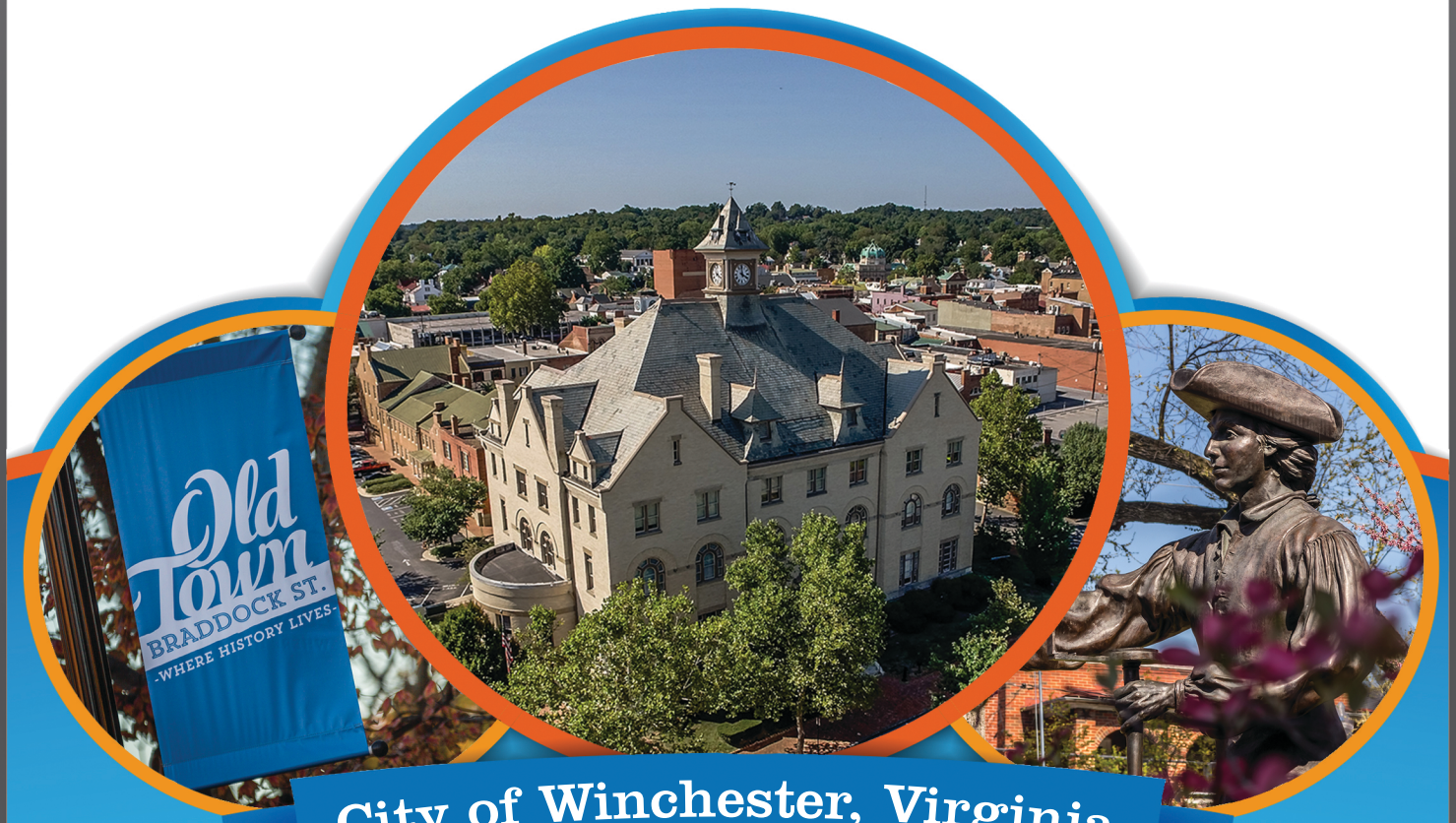
Winchester Virginia

Comprehensive Annual
FINANCIAL REPORT



City of Winchester, Virginia

Fiscal Year Ending
June 30, 2016

CITY OF WINCHESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

Prepared by:

City of Winchester, Virginia
Finance Department

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

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

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

Evan H. Clark
Milton F. McInturff
Corey S. Sullivan
John W. Hill
Kevin G. McKannan

OFFICIALS

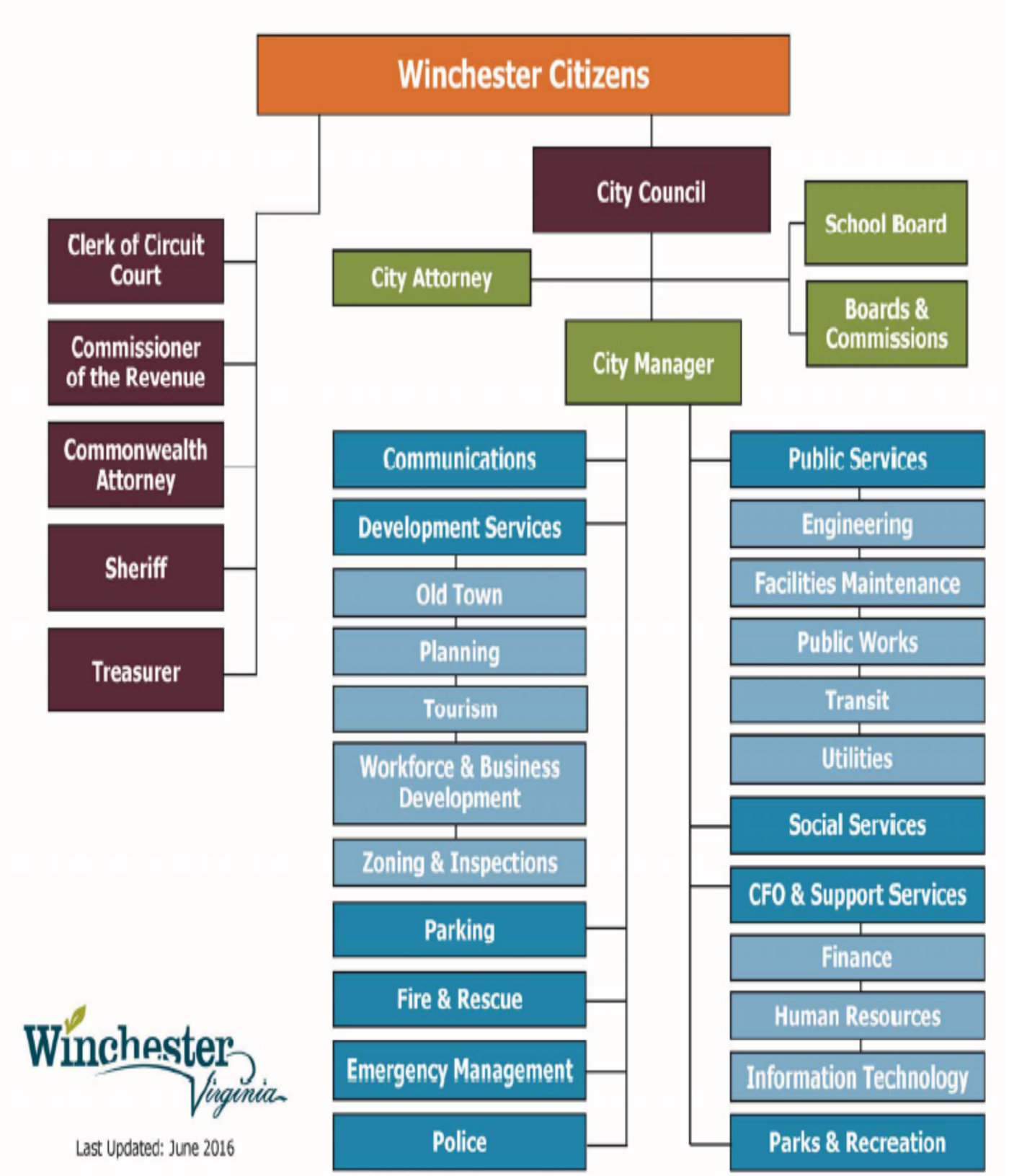
Eden E. Freeman, City Manager
Kari J. Van Diest, Deputy Clerk of Council

CONSTITUTIONAL OFFICERS

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

OTHER OFFICIALS

Anthony C. Williams	City Attorney
Mary M. Blowe	Chief Financial Officer/ Director of Support Services
Paula A. Nofsinger	Director of Human Resources
Thomas D. Lloyd	Information Technology Director
Celeste R. Broadstreet	Financial Services Director/Real Estate Administrator
Tyler B. Schenck	Acting Development Services Director
Perry A. Eisenach	Public Services Director
Kevin L. Sanzenbacher	Police Chief
Allen W. Baldwin	Fire and Rescue Chief
Jennifer E. Bell	Downtown Manager, Old Town Winchester
Lynn A. Miller	Parks & Recreation Director
Amber Dopkowski	Social Services Director
Dr. Jason Van Heukelum	Superintendent of Schools
Samantha R. Anderson	Executive Director, Winchester Parking Authority
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


Winchester Citizens
City Council
Clerk of Circuit Court
Commissioner of the Revenue
Commonwealth Attorney
Sheriff
Treasurer
City Attorney
School Board
Boards & Commissions
City Manager
Communications
Development Services
Old Town
Planning
Tourism
Workforce & Business Development
Zoning & Inspections
Parking
Fire & Rescue
Emergency Management
Police
Public Services
Engineering
Facilities Maintenance
Public Works
Transit
Utilities
Social Services
CFO & Support Services
Finance
Human Resources
Information Technology
Parks & Recreation
Winchester Virginia
Last Updated: June 2016

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FAX: (540) 723-0238
TDD: (540) 722-0782
Website: www.winchesterva.gov

March 20, 2017

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Winchester, Virginia for the fiscal year ended June 30, 2016 is submitted herewith pursuant to Sections 15.1-166 & 167 of the Code of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of all the funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

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

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Brown Edwards & Company, L.L.P. performed the City of Winchester's audit for the fiscal year ended June 30, 2016. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related Uniform Guidance. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

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

Profile of the City of Winchester

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.3 square miles and serves a resident population of approximately 27,543. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, 97 miles away. As a regional employment and health care center, the City's daytime population increases to approximately 75,000.

