708	$ 195,554,897	$ 224,933,246
Total net debt applicable to the limit as a percentage of debt limit	42.53%	38.60%	40.89%	37.97%	38.03%	40.30%	35.62%	35.35%	34.82%	29.77%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value of Real Property	$ 3,202,879,664
Debt Limit - 10%	320,287,966
Amount of Debt Applicable to Debt Limit	
General obligation bonds	95,354,720
Legal Debt Margin	$ 224,933,246

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed real propertyvalue. 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 Ten 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 Principal	Debt Service Interest	Coverage
2009	$ 17,632,035	$ 12,955,277	$ 4,676,758	$ -	$ 230,006	20.33
2010	18,282,412	11,301,236	6,981,176	-	1,093,351	6.39
2011	19,681,986	11,662,219	8,019,767	770,000	1,779,020	3.15
2012	20,226,377	12,299,426	7,926,951	1,245,000	2,383,018	2.18
2013	22,417,068	12,860,026	9,557,042	1,715,000	3,247,700	1.93
2014	24,821,441	12,413,786	12,407,655	2,436,879	3,204,543	2.20
2015	25,689,559	13,326,754	12,362,805	2,538,184	3,102,309	2.19
2016	26,812,496	14,285,299	12,527,197	2,724,187	2,884,045	2.23
2017	28,903,369	13,199,892	15,703,477	2,795,220	3,311,743	2.57
2018	28,811,681	14,221,898	14,589,783	2,981,285	3,191,748	2.36

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.

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

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4) High School Graduate or higher	Educational attainment (4) Bachelor's Degree or higher	School enrollment(5)	Unemployment rate (3)
2009	25,897	891,297	34,417	35.7	75.4%	23.7%	3,714	8.70%
2010	26,322	894,790	33,994	35.2	75.4%	23.7%	3,745	7.20%
2011	26,203	893,365	34,094	37.4	78.1%	28.1%	3,829	7.30%
2012	26,587	897,737	33,766	35.1	79.7%	29.7%	3,979	6.60%
2013	26,881	942,125	35,048	35.1	82.2%	29.2%	4,085	6.60%
2014	27,216	1,005,767	36,955	35.6	81.9%	29.5%	4,147	5.10%
2015	27,543	1,046,056	37,979	35.3	83.8%	28.6%	4,135	4.80%
2016	27,543	1,114,280	40,456	35.7	83.3%	28.1%	4,227	3.80%
2017	27,743	1,177,302	42,436	36.8	84.2%	28.3%	4,255	3.80%
2018	28,005	1,227,627	43,836	37.6	83.5%	31.3%	4,170	2.80%

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

	December 31, 2017			December 31, 2008		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Valley Health System	1,000 and over	1	7.10%	1,000 and over	1	7.48%
Shenandoah University	500 - 999	2	3.55%	500 - 999	4	3.74%
Ignite Holdings LLC	500 - 999	3	3.55%			
Winchester Public Schools	500 - 999	4	3.55%	500 - 999	3	3.74%
Wal Mart	500 - 999	5	3.55%	500 - 999	5	3.74%
U.S. Federal Bureau of Investigation	500 - 999	6	3.55%			
City of Winchester	500 - 999	7	3.55%	500 - 999	6	3.74%
U.S. Department of Defense	250 - 499	8	1.78%	250 - 499	10	1.87%
Osullivan Films Inc	100 - 249	9	0.71%	250 - 499	8	1.87%
Grafton School, Inc	100 - 249	10	0.71%			
Martin's Food Market				250 - 499	7	1.87%
Rubbermaid				500 - 999	2	3.74%
Trex Company Inc & Subsid				250 - 499	9	1.87%
Axiom Staffing Group						
Total	4,450		31.60%	4,500		33.66%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration	43	41	37	39	38	44	41	42	43	42
Judicial administration	42	41	46	46	44	45	48	50	50	49
Public safety	200	204	219	223	228	216	234	233	226	223
Public works	58	59	61	59	61	56	53	59	71	58
Health and welfare	43	44	46	44	40	43	46	45	46	39
Parks, recreation and culture	53	52	58	55	46	46	42	39	36	38
Community development	14	13	13	11	12	12	19	21	12	11
Water and sewer	61	58	66	66	67	61	65	70	63	58
Bus service	13	13	14	14	15	18	19	21	13	18
Parking authority	8	8	8	6	6	6	6	6	6	3
Schools	687	683	677	687	668	674	689	703	707	700
Total	1,222	1,216	1,245	1,250	1,225	1,221	1,262	1,289	1,273	1,239