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

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

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

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

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

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

Profile of the City of Winchester (Continued)

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

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

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

Local Economy

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

The City's largest employer is Valley Health Systems, which owns and operates the Winchester Medical Center and five smaller primary care hospitals in the region along with other related services such as urgent care clinics, home health services, a childcare facility, and transport services. A level II trauma center, the Winchester Medical Center is a non-profit, regional referral hospital, serving the tri-state region surrounding the city. The 445-bed facility offers a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services. The Winchester Medical Center recently completed a three-year $161 million construction project enhancing critical care and women's services and a 52,000 square foot, $28.5 million dollar Cancer Center facility on the Winchester Medical Center campus.

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

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

Local Economy (Continued)

The City's commercial tax base accounts for 39.0% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, Winchester Station and Winchester Plaza house Martin's, Staples, Kohl's, Home Goods, Books-A-Million, Michael's, Old Navy, Bed Bath and Beyond, HH Gregg, Dick's Sporting Goods, Planet Fitness and the recently opened Fresh Market. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of boutiques, specialty shops and restaurants and is often viewed as the cultural center of the community. There are also several anchorless retail centers and one life style center that house Ann Taylor Loft, Talbots, Jos A Bank Clothier, and other high end retail stores. The city is also home to several national chain restaurants. In addition, the city has several class A office buildings serving the professional services sector and business service entities. In addition to retail, hospitality and office space, the City is home to several large manufacturing companies including O'Sullivan Films, National Fruit Company, Rubbermaid Commercial Products, American Woodmark and Trex Corporation. These companies provide over 1,400 jobs to Winchester.

The City's Department of Economic Redevelopment and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development within Winchester. The EDA worked with the City, U.S. Department of Housing and Urban Development and private companies to redevelop the historic Taylor Hotel into a multi-use space that incorporates downtown living, two restaurants and a premier public gathering space. In August 2016, the EDA acquired the Winchester Towers property (a 35,000 square foot building and parking lot) at 200 North Cameron Street and recently received appropriate City board approval to demolish the building and facilitate the development of a 100+ room boutique luxury hotel and adjacent event center. In addition, the EDA continues to incentivize the redevelopment of several downtown properties and has collectively acquired over $1,000,000 worth of property in the historic downtown. Also, through Enterprise Zone designation by the Virginia Department of Housing and Community Development, the EDA has created a valuable and comprehensive incentive package that facilitates the startup and expansion of Winchester businesses.

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

Long-term Financial Planning

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

Long-term Financial Planning (Continued)

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

Relevant Financial Policies

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

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

Major Initiatives

A. Meadow Branch Extension

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

B. National Avenue Gateway Improvements

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

C. Hope Drive Extension

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

Major Initiatives (Continued)

D. Valley Avenue Drainage and Sidewalk Improvements

The final design to construct drainage and sidewalks along Valley Avenue between Middle Road and the southern city limits is also underway. This project will correct the significant drainage problem near the intersection of Valley/Tevis and will also install sidewalks on both sides of the roadway where none currently exist. Construction on this $7 million project is expected to begin at the same time as the Hope Drive project. It is anticipated that half of the costs of this project will be paid for using VDOT Revenue Sharing funds.

E. Tevis Street Extension

The final design of this $1.6 million project that will extend Tevis Street from Legge Blvd east to where a future bridge will be constructed over Interstate-81 is underway. Half of the cost of this project will be paid for using VDOT Revenue Sharing funds. The adjacent property owner will be paying for the other half of the project cost. Construction on the project is expected to begin in the summer of 2017.

F. Sidewalk and Street Improvements

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

G. Green Circle Trail

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

H. Winchester Towers

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

Awards and Acknowledgment

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winchester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the twenty-fourth year that the City of Winchester has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

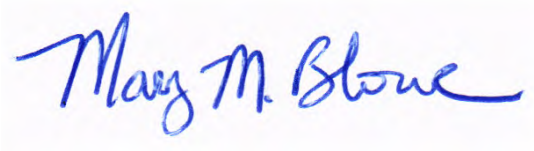
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Awards and Acknowledgment (Continued)

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

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

Respectfully submitted,



Eden E. Freeman
City Manager

Mary M. Blowe
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Winchester

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Your Success is Our Focus
124 Newman Avenue • 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 20, 2017

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

This section of the City of Winchester's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2016. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 80 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 81 of this report.

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

Government-wide Financial Analysis

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

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

Government-wide Financial Analysis (Continued)

Table 1
City of Winchester's Net Position
Fiscal Year ended June 30, 2016
(in millions)

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

Governmental activities. As shown in Table 1, net position for governmental activities increased from $7.5 million at the end of FY 2015 to $19.9 million ($12.4 million increase) at the end of FY 2016. The primary reason for the increase in net position is the increase in capital assets, including renovations to the Joint Judicial Center and a new Emergency Communications System, as well as an increase in intergovernmental grants and tax revenues. In FY 2015, the City began complying with the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This standard requires the City for the first time to report a net pension liability for the Defined Benefit Pension Plan that is offered to City employees. For detailed information on the Defined Benefit Pension Plan see Note 11, page 51.

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

Government-wide Financial Analysis (Continued)

If the debt related to the construction of schools ($69.8 million) and the pension liabilities ($11.2 million) were not presented in Table 2, the net position for the governmental activities would be $99.5 million and the total net position for the primary government would be $159.9 million.

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

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

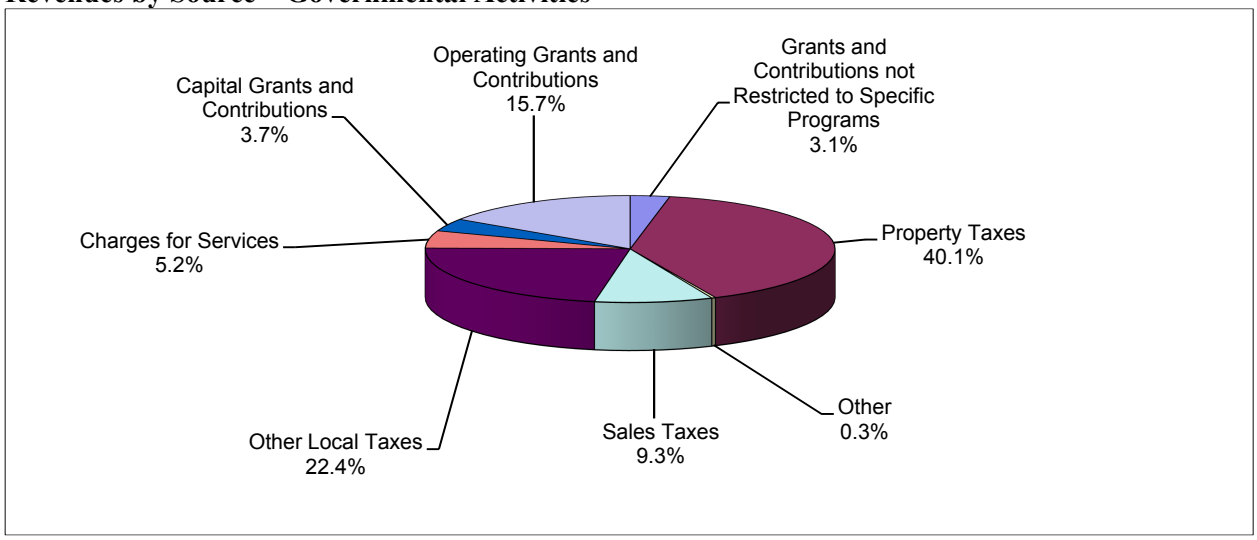
Government-wide Financial Analysis (Continued)