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

	Fiscal Year									
Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Building permits issued	486	470	942	1,508	1,463	1,709	1,732	1,787	1,898	1,913
Building inspections conducted (commercial and residential)	8,154	8,186	7,342	6,987	6,025	7,408	8,150	8,858	8,829	8,902
Police										
Physical arrests	3,231	2,611	2,854	4,090	3,018	3,802	2,838	4,113	2,653	2,796
Parking violations	7,429	6,634	7,128	5,977	4,526	4,226	3,542	3,013	3,634	3,941
Traffic violations	4,524	3,709	4,070	5,406	4,304	4,580	4,543	4,534	5,190	5,021
Fire										
Emergency responses	5,470	5,377	5,549	5,781	5,518	5,804	6,022	6,282	6,784	6,588
Structure fires	60	45	87	43	57	55	54	52	48	56
On-site fire inspections	334	361	388	360	377	486	333	918	809	457
Fire suppression inspection tests	152	112	45	64	61	82	63	136	116	111
Refuse Collection										
Refuse collected (tons per year -- residential and non-residential)	6,649	6,537	6,430	6,520	6,681	6,608	6,451	6,534	6,629	6,561
Recyclables collected (tons per year -- does not include cardboard or yard waste)	2,117	2,908	2,931	3,252	3,312	3,068	3,076	3,094	3,051	2,931
Recyclable scrap	9	21	20	18	21	13	10	8	19	34
Other Public Works										
Street resurfacing (miles)	7	7	1	2	6	5	21	7	12	10
Parks and Recreation										
Shelter permits issued	472	821	839	911	691	493	352	390	386	420
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	43,154	48,108	49,774	47,201	25,156	25,776	23,349	33,515	33,163	36,236
Racquetball court users (1)	1,196	2,474	2,407	2,324	2,506	2,445	2,711	1,980	1,824	2,550
Indoor fitness room users (1)	5,167	13,487	9,901	9,316	7,375	6,067	5,797	2,535	3,128	3,808
Water										
Average daily production	6.85 mgd	6.34 mgd	6.43 mgd	6.83 mgd	6.14mgd	5.95mgd	6.43 mgd	6.55mgd	7.09 mgd	6.17 mgd
New connections	32	42	40	28	26	28	38	44	41	24
Total connections	10,911	10,953	10,993	11,021	11,047	11,075	11,113	11,157	11,198	11,222
Water main breaks	56	30	55	40	29	42	48	33	37	42
Average daily consumption	5.25 mgd	4.8 mgd	4.9 mgd	4.67 mgd	4.5mgd	5.09mgd	5.4 mgd	6.12 mgd	5.75 mgd	5.21 mgd
Wastewater										
Average daily flow (12 month period)	4.6 mgd	5.37 mgd	4.8 mgd	4.52 mgd	4.96mgd	4.87mgd	4.70 mgd	4.96 mgd	4.97 mgd	5.09 mgd
Peak Flow (12 month period)	9.8 mgd	8.45 mgd	9.8 mgd	23.1 mgd	22.0mgd	25.9mgd	25.47 mgd	18.49 mgd	20.1 mgd	20.05 mgd
Transit										
Passenger trips	130,494	120,656	128,876	136,501	130,190	120,758	126,122	138,961	143,208	139,998
Schools (2)										
Number of teachers, Elementary (K-4)	121	131	143	143	143	147	150	159	157	156
Number of teachers, Middle 5-8)	99	94	90	97	95	98	104	107	108	105
Number of teachers, Secondary (9-12)	102	99	96	96	98	99	101	102	104	102
Number of students, Elementary (K-4)	1,529	1,605	1,649	1684	1776	1,707	1,688	1,698	1,677	1,598
Number of students, Middle (5-8)	1,073	1,074	1,084	1178	1190	1,177	1,287	1,306	1,343	1,304
Number of students, Secondary (9-12)	1,112	1,066	1,096	1117	1119	1,263	1,190	1,259	1,269	1,297