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

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

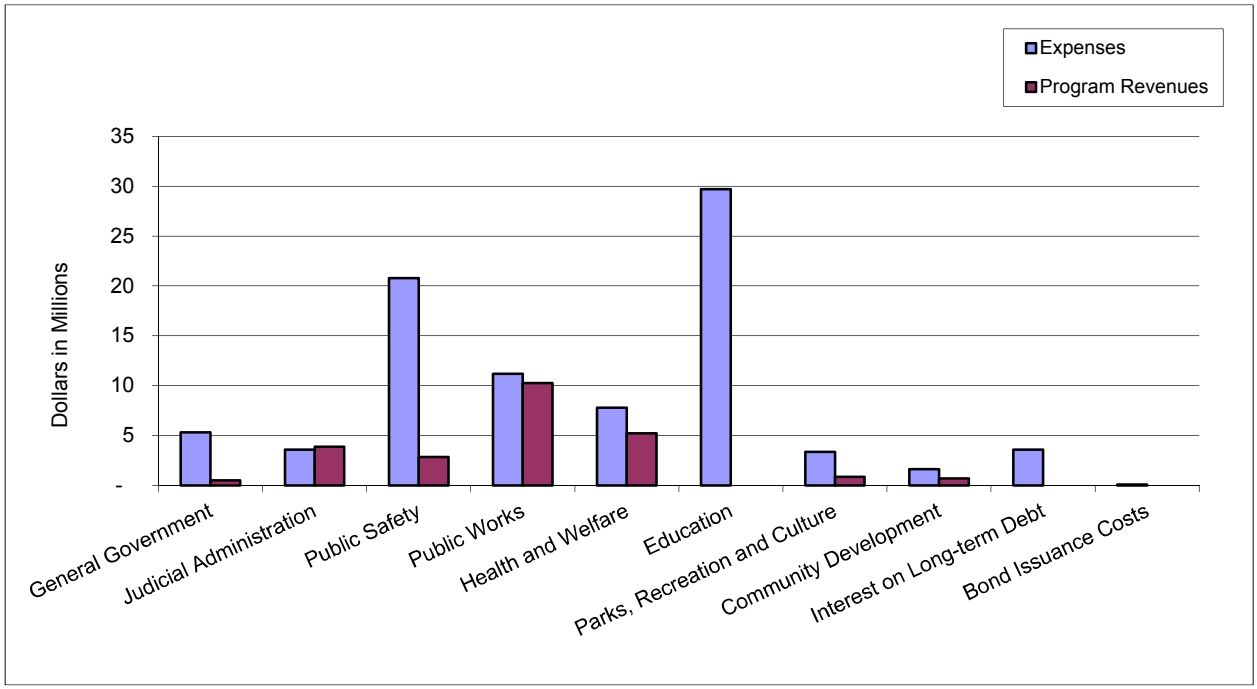
The City's expenses from governmental activities totaled $87.0 million (Table 2) for the fiscal year ended June 30, 2016, an increase of $3.4 million from the prior year. As shown in Figure B, education was the largest expense at $29.7 million or 34.1% of total governmental expenses. Public safety was the second largest expense at $20.8 million or 23.9% of total governmental expenses.

Figure A
Revenues by Source – Governmental Activities



Government-wide Financial Analysis (Continued)

Figure B
Expenses and Program Revenues – Governmental Activities



Business-type activities. The City's business-type activities include the water and sewer fund. The net position of these business-type activities totaled $59.0 million (Table 2) an increase of $3.3 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility fees, which totaled $26.8 million or 99.0% of the total revenues for business-type activities. Capital grants and contributions decreased $1.0 million from the prior year mainly due to a decrease in contributed capital in the form of water and sewer infrastructure to the City. Expenses of the business-type activities totaled $22.1 million (Table 2) an increase from the prior year of $0.8 million. This increase in expenses is mainly due to an increase in operating costs such as personnel and charges from the Frederick-Winchester Service Authority for wastewater operations and debt payments for FY 2016.

Government-wide Financial Analysis (Continued)

Figure C
Revenues by Source – Business-type Activities

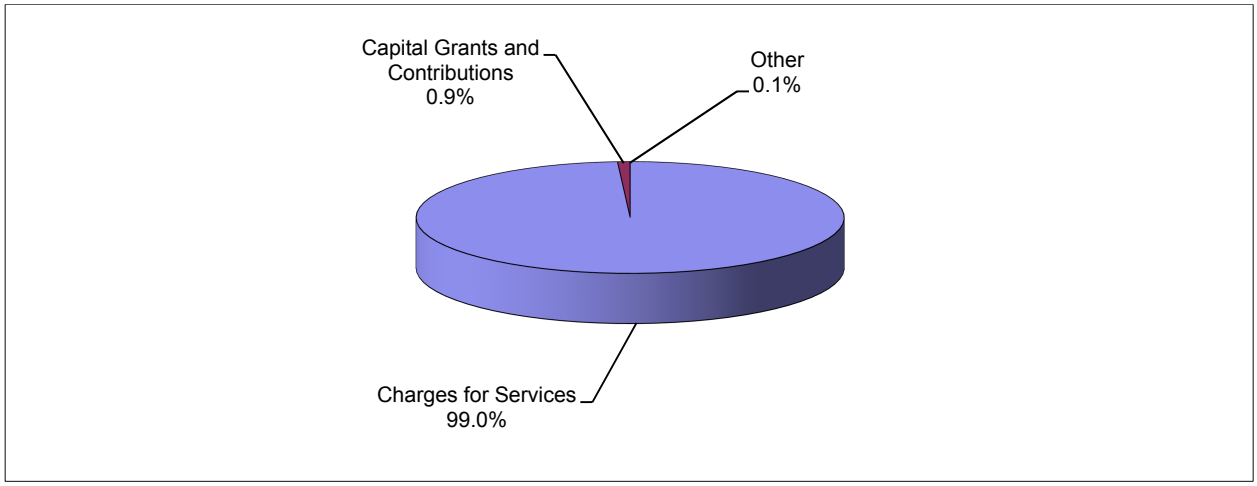
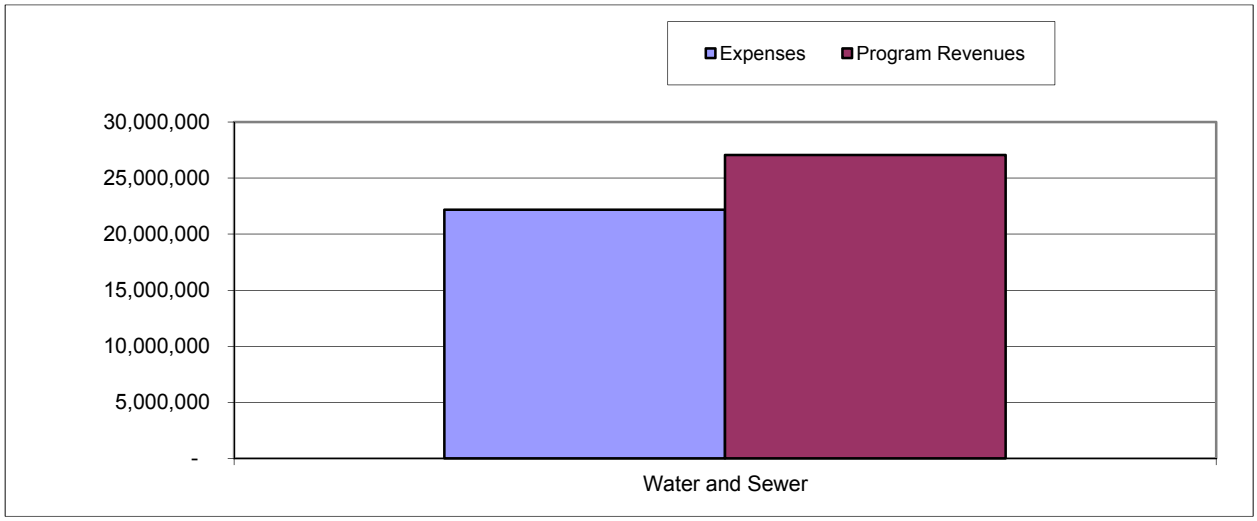


Figure D
Expenses and Program Revenues – Business-type Activities



Financial Analysis of the City's Funds

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

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

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

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

For the fiscal year ended June 30, 2016, the City's governmental funds reported combined fund balances of $27.6 million, an increase of $1.1 million in comparison with the prior year. Approximately $18.7 million of the combined total fund balances constitutes unassigned fund balance, which is generally available for spending at the City's discretion.

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2016, the unassigned fund balance of the general fund was $18.7 million, while total fund balance reached $23.1 million. Unassigned fund balance represents 24.3% of total general fund expenditures, which serves as a measure of the general fund's liquidity. Fund balance in the City's general fund increased by $1.0 million during the current fiscal year.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's water and sewer fund for the fiscal year ended June 30, 2016, amounted to $2.0 million, a slight increase of $0.5 million from the prior year.

General Fund Budgetary Highlights

City Council revised the City budget twice during the fiscal year. The difference between the original budget and the final amended budget of expenditures for the general fund was an increase of $1.8 million, mainly due to carryforward capital improvement projects from FY 2015.

Actual revenues were more than final budget amounts by $0.7 million, and actual expenditures were $2.8 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes exceeded budget by $1.5 million primarily due to strong meals tax and business license revenues indicating that the local economy in Winchester continues to show positive signs of growth.
- Revenues from general property taxes were $0.6 million less than budgeted amounts mainly due to real property tax revenues.
- Actual combined general government, judicial administration, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were $1.0 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Education expenditures were $0.8 million less than budgeted amounts primarily from savings in personnel and operating costs by the Winchester Public Schools.
- Community development was $0.3 million less than budget due to the deferral of projects to the next fiscal year.

Capital Assets and Debt Administration

Capital assets. The City of Winchester's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to $266.3 million net of depreciation, which represents an increase of $29.7 million, or 21.5% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 7 to the financial statements.

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

- Road improvements totaled $5.4 million
- Opequon Water Reclamation Facility Green Energy project totaled $25.1 million.
- Replacement of public safety and public works equipment totaled $1.0 million, including police vehicles, public works equipment and defibrillators.

Capital Assets and Debt Administration (Continued)

Table 3 summarizes the City's capital assets as of June 30, 2016 and 2015.

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

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

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

For the fiscal year ended June 30, 2016, the City retired $7.6 million of outstanding general obligation bond principal and issued $7.1 million for net decrease of $0.5 million. The obligations payable amount increased by $23.2 million in FY 2016 due to debt issued by the Frederick-Winchester Service Authority for the Green Energy project at the Opequon Water Reclamation Facility. More detailed information regarding the City's long-term debt can be found in Note 9 to the financial statements.

Table 4
City of Winchester's Outstanding Debt
Fiscal Year ended June 30, 2016

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

The City's General Obligation Bonds have been rated AAA by Standard & Poor's Corporation, Aa2 by Moody's Investors Service, and AA+ from Fitch Ratings. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City of Winchester's legal debt limit is $299.6 million. As of June 30, 2016, the City of Winchester's total debt applicable to the limitation totaled $105.9 million, leaving a legal debt margin of $193.7 million.

Economic Factors and Next Year's Budgets and Rates

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

- The City has adopted storm water regulations to comply with federal and state mandates related primarily to the Chesapeake Bay initiatives that are intended to improve water quality in the Bay. These regulations will require the City to undertake additional activities related to storm water management in the coming years. One of these requirements is that the City must accurately map the storm water system. This effort has already started, but will require a few years to complete. City staff is also planning for potential storm water infrastructure projects that may be necessary to meet the new regulations.

- Due to the need to continue to replace aging water and sewer infrastructure, the City has engaged a consultant to complete a comprehensive analysis of the City's utility rates. This analysis is necessary to ensure that the future rates are set appropriately to generate adequate revenue for continuing operational expenses as well as meeting the capital replacement needs. Recommendations will be provided to City Council by the consultant in FY17.

- The City of Winchester reassesses real property every two years; the next reassessment is effective January 1, 2017. The 2017 overall assessment values are projected to show modest growth over 2015 values.

- For the month of June 2016, the City's unemployment rate was 3.6%, compared to the State's 3.7% and the Federal rate of 4.9%.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2016

Exhibit 1

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

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, 2016

Exhibit 2

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

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, 2016

Exhibit 3

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 15,486,045	$ -	$ 891,054	$ 16,377,099
Investments	6,345,743	3,872,570	365,115	10,583,428
Receivables, net:				
Taxes, including penalties	2,615,220	-	-	2,615,220
Accounts	1,132,633	225,542	405,390	1,763,565
Prepaids	-	-	40,000	40,000
Inventories	23,986	-	-	23,986
Due from other funds	358,000	-	-	358,000
Due from other governments	4,019,855	921,675	1,249,398	6,190,928
Total assets	$ 29,981,482	$ 5,019,787	$ 2,950,957	$ 37,952,226
LIABILITIES				
Liabilities:				
Accounts payable	$ 822,079	$ 1,531,714	$ 975,867	$ 3,329,660
Deposits payable	96,484	-	-	96,484
Accrued payroll	1,268,612	-	290,643	1,559,255
Due to other funds	-	-	358,000	358,000
Total liabilities	2,187,175	1,531,714	1,624,510	5,343,399
DEFERRED INFLOWS OF RESOURCES				
Unavailable/unearned revenue	4,665,924	-	346,946	5,012,870
Total deferred inflows of resources	4,665,924	-	346,946	5,012,870
FUND BALANCES				
Nonspendable	23,986	-	40,000	63,986
Restricted	444,950	2,103,224	4,480	2,552,654
Committed	1,678,662	-	-	1,678,662
Assigned	2,311,176	1,384,849	935,021	4,631,046
Unassigned	18,669,609	-	-	18,669,609
Total fund balances	23,128,383	3,488,073	979,501	27,595,957
Total liabilities, deferred inflows of resources and fund balances	$ 29,981,482	$ 5,019,787	$ 2,950,957	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				94,444,047
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				4,037,435
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.				2,218,653
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.				5,188,320
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows of resources for 2016 employer contributions				2,201,694
Pension related deferred inflows				(3,296,962)
Net pension liability				(8,620,141)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				
Bonds payable				(91,322,575)
Issuance premiums				(8,868,532)
Accrued interest				(1,237,322)
Compensated absences				(2,473,300)
Net position of governmental activities				$ 19,867,274

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, 2016

Exhibit 4

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

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, 2016

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)		$	1,087,532
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays $12,595,430 exceeded depreciation $4,422,557 in the current period.			8,172,873
In the Statement of Activities, only the *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.			(52,596)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			2,003,181
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.			
Employer pension contributions	2,201,694		
Pension expense	(189,096)		2,012,598
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.			
Principal repayments			6,127,933
Issuance of bonds			(7,075,000)
Amortization of issuance premium			868,371
Amortization of deferred charge on refunding			(573,701)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Compensated absences			(81,700)
Accrued interest			5,050
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of internal service funds is allocated between governmental and business-type activites in the Statement of Activities.			
Net revenue (expense) of internal service funds			(166,903)
Allocation of net revenue (expense) to business-type activities			20,555
Change in net position of governmental activities		$	12,348,193

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, 2016

Exhibit 6

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

(Continued)

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

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

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

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

Exhibit 7

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

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, 2016

Exhibit 8

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

Change in net position	$ 3,321,770
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(20,555)
Change in net position of business-type activities	$ 3,301,215

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, 2016

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 and users	$ 21,155,678	$ 2,382,242
Cash paid to suppliers	(9,066,865)	(919,302)
Cash paid to employees	(4,366,471)	(634,206)
Premiums paid	-	(227,508)
Other receipts	4,512,674	-
Net cash provided by operating activities	12,235,016	601,226
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	(1,600,000)	-
Net cash used in noncapital financing activities	(1,600,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(499,164)	-
Principal paid on capital debt	(6,045,974)	-
Interest paid on capital debt	(3,734,673)	-
Net cash used in capital and related financing activities	(10,279,811)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	7,565	14,290
Net cash provided by investing activities	7,565	14,290
Net increase in cash and cash equivalents	362,770	615,516
Cash and cash equivalents - beginning of year	1,143,638	4,431,380
Cash and cash equivalents - end of year	$ 1,506,408	$ 5,046,896
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash	$ 1,068,559	$ 3,652,160
Cash equivalents - investments	437,849	1,394,736
Total	$ 1,506,408	$ 5,046,896

(Continued)

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

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

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, 2016

Exhibit 10

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

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.

Jointly Governed Organizations:

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

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Jointly Governed Organizations (Continued):

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

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants must subsidize operations and capital needs. During 2016, the City provided total support of $391,595. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 145 Fort Collier Road, Winchester, Virginia 22603.

The Northwestern Regional Jail Authority was created by the City of Winchester and the Counties of Clarke, Frederick, and Fauquier to govern the operations of the Northwestern Regional Adult Detention Center. Each participating jurisdiction appoints three members to the Authority's board. The participants must subsidize operations and capital needs. During 2016, the City provided total support of $4,154,548. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 141 Fort Collier Road, Winchester, Virginia 22603.

Other Related Organizations:

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

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided $419,020 to the Board for operating support for 2016. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Deposits and Investments

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

State 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.

Receivables and Payables

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

Notes Receivable

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventories and Prepaid Items

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

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

Property Taxes

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

Levy Date	January 1
Due Date	June 5/December 5

Motor Vehicles

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2016 consisted of the following:

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

Use of Estimates

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

Capital Assets

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

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

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

Long-term Obligations

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balances

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

The classifications are as follows:

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

Restricted Amounts

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

Minimum Fund Balance Policy

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances

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

Net Position

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

Fair Value Measurement

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

Deferred Outflows and Inflows of Resources

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources (Continued)

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

Pensions

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

School Board Debt/Capital Asset Reporting

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

Note 3. Deposits and Investments

Deposits

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

Note 3. Deposits and Investments (Continued)

Investments

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

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

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

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

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

Investment Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
Federal Agency Bonds and Notes	$ 3,000,870	AA+	3.46
Mutual Funds	404,254	N/A	N/A
Certificates of Deposit	4,604,471	N/A	2.26
LGIP	317,771	AAAm	0.08
SNAP	10,672,034	AAAm	N/A
Total investments	$ 18,999,400		

* - Average Maturity in Years

Note 3. Deposits and Investments (Continued)

Investments (Continued)

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

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

Concentration of Credit Risk:

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

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

Investments - Restricted:

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

Note 4. Due from Other Governments

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

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

Note 5. Promises to Give

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

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

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

Note 6. Interfund Receivables, Payables, and Transfers

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

Primary Government	
Due to general fund from:	
Non-major governmental funds	$ 358,000
Component Unit – School Board	
Due to school operating fund from:	
Federal grants fund	$ 769,740

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

Primary Government	
Transfers to general fund from:	
Water and sewer fund	$ 1,600,000
Transfers to non-major governmental funds from:	
General fund	$ 3,266,287
Transfers to capital projects fund from:	
General fund	$ 1,365,217
Component Unit – School Board	
Transfers to non-major governmental funds from:	
School operating fund	$ 309,272

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

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

Note 7. Capital Assets (Continued)

Primary Government (Continued)

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

Governmental activities:		
General government	$	176,393
Judicial administration		179,590
Public safety		519,053
Public works		3,097,562
Health and welfare		15,945
Parks, recreation, and cultural		431,813
Community development		7,093
Total depreciation expense – governmental activities	$	4,427,449

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

Note 7. Capital Assets (Continued)

Primary Government (Continued)

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

Business-type activities:	
Water and sewer fund	$ 4,237,974

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

Note 7. Capital Assets (Continued)

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

Component Unit – School Board

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

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

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

Governmental activities:	
School Board – Education	$ 3,002,413
Business-type activities:	
Parking Authority – Public works	$ 253,490

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

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

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

Note 9. Long-Term Debt

Primary Government

Changes in Long-Term Debt

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	$ 89,975,508	$ 7,075,000	$ 5,927,933	$ 91,122,575	$ 6,685,731
Obligations payable	400,000	-	200,000	200,000	100,000
Unamortized bond premium	9,736,903	-	868,371	8,868,532	863,191
Compensated absences	2,402,341	165,614	77,000	2,490,955	77,000
Net OPEB obligation	2,242,077	480,000	-	2,722,077	-
Governmental activities long-term liabilities	$ 104,756,829	$ 7,720,614	$ 7,073,304	$ 105,404,139	$ 7,725,922

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Business-type Activities:					
General obligation bonds	$ 16,234,899	$ -	$ 1,671,635	$ 14,563,264	$ 1,950,649
Revenue bonds	60,449,938	-	2,724,187	57,725,751	2,795,596
Obligations payable FWSA	14,597,808	25,092,500	1,650,152	38,040,156	825,433
Unamortized bond premium	6,982,419	-	541,062	6,441,357	537,254
Compensated absences	235,616	12,698	20,000	228,314	20,000
Business-type activities long-term liabilities	$ 98,500,680	$ 25,105,198	$ 6,607,036	$ 116,998,842	$ 6,128,932

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, $17,655 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, the net other postemployment benefit obligation and compensated absences are generally liquidated by the general fund and special revenue funds.