Source: Various Departments in the City

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

Table 18

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
SubStations	1	1	1	2	1				2	1
Patrol cars	77	76	76	79	76	73	69	74	85	81
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection Trucks	7	7	7	7	7	7	8	8	8	8
Other Public Works										
Streets (miles)	219	221	221	221	221	221	221	221	221	219
Streetlights	63	63	63	63	63	63	63	126	121	121
Traffic signals	60	56	56	56	56	56	57	59	55	54
Parks and Recreation										
Number of parks	15	14	14	14	14	14	14	14	14	15
Acreage	248	248	248	248	248	247	247	247	247	248
Playgrounds	10	9	9	9	9	9	9	9	9	9
Community centers	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	9	9	9	9	9	9	9	9	9	9
Soccer/football fields	6	6	6	9	9	9	9	9	9	9
Basketball courts	7	7	7	7	7	7	7	7	7	8
Tennis courts	7	7	7	8	8	8	8	8	8	8
Volleyball court	1	1							-	-
Horseshoe courts	24	24	24	24	24	24	24	24	24	24
Water										
Miles of water mains	125	125	126	126	126	126	126	127	127	127
Fire hydrants	1,082	1,085	1,085	1,085	1,085	1,085	1,085	1,088	1,290	1,290
Water storage capacity	11 mg	11 mg	12 mg	12 mg	12 mg	12 mg	12 mg	12 mg	12 mg	12 mg
Wastewater										
Miles of storm sewers	81	82	82	82	82	82	82	83	83	83
Miles of sanitary sewers	122	122	122	122	122	122	122	123	123	123
Opequon wastewater treatment capacity (1)	6.1 mgd	6.1mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd
Transit										
Minibuses	7	7	7	7	7	7	6	6	6	6
Trolleys	2	2	2	2	2	2	1	1	1	1
Vans	2	2	2	2	2	1	2	2	4	4
Schools										
Attendance Centers, Elementary	4	4	4	4	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1	1	1	1	1
Number of classrooms, Elementary	123	123	123	127	127	127	127	127	168	168
Number of classrooms, Middle	90	90	90	90	90	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95	95	95	95	95

Source: Various Departments in the City

Notes:
(1) Operated by Frederick Winchester Service Authority

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 2018-001 through 2018-003.**

City of Winchester, Virginia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 21, 2018

BROWNEDWARDS
certified public accountants

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, 2018. 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, 2018.

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Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 21, 2018

CITY OF WINCHESTER, VIRGINIA

SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS
June 30, 2018

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, 2018

A. SUMMARY OF AUDITOR'S RESULTS

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

Name of Program	CFDA #
Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Title VI-B-Special Education Cluster – Grants to States	84.027
Title VI-B-Special Education Cluster – Preschool Grants	84.173

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**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2018-001: Commonwealth of Virginia Disclosure Statements

Condition:

During our audit, we noted four individuals did not file the required conflict of interest statements in compliance with the Auditors of Public Accounts. We recommend the City adopt a policy that mandates all conflict of interest statements be submitted timely in accordance with the requirements of the Auditors of Public Accounts.

Criteria:

The Virginia Conflict of Interest and Ethics Advisory Council specifies on the applicable filing forms that the local officials must file their discourse forms with the Clerk of the appropriate governing body. Forms are required to be maintained by the respective clerk of the governing body (or school board as applicable). Disclosure statements were due February 1, 2018. Forms should be submitted with in a timely manner.

Cause:

Board members did not submit the statements in a timely manner to the respective clerk of the governing body.

Effect:

The statements should be submitted timely to the respective clerk of the governing body.

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.

(Continued)

2018-002: Department of Social Services Required Security Officer Training

Condition:

During our social services review, we noted the security officers did not receive the required amount of training to perform as a security officer.

Criteria:

Per Title 63.2 of the Code of Virginia, a minimum amount of training is required annually for security officers to perform job responsibilities.