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	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	$ 1,080,419	$ 1,080,420
$23,660,000 General Obligation Public Improvement, Series of 2006, issued December 21, 2006, maturing annually beginning December 1, 2007 through December 1, 2026, interest payable semi-annually at 3.84%. Purpose: Utilities and School capital projects	920,725	209,275
$7,200,000 General Obligation Public Improvement, Series of 2007, issued September 12, 2007, maturing annually beginning September 1, 2008 through September 1, 2027, interest payable semi-annually at rates of 4.0-5.0%. Purpose: General and School capital projects	670,000	-
$31,705,000 General Obligation Public Improvement and Refunding Bond, Series 2011, issued September 8, 2011, maturing annually beginning September 1, 2012 through September 1, 2023, interest payable semi-annually at rates of 2.0-4.0%. Purpose: General, Utilities, and School capital projects	26,243,931	4,301,069
$28,635,000 General Obligation Public Improvement and Refunding Bond, Series 2012, issued August 2, 2012, maturing annually beginning September 1, 2012 through September 1, 2026, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General, Utilities, and School capital projects	21,688,635	5,881,365

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
$24,265,000 General Obligation Public Improvement Bond, Series 2013, issued October 30, 2013, maturing annually beginning September 1, 2014 through September 1, 2033, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General and School capital projects	$ 23,225,000	$ -
$14,685,000 General Obligation Public Improvement Refunding Bonds, Series 2014, issued October 30, 2014, maturing annually beginning September 1, 2015 through September 1, 2027, interest payable semi-annually at rates of 1.5-5.0%. Purpose: Refund certain outstanding bonds	10,218,865	3,091,135
$7,075,000 General Obligation Public Improvement Bond, Series 2015, issued October 28, 2015, maturing annually beginning May 1, 2017 through May 1, 2035, interest payable semi-annually at rate of 2.45%. Purpose: General capital projects	7,075,000	-
Total General Obligation Bonds	$ 91,122,575	$ 14,563,264
Revenue Bonds:		
$12,100,000 Virginia Resources Authority Revenue Bond, Series of 2008, issued November 21, 2008, maturing annually beginning October 1, 2010 through October 1, 2028 interest payable semi-annually at rates of 3.125-5.375%. Purpose: Utilities capital projects	$ -	$ 1,670,000
$11,820,000 Virginia Resources Authority Revenue Bond, Series of 2009A, issued June 1, 2009, maturing annually beginning October 1, 2010 through October 1, 2029 interest payable semi-annually at rates of 4.125-5.125% Purpose: Utilities capital projects	-	2,060,000

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	$ -	$ 9,915,000
$12,165,000 Virginia Resources Authority Revenue Bond, Series of 2010C, issued November 1, 2010, maturing annually beginning October 1, 2012 through October 1, 2031 interest payable semi-annually at rates of 4.200%-6.041%. Purpose: Utilities capital projects	-	10,370,000
$1,500,000 Virginia Resources Authority Revenue Bond, Series 2011A, issued October 25, 2011, maturing semi-annually beginning September 1, 2013 through September 1, 2042, interest payable semi-annually at 3.00%. Balance of bond is based on principal advances made by the City not to exceed $1,500,000	-	1,400,751
$19,470,000 Virginia Resources Authority Revenue Bond, Series 2011B, issued October 16, 2011, maturing annually beginning October 1, 2013 through October 1, 2032, interest payable semi-annually at rates of 3.44%-5.125%. Purpose: Utilities capital projects	-	17,575,000

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

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

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

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

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

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

Frederick-Winchester Service Authority (FWSA) treatment plant rights

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

In November 2013, the City, along with the FWSA, the County of Frederick, and the Frederick County Sanitation Authority, approved the Green Energy Project (the "Project") for the purpose of implementing a series of capacity and efficiency improvements to the Opequon Water Reclamation Facility. To finance this project, the FWSA authorized the issuance of $53,000,000 in bonds. In late fiscal year 2016, the Project began accepting waste. The City has assumed responsibility for a portion of the related debt service in the approximate amount of $25,092,500.

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

Prior Year Refunding of Debt

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

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

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

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

Parking Authority

Changes in Long-Term Debt

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

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

Details of Long-Term Indebtedness

$9,000,000 Revenue Bonds, Series of 2007, issued August 8, 2007, maturing annually beginning August 1, 2008 through August 1, 2037, interest payable semi-annually at rates of 4.25 - 5.00%. Purpose: Parking Facility project	$ 7,690,000

Note 9. Long-Term Debt (Continued)

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

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

Note 10. Contingent Liabilities and Commitments

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

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

Note 11. Defined Benefit Pension Plan

Plan Description

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

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

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

Note 11. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

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

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

Contributions

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

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

Net Pension Liability

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

Actuarial Assumptions

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

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

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

Long-Term Expected Rate of Return

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability - City

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

Note 11. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability - WPA

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

Note 11. Defined Benefit Pension Plan (Continued)

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

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension liability	$ 21,547,327	$ 9,948,536	$ 422,897

Note 11. Defined Benefit Pension Plan (Continued)

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
WPA's net pension liability	$ 196,948	$ 102,477	$ 3,865

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Board Non-Professional Employee Plan's net pension liability (asset)	$ 1,159,890	$ 311,971	$ (403,237)

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

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

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

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

Note 11. Defined Benefit Pension Plan (Continued)

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

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

For the year ended June 30, 2016, the WPA recognized pension expense of $9,161. At June 30, 2016, the WPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 20,394
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	18,801
Employer contributions subsequent to the measurement date	26,174	-
Total	$ 26,174	$ 39,195

The $26,174 reported as deferred outflows of resources related to pensions resulting from WPA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 11. Defined Benefit Pension Plan (Continued)

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

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

For the year ended June 30, 2016, the School Board Non-Professional Employee Plan recognized pension expense of $69,545. At June 30, 2016, the School Board Non-Professional Employee Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 437
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	168,629
Employer contributions subsequent to the measurement date	183,396	-
Total	$ 183,396	$ 169,066

The $183,396 reported as deferred outflows of resources related to pensions resulting from the School Board Non-Professional Employee Plan's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 11. Defined Benefit Pension Plan (Continued)

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

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

Payables to the Pension Plan

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

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

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including Winchester City Public Schools, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The School Division's allocated portion of this contribution was $729,000. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer.

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

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

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

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

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

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

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

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

Year Ended June 30,	
Year 1	$ (764,932)
Year 2	(764,932)
Year 3	(764,932)
Year 4	233,374
Year 5	(40,578)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	$ 69,583,026	$ 47,549,000	$ 29,409,803

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

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

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

Note 13. VRS Health Insurance Credit

Plan Description

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

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

Funding Policy and Annual Benefit Contribution

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute actuarial percentage of their annual reported compensation of the VRS for the retiree health insurance credit. The City and the School Board (non-professional employees) have assumed this contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2016 was 0.15% of annual covered payroll. The School Board contribution rate for 2016 was 0.25% of annual covered payroll of non-professional employees.

Note 13. VRS Health Insurance Credit (Continued)

Actuarial Methods and Assumptions

The required contributions for the City and the School Board (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2015 using the entry age normal cost method. The actuarial assumptions at June 30, 2015 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City and the School Board (non-professional) assets are equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 28 years.

Three-Year Trend Information
City

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

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

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

Note 13. VRS Health Insurance Credit (Continued)

Funding Status and Funding Progress

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

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

Note 14. Risk Management

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

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

Note 14. Risk Management (Continued)

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

Note 15. Related Party Transactions

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

Note 16. Other Post-employment Benefits

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is $257,000 for 2016.

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

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

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

Note 16. Other Post-employment Benefits (Continued)

Trend Information

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

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

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

Note 16. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

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

The following additional simplifying assumptions were made:

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

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

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

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

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

Note 17. Fund Balances

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

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

Note 17. Fund Balances (Continued)

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

Note 18. Prior Period Adjustment – School Board

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

Note 19. Subsequent Events

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

Note 20. New Accounting Standards

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

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

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

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

Note 20. New Accounting Standards (Continued)

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

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

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

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

Note 20. New Accounting Standards (Continued)

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT 11

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

CITY - VRS HEALTH INSURANCE CREDIT PROGRAM

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	292,566	531,888	239,322	55.0%	17,976,458	1.3%
June 30, 2014	337,000	511,213	174,213	65.9%	19,051,733	0.9%
June 30, 2015	356,018	542,153	186,135	65.7%	19,180,285	1.0%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - VRS HEALTH INSURANCE CREDIT PROGRAM

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	53,171	88,111	34,940	60.3%	1,991,689	1.8%
June 30, 2014	63,884	92,315	28,431	69.2%	2,044,072	1.4%
June 30, 2015	67,528	102,035	34,507	66.2%	2,129,595	1.6%

CITY - RETIREE HEALTH PLAN

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

EXHIBIT 12

CITY OF WINCHESTER, VIRGINIA

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

	Primary Government (City and WPA) Plan Year	
	2015	2014
Total Pension Liability		
Service cost	$ 2,454,330	$ 2,316,409
Interest on total pension liability	5,566,393	5,265,624
Benefit payments, including refunds of employee contributions	(3,463,806)	(3,782,051)
Difference between actual and expected experience	(2,623,418)	-
Net change in total pension liability	1,933,499	3,799,982
Total pension liability - beginning	80,914,207	77,114,225
Total pension liability - ending	$ 82,847,706	$ 80,914,207
Plan Fiduciary Net Position		
Contributions - employer	$ 2,496,346	$ 2,480,335
Contributions - employee	1,063,902	1,010,980
Net investment income	3,207,547	9,515,209
Benefit payments, including refunds of employee contributions	(3,463,806)	(3,782,051)
Administrative expenses	(43,206)	(50,971)
Other changes	(47,957)	502
Net change in plan fiduciary net position	3,212,826	9,174,004
Plan fiduciary net position - beginning	69,583,867	60,409,863
Plan fiduciary net position - ending	$ 72,796,693	$ 69,583,867
Net pension liability - ending	$ 10,051,013	$ 11,330,340
Plan fiduciary net position as a percentage of total pension liability	88%	86%
Covered employee payroll	$ 21,352,682	$ 20,509,189
Net pension liability as a percentage of covered employee payroll	47%	55%

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

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

EXHIBIT 13

CITY OF WINCHESTER, VIRGINIA

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

	Schools -- Nonprofessional employees Plan Year	
	2015	2014
Total Pension Liability		
Service cost	$ 232,607	$ 234,274
Interest on total pension liability	460,720	432,031
Benefit payments, including refunds of employee contributions	(291,762)	(221,176)
Difference between actual and expected experience	(597)	-
Net change in total pension liability	400,968	445,129
Total pension liability - beginning	6,727,593	6,282,464
Total pension liability - ending	$ 7,128,561	$ 6,727,593
Plan Fiduciary Net Position		
Contributions - employer	$ 182,430	$ 202,866
Contributions - employee	104,329	100,009
Net investment income	298,135	884,655
Benefit payments, including refunds of employee contributions	(291,762)	(221,176)
Administrative expenses	(4,031)	(4,659)
Other changes	(62)	46
Net change in plan fiduciary net position	289,039	961,741
Plan fiduciary net position - beginning	6,527,551	5,565,810
Plan fiduciary net position - ending	$ 6,816,590	$ 6,527,551
Net pension liability - ending	$ 311,971	$ 200,042
Plan fiduciary net position as a percentage of total pension liability	96%	97%
Covered employee payroll	2,109,954	$ 2,044,072
Net pension liability as a percentage of covered employee payroll	15%	10%

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

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

EXHIBIT 14

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2016

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2016	$ 2,567,157	$ 2,567,157	$ -	$ 22,043,861	11.65%
2015	2,638,462	2,638,462	-	21,352,682	12.36%
Schools - Nonprofessional Employees					
2016	$ 183,396	$ 183,396	$ -	$ 2,127,334	8.62%
2015	182,815	182,815	-	2,109,954	8.66%

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

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2016

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.38%	$ 47,549,000	$ 28,107,384	169.17%	71%
2014	0.37%	44,422,000	27,264,162	162.93%	71%

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

EXHIBIT 16

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2016

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

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

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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

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COMBINING AND INDIVIDUAL FUND

STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Exhibit 17

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

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

Exhibit 18

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

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

Exhibit 19

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

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

Exhibit 20

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

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

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

	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	$ -	$ -	$ 245	$ 245
Charges for services	-	-	-	-
Miscellaneous	40,000	40,000	54,624	14,624
Recovered costs	-	-	-	-
Intergovernmental:				
Frederick County	100,500	100,500	100,500	-
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	140,500	140,500	155,369	14,869
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	280,000	280,000	274,087	5,913
Total expenditures	280,000	280,000	274,087	5,913
Excess (deficiency) of revenues over expenditures	(139,500)	(139,500)	(118,718)	20,782
OTHER FINANCING SOURCES				
Transfers in	139,500	139,500	100,500	(39,000)
Total other financing sources	139,500	139,500	100,500	(39,000)
Net change in fund balances	$ -	$ -	$ (18,218)	$ (18,218)

Exhibit 21

Highway Maintenance Fund				Emergency Medical Services Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ 6,600	$ 6,600	$ 6,600	$ -	$ 2,000	$ 2,000	$ 1,527	$ (473)
-	-	-	-	1,065,000	1,065,000	1,051,316	(13,684)
-	-	-	-	-	-	-	-
-	-	10,063	10,063	-	-	-	-
3,431,400	3,431,400	3,374,419	(56,981)	-	-	-	-
-	-	140,535	140,535	-	-	-	-
3,438,000	3,438,000	3,531,617	93,617	1,067,000	1,067,000	1,052,843	(14,157)
-	-	-	-	1,074,000	1,074,000	1,161,267	(87,267)
4,028,000	4,028,000	4,009,193	18,807	-	-	-	-
-	-	-	-	-	-	-	-
4,028,000	4,028,000	4,009,193	18,807	1,074,000	1,074,000	1,161,267	(87,267)
(590,000)	(590,000)	(477,576)	112,424	(7,000)	(7,000)	(108,424)	(101,424)
590,000	590,000	688,787	98,787	-	-	-	-
590,000	590,000	688,787	98,787	-	-	-	-
$ -	$ -	$ 211,211	$ 211,211	$ (7,000)	$ (7,000)	$ (108,424)	$ (101,424)

Law Library Fund				Transit Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ -	$ -	$ 835	$ 835	$ -	$ -	$ -	$ -
50,000	50,000	45,109	(4,891)	87,300	87,300	99,306	12,006
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,570	3,570
-	-	-	-	-	-	-	-
-	-	-	-	227,300	254,300	168,916	(85,384)
-	-	-	-	858,400	1,074,400	436,681	(637,719)
50,000	50,000	45,944	(4,056)	1,173,000	1,416,000	708,473	(707,527)
50,000	50,000	42,015	7,985	-	-	-	-
-	-	-	-	1,442,000	1,712,000	943,647	(768,353)
-	-	-	-	-	-	-	-
50,000	50,000	42,015	7,985	1,442,000	1,712,000	943,647	(768,353)
-	-	3,929	3,929	(269,000)	(296,000)	(235,174)	60,826
-	-	-	-	269,000	296,000	235,000	(61,000)
-	-	-	-	269,000	296,000	235,000	(61,000)
$ -	$ -	$ 3,929	$ 3,929	$ -	$ -	$ (174)	$ (174)

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

Exhibit 22

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

INTERNAL SERVICE FUNDS

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

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

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

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2016

Exhibit 23

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

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

Exhibit 24

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

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

Exhibit 25

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

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

Exhibit 26

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

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

Exhibit 27

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

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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.

INTERNAL SERVICE FUND

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

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

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

AGENCY FUNDS

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

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

Exhibit 28

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 2,669,335	$ 763,562	$ 716,821	$ -	$ 900,496	$ 5,050,214
Investments	1,093,529	312,464	293,721	-	368,622	2,068,336
Receivables, net:						
Accounts	188,287	-	153,944	-	-	342,231
Promises to give	-	780,996	-	-	-	780,996
Due from other funds	769,740	-	-	-	-	769,740
Due from other governments	741,530	-	-	-	1,234,672	1,976,202
Inventories	-	-	-	-	52,693	52,693
Investments - restricted	-	-	-	2,093,782	-	2,093,782
Total assets	$ 5,462,421	$ 1,857,022	$ 1,164,486	$ 2,093,782	$ 2,556,483	$ 13,134,194
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 953,486	$ 168,278	$ 72,021	$ 1,272,152	$ 94,511	$ 2,560,448
Accrued payroll	4,474,792	-	-	-	456,051	4,930,843
Due to other funds	-	-	-	-	769,740	769,740
Total liabilities	5,428,278	168,278	72,021	1,272,152	1,320,302	8,261,031
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	20,175	780,996	-	-	-	801,171
Total deferred inflows of resources	20,175	780,996	-	-	-	801,171
Fund balances:						
Restricted:						
Debt proceeds not yet spent	-	-	-	821,630	-	821,630
Nonspendable	-	-	-	-	52,693	52,693
Assigned	13,968	907,748	1,092,465	-	1,183,488	3,197,669
Total fund balances	13,968	907,748	1,092,465	821,630	1,236,181	4,071,992
Total liabilities and fund balances	$ 5,462,421	$ 1,857,022	$ 1,164,486	$ 2,093,782	$ 2,556,483	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	124,932,493
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	801,171
Internal service funds are used by management to charge the costs of maintenance and risk management, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.	668,671
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(2,112,426)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2016 employer contributions	4,204,791
Deferred outflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions-teacher cost sharing	1,465,000
Pension related deferred inflows	(3,736,066)
Net pension liability	(47,860,971)
Net position of governmental activities	$ 82,434,655

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

Exhibit 29

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

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 capital outlay ($13,380,385) exceeded depreciation ($3,002,413) in the current period.		10,377,972
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.		(4,203)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(34,644)
Internal service funds are used by management to charge the costs of risk management, to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities.		(98,031)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Compensated absences		(265,636)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	4,204,791	
Special contribution by State to VRS Teacher Retirement Plan	729,000	
Pension expense	(3,907,830)	1,025,961
Change in net position of governmental activities		$ (77,922)