Cause:

Proper training was not provided.

Effect:

Inadequate training was provided.

Recommendation:

We recommend all security officers have at a minimum an annual training specifically for their security officer function.

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, 2018

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		$ 519,783
Department of Forest Service:				
Cooperative Forestry Assistance	10.664	0000106723		4,000
Department of Corrections:				
National School Lunch Program	10.555	APE402540	27,882	
Commonwealth of Virginia Department of Agriculture and Consumer Services				
National School Lunch Program	10.555	APE402540	1,236,007	
National School Lunch Program - Commodities	10.555	APE402540	183,467	
School Breakfast Program	10.553	APE405880	391,006	
Total School Lunch Cluster:				1,838,362
Fresh Fruits and Vegetables	10.582	APE402520		57,188
Total U.S. Department of Agriculture				2,419,333
U.S. Department of Homeland Security				
Pass-through payments:				
Department of Emergency Management:				
Emergency Management Performance Grant	97.042	62744		8,905
State Homeland Security Grant Program	97.073	7760200		90,194
Total U.S. Department of Homeland Security				99,099
U.S. Department of Housing and Urban Development				
Direct payments:				
Community Development Block Grants/Entitlement Grants	14.218	N/A		8,000
Total U.S. Department of Housing and Urban Development				8,000
U.S. Department of Justice				
Direct payments:				
Drug Court Discretionary Grant Program	16.585			147,490
Bulletproof Vest Partnership Program	16.607	N/A		1,413
Pass-through payments:				
Department of Criminal Justice Services				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			20,765
Internet Crimes Against Children Task Force Program	16.800			1,112
Crime Victim Assistance	16.575	86015		116,695
Sexual Assault Services Grant	16.017	47915		8,962
Total U.S. Department of Justice				296,437
U.S. Department of Transportation				
Direct payments:				
Federal Transit - Capital Investment Grants	20.500	N/A	16,965	
Federal Transit - Formula Grants	20.507	N/A	439,517	
Total Federal Transit Cluster:				
Pass-through payments:				456,482
Virginia Department of Motor Vehicles				
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	55383		29,230
Virginia Department of Transportation				
Highway Planning and Construction	20.205	0000097834		311,074
Total U.S. Department of Transportation				796,786
National Endowment for the Arts				
Direct payments:				
Promotion of the Arts Partnership Agreement	45.025	N/A		4,500

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Passthrough Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Education				
Direct payments:				
McKinney-Vento Education for Homeless Children & Youth	84.196	N/A		15,543
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	APE42901		1,076,138
Special Education - Grants to States	84.027	APE43071	715,857	
Special Education - Preschool Grants	84.173	APE62521	30,086	
Total Special Education Cluster:				745,943
English Language Acquisition Grants	84.365	APE60512		88,210
Improving Teacher Quality State Grants	84.367	APE61480		171,657
Vocational Education - Basic Grants to States	84.048	APE61095		82,951
Preschool Development Grant	84.419	APE40002		965,447
Deparment of Behavioral Health and Developmental Services				
Early Intervention	84.181			181,493
Total U.S. Department of Education				3,327,382
Department of Health and Human Services:				
Pass-through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950115		19,974
Temporary Assistance to Needy Families	93.558	0400116		298,400
Refugee and Entrant Assistance	93.566	0500116		524
Low Income Home Energy Assistance	93.568	0600416		35,986
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116		46,230
Adoption and Legal Guardianship Incentive Payments	93.603	9160114		2,198
Child Welfare Services	93.645	0900116		780
Foster Care - Title IV-E	93.658	1100116		512,122
Adoption Assistance	93.659	1120116		313,474
Social Service Block Grant	93.667	1000116		344,483
Chafee Foster Care Independence Program	93.674	9150116		3,052
State Children's Insurance Program	93.767	0540116		20,986
Medical Assistance Program	93.778	1200116		530,409
Total U.S. Department of Health and Human Services				2,128,618
Total Expenditures of Federal Awards				$ 9,080,155

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 $183,467 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, 2018 is $1,329,246.

Note 4: De Minimus Indirect Cost Rate

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