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

Exhibit 30

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	$ 55,000	$ 55,000	$ 89,204	$ 34,204
Charges for services	125,000	125,000	193,954	68,954
Miscellaneous	342,500	439,991	434,800	(5,191)
Recovered costs	91,134	91,134	16,051	(75,083)
Intergovernmental:				
Local	29,059,397	28,684,617	27,811,446	(873,171)
Commonwealth	21,607,399	22,054,405	22,218,976	164,571
Total revenues	51,280,430	51,450,147	50,764,431	(685,716)
EXPENDITURES				
Current:				
Education	51,280,430	51,140,875	50,460,506	680,369
Total expenditures	51,280,430	51,140,875	50,460,506	680,369
Excess (deficiency) of revenues over expenditures	-	309,272	303,925	(5,347)
OTHER FINANCING USES				
Transfers out	-	(309,272)	(309,272)	-
Total other financing uses	-	(309,272)	(309,272)	-
Net change in fund balances	$ -	$ -	$ (5,347)	$ (5,347)

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

Exhibit 31

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

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR FUNDS
For the Year Ended June 30, 2016

Exhibit 32

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

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

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 1,500	$ 1,500	$ 3,441	$ 1,941
Charges for services	795,005	795,005	517,900	(277,105)
Miscellaneous	5,000	5,000	23,954	18,954
Intergovernmental:				
Local	-	-	-	-
Commonwealth	38,424	37,604	38,042	438
Federal	1,295,111	1,441,113	1,623,737	182,624
Total revenues	2,135,040	2,280,222	2,207,074	(73,148)
EXPENDITURES				
Current:				
Education	2,135,040	2,280,222	2,234,671	45,551
Total expenditures	2,135,040	2,280,222	2,234,671	45,551
Excess (deficiency) of revenues over expenditures	-	-	(27,597)	(27,597)
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	$ -	$ -	$ (27,597)	$ (27,597)

Exhibit 33

School Federal Grants Fund				School Textbook Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,864	$ 1,864
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	185,500	185,500
-	-	-	-	-	-	-	-
3,183,167	3,787,718	3,174,995	(612,723)	-	-	-	-
3,183,167	3,787,718	3,174,995	(612,723)	-	-	187,364	187,364
3,183,167	3,787,718	3,174,995	612,723	100,000	623,803	42	623,761
3,183,167	3,787,718	3,174,995	612,723	100,000	623,803	42	623,761
-	-	-	-	(100,000)	(623,803)	187,322	811,125
-	-	-	-	100,000	623,803	206,270	(417,533)
-	-	-	-	100,000	623,803	206,270	(417,533)
$ -	$ -	$ -	$ -	$ -	$ -	$ 393,592	$ 393,592

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

	School Fundraising Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ -	$ -	$ 6,413	$ 6,413
Miscellaneous	450,000	450,000	116,101	(333,899)
Recovered costs	-	-	-	-
Intergovernmental:				
Local	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	450,000	450,000	122,514	(327,486)
EXPENDITURES				
Education	-	5,995	5,552	443
Capital projects	450,000	444,005	194,577	249,428
Total expenditures	450,000	450,000	200,129	249,871
Excess (deficiency) of revenues over expenditures	-	-	(77,615)	(77,615)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ -	$ -	$ (77,615)	$ (77,615)

Exhibit 34

School Capital Improvement Fund				School Construction Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
$ -	$ -	$ 4,522	$ 4,522	$ -	$ 20,000	$ 27,627	$ 7,627
-	-	2,575	2,575	-	-	-	-
-	-	120,064	120,064	-	-	-	-
-	-	650,000	650,000	8,000,000	13,548,033	1,000,000	(12,548,033)
-	-	10,710	10,710	-	-	-	-
-	-	787,871	787,871	8,000,000	13,568,033	1,027,627	(12,540,406)
-	-	-	-	-	-	-	-
200,000	1,481,439	526,844	954,595	8,000,000	13,568,033	12,754,030	814,003
200,000	1,481,439	526,844	954,595	8,000,000	13,568,033	12,754,030	814,003
(200,000)	(1,481,439)	261,027	1,742,466	-	-	(11,726,403)	(11,726,403)
200,000	1,481,439	103,002	(1,378,437)	-	-	-	-
200,000	1,481,439	103,002	(1,378,437)	-	-	-	-
$ -	$ -	$ 364,029	$ 364,029	$ -	$ -	$ (11,726,403)	$ (11,726,403)

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

Exhibit 35

	School Insurance Fund
ASSETS	
Current assets:	
Cash	$ 474,208
Investments	194,309
Receivables, net	154
Total current assets	668,671
NET POSITION	
Unrestricted	$ 668,671

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

Exhibit 36

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

Exhibit 37

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

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

Exhibit 38

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

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

Exhibit 39

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
For the Year Ended June 30, 2016

Exhibit 40

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

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DISCRETELY PRESENTED COMPONENT UNIT – PARKING AUTHORITY

ENTERPRISE FUND

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION (DEFICIT)
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
June 30, 2016

Exhibit 41

	Parking Authority Fund
ASSETS	
Current assets:	
Cash	$ 235,088
Investments	96,328
Accounts receivable, net	10,820
Total current assets	342,236
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	7,785,922
Total capital assets, net	7,797,607
Total noncurrent assets	7,797,607
Total assets	8,139,843
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to the measurement date	26,174
Total deferred outflows of resources	26,174
LIABILITIES	
Current liabilities:	
Accounts payable	6,647
Accrued payroll	17,795
Accrued interest payable	159,323
Revenue bonds payable	214,426
Total current liabilities	398,191
Noncurrent liabilities:	
Net pension liability	102,477
Compensated absences	50,089
Revenue bonds payable	7,664,467
Total noncurrent liabilities	7,817,033
Total liabilities	8,215,224
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	39,195
Total deferred inflows of resources	39,195
NET POSITION (DEFICIT)	
Net investment in capital assets	(81,286)
Unrestricted	(7,116)
Total net position (deficit)	$ (88,402)

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

Exhibit 42

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

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

Exhibit 43

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

SUPPLEMENTAL DATA

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STATISTICAL SECTION

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

Contents Pages

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.

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

Table 1

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

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

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

Table 2

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

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

Table 2 (Continued)

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

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

Table 2 (Continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
School Board Component Unit:										
Education	$ 44,755,582	$ 47,890,837	$ 51,428,596	$ 47,296,567	$ 48,837,882	$ 49,246,256	$ 53,609,858	$ 54,649,291	$ 56,430,750	$ 59,044,154
Total School Board component unit expenses	44,755,582	47,890,837	51,428,596	47,296,567	48,837,882	49,246,256	53,609,858	54,649,291	56,430,750	59,044,154
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	963,824	924,387	957,618	880,847	880,295	869,102	734,401	697,971	773,193	711,854
Operating grants and contributions	17,422,798	18,058,555	19,567,683	21,252,219	19,926,049	20,824,041	23,468,737	23,720,228	25,339,877	27,795,460
Capital grants and contributions	22,501,915	7,577,965	1,471,063	3,031,845	2,216,821	390,328	137,927	248,673	335,570	542,786
Total School Board component unit revenues	40,888,537	26,560,907	21,996,364	25,164,911	23,023,165	22,083,471	24,341,065	24,666,872	26,448,640	29,050,100
Net (Expense)/Revenue										
School Board Component Unit	(3,867,045)	(21,329,930)	(29,432,232)	(22,131,656)	(25,814,717)	(27,162,785)	(29,268,793)	(29,982,419)	(29,982,110)	(29,994,054)
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	25,056,307	26,920,190	27,901,103	25,386,902	25,351,902	25,351,902	26,651,702	45,659,975	27,521,529	29,646,946
Investment earnings	1,211,760	1,110,082	216,949	165,518	79,639	73,813	80,761	115,791	105,585	133,071
Miscellaneous	3,788,082	3,815,962	1,185,769	145,137	236,623	215,316	214,500	243,541	220,122	136,115
Total School Board Component Unit	30,056,149	31,846,234	29,303,821	25,697,557	25,668,164	25,641,031	26,946,963	46,019,307	27,847,236	29,916,132
Change in Net Position										
School Board Component Unit	$ 26,189,104	$ 10,516,304	$ (128,411)	$ 3,565,901	$ (146,553)	$ (1,521,754)	$ (2,321,830)	$ 16,036,888	$ (2,134,874)	$ (77,922)

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

Table 3

	2007	2008	2009	2010
Pre-GASB 54 implementation:				
General Fund				
Reserved	$ -	$ -	$ -	$ 13,465
Unreserved	28,957,466	26,842,432	20,577,901	17,253,692
Total general fund	$ 28,957,466	$ 26,842,432	$ 20,577,901	$ 17,267,157
All Other Governmental Funds				
Reserved	$ -	$ -	$ -	$ 40,000
Unreserved, reported in:				
Special revenue funds	1,704,636	1,820,531	-	1,811,642
Capital projects funds	2,969,046	1,842,195	4,279,791	824,558
Debt service funds	217,166	102,003	49,876	-
Total all other governmental funds	$ 4,890,848	$ 3,764,729	$ 4,329,667	$ 2,676,200

	2011	2012	2013	2014	2015	2016
Post-GASB 54 implementation:						
General Fund						
Nonspendable	$ 11,950	$ 7,081	$ 8,408	$ 11,916	$ 12,488	$ 23,986
Restricted	441,131	476,780	486,062	495,790	457,025	444,950
Committed	950,000	1,300,000	1,218,750	1,926,988	1,811,912	1,678,662
Assigned	931,312	5,410,412	4,405,933	3,722,604	2,620,451	2,311,176
Unassigned	18,651,925	15,145,625	16,071,618	16,084,160	17,180,500	18,669,609
Total general fund	$ 20,986,318	$ 22,339,898	$ 22,190,771	$ 22,241,458	$ 22,082,376	$ 23,128,383
All Other Governmental Funds						
Nonspendable	$ 40,000	$ 190,000	$ 182,500	$ 167,500	$ 152,500	$ 40,000
Restricted	-	-	-	4,013,360	138,891	2,107,704
Committed	-	-	-	-	-	-
Assigned	2,068,984	3,172,645	2,316,213	1,493,250	4,134,658	2,319,870
Unassigned	-	-	-	-	-	-
Total all other governmental funds	$ 2,108,984	$ 3,362,645	$ 2,498,713	$ 5,674,110	$ 4,426,049	$ 4,467,574

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

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

Table 4

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

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

Table 4 (Continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources (Uses)										
Sale of property	$ 82,493	$ 1,520	$ 43,198	$ -	$ 250,000	$ 386,296	$ -	$ -	$ -	$ 11,250
Insurance recoveries	13,416	14,015	18,576	114,754	4,304	31,860	47,216	33,437	16,349	139,712
Bonds issued	19,260,000	7,200,000	-	-	-	27,217,364	27,963,072	24,265,000	11,255,180	7,075,000
Premium on debt	772,124	88,710	-	-	-	3,995,350	-	1,926,248	1,309,592	-
Capital lease	360,425	441,500	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	(30,975,567)	(26,730,493)	-	(12,373,771)	-
Transfers in	6,919,733	9,642,156	7,650,015	7,980,231	5,433,719	5,243,455	5,694,575	6,312,546	7,592,391	6,231,504
Transfers out	(5,419,456)	(7,847,350)	(6,295,865)	(6,336,231)	(3,589,786)	(3,643,455)	(3,824,575)	(4,712,546)	(5,992,391)	(4,631,504)
Total other financing sources and uses	21,988,735	9,540,551	1,415,924	1,758,754	2,098,237	2,255,303	3,149,795	27,824,685	1,807,350	8,825,962
Net change in fund balances	$ 82,490	$ (3,241,153)	$ (6,937,403)	$ (3,726,401)	$ 1,493,622	$ 2,607,241	$ (1,013,059)	$ 3,226,084	$ (1,407,143)	$ 1,087,532
Debt service as a percentage of noncapital expenditures	10.0%	12.3%	12.8%	13.3%	12.6%	11.3%	11.3%	9.5%	11.6%	11.0%

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

Table 5

		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
2007	(2)	2,222,262,840	1,145,978,600	0.65	52,548,980	0.69	184,039,831	4.5	7,656	4.5	116,912,479	1.3	175,000	0.65	3,721,925,386	0.86
2008		2,209,123,962	1,151,495,700	0.68	62,548,699	0.65	184,820,863	4.5	8,814	4.5	116,719,433	1.3	197,956	0.68	3,724,915,427	0.89
2009	(2)	1,930,786,600	1,145,085,600	0.77	62,322,900	0.68	183,336,720	4.5	10,493	4.5	109,391,904	1.3	192,756	0.77	3,431,126,973	0.98
2010		1,937,277,200	1,138,605,300	0.77	67,087,131	0.77	178,115,588	4.5	16,957	4.5	124,891,288	1.3	202,056	0.77	3,446,195,520	0.98
2011	(2)	1,590,890,500	1,129,950,300	0.86	64,741,641	0.86	186,501,554	4.5	11,236	4.5	124,891,288	1.3	202,056	0.86	3,097,188,575	1.10
2012		1,603,736,800	1,139,679,400	0.95	72,272,617	0.95	211,721,208	4.5	5,494	4.5	120,805,964	1.3	158,888	0.95	3,148,380,371	1.20
2013	(2)	1,618,898,500	1,142,293,500	0.95	64,839,333	0.95	253,205,986	4.5	5,936	4.5	152,329,260	1.3	163,048	0.95	3,231,735,563	1.24
2014		1,629,108,700	1,137,899,900	0.95	67,540,972	0.95	269,630,162	4.5	5,936	4.5	144,655,883	1.3	159,988	0.95	3,249,001,541	1.26
2015	(2)	1,744,437,672	1,170,855,700	0.91	66,459,087	0.91	269,176,193	4.5	32,033	4.5	136,394,356	1.3	218,148	0.91	3,387,573,189	1.21
2016		1,749,683,800	1,177,102,900	0.91	68,938,755	0.91	281,484,105	4.5	25,661	4.5	158,636,967	1.3	238,845	0.91	3,436,111,033	1.22

Notes:

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

(2) General reassessment of real property completed for the 2007, 2009, 2011, 3013 and 2015 tax year.

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

Source:
City of Winchester, Commissioner of the Revenue

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

Table 6

	City Direct Rates (2)				
Fiscal Year	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	Total Direct Rate
2007	0.59	0.01	0.22	0.04	0.86
2008	0.61	0.01	0.22	0.04	0.88
2009	0.69	0.01	0.24	0.04	0.98
2010	0.69	0.01	0.23	0.05	0.98
2011	0.76	0.02	0.27	0.05	1.10
2012	0.83	0.02	0.30	0.05	1.20
2013	0.81	0.02	0.35	0.06	1.24
2014	0.81	0.02	0.37	0.06	1.26
2015	0.78	0.02	0.36	0.05	1.21
2016	0.78	0.02	0.37	0.06	1.23

Notes:

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

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

Source:
City of Winchester, Commissioner of the Revenue

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

Table 7

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

Source:
City of Winchester, Commissioner of the Revenue

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

Table 8

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

Source:
City of Winchester, Treasurer

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

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

Table 9

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

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

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

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

Table 10

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
2007	135,150,065	217,166	134,932,899	3.63%	5,341
2008	135,742,274	102,003	135,640,271	3.64%	5,271
2009	128,722,719	49,876	128,672,843	3.75%	4,969
2010	121,315,345	-	121,315,345	3.52%	4,609
2011	113,889,041	-	113,889,041	3.68%	4,346
2012	106,907,645	-	106,907,645	3.40%	4,021
2013	107,467,343	-	107,467,343	3.33%	3,998
2014	125,331,804	-	125,331,804	3.86%	4,605
2015	117,676,371	-	117,676,371	3.47%	4,272
2016	116,322,903	-	116,322,903	3.39%	4,223

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

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

CITY OF WINCHESTER, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
As of June 30, 2016

Table 11

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

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

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

Table 12

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

Legal Debt Margin Calculation for Fiscal Year 2016

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

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 Eight Fiscal Years

Table 13

	Water and Sewer Revenue Bonds					
Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service 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

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

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

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

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4) High School Graduate or higher	Educational attainment (4) Bachelor's Degree or higher	School enrollment(5)	Unemployment rate (3)
2007	25,265	805,625	31,887	35.2	75.4%	23.7%	3,708	3.10%
2008	25,733	844,325	32,811	36.0	75.4%	23.7%	3,652	4.60%
2009	25,897	891,297	34,417	35.7	75.4%	23.7%	3,714	8.70%
2010	26,322	894,790	33,994	35.2	75.4%	23.7%	3,745	7.20%
2011	26,203	893,365	34,094	37.4	78.1%	28.1%	3,829	7.30%
2012	26,587	897,737	33,766	35.1	79.7%	29.7%	3,979	6.60%
2013	26,881	942,125	35,048	35.1	82.2%	29.2%	4,085	6.60%
2014	27,216	1,005,767	36,955	35.6	81.9%	29.5%	4,147	5.10%
2015	27,543	1,046,056	37,979	35.3	83.8%	28.6%	4,135	4.80%
2016	27,543	1,114,280	40,456	35.7	83.3%	28.1%	4,227	3.80%

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

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

Table 15

	December 31, 2015			December 31, 2006		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Valley Health System	1,000 and over	1	7.21%	1,000 and over	1	7.18%
Shenandoah University	500 - 999	2	3.61%	500 - 999	5	3.59%
Winchester City Public Schools	500 - 999	3	3.61%	500 - 999	3	3.59%
Rubbermaid Commercial Products	500 - 999	4	3.61%	500 - 999	2	3.59%
Wal Mart	500 - 999	5	3.61%	500 - 999	4	3.59%
City of Winchester	500 - 999	6	3.61%	500 - 999	6	1.80%
U.S. Federal Bureau of Investigation	500 - 999	7	3.61%			
Osullivan Films Inc	250 - 499	8	1.80%			
U.S. Department of Defense	250 - 499	9	1.80%			
Onsite Engineering & Mgmt Inc.	250 - 499	10	1.80%			
Axiom Staffing Group				500 - 999	7	3.59%
Martin's Food Market				500 - 999	8	1.80%
Trex Company				250 - 499	9	1.80%
Kohl's Department Stores				250 - 499	10	1.80%
Total	4,750		34.27%	5,000		32.33%

Source: Virginia Employment Commission

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

CITY OF WINCHESTER, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Table 16

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

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

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

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

Table 17

	Fiscal Year									
Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building permits issued	762	600	486	470	942	1,508	1,463	1,709	1,732	1,787
Building inspections conducted (commercial and residential)	11,858	10,074	8,154	8,186	7,342	6,987	6,025	7,408	8,150	8,858
Police										
Physical arrests	3,567	2,701	3,231	2,611	2,854	4,090	3,018	3,802	2,838	4,113
Parking violations	8,048	7,647	7,429	6,634	7,128	5,977	4,526	4,226	3,542	3,013
Traffic violations	4,531	4,087	4,524	3,709	4,070	5,406	4,304	4,580	4,543	4,534
Fire										
Emergency responses	5,623	5,498	5,470	5,377	5,549	5,781	5,518	5,804	6,022	6,282
Structure fires	56	54	60	45	87	43	57	55	54	52
On-site fire inspections	97	143	334	361	388	360	377	486	333	918
Fire suppression inspection tests	167	106	152	112	45	64	61	82	63	136
Refuse Collection										
Refuse collected (tons per year -- residential and non-residential)	7,579	7,117	6,649	6,537	6,430	6,520	6,681	6,608	6,451	6,534
Recyclables collected (tons per year -- does not include cardboard or yard waste)	2,015	2,032	2,117	2,908	2,931	3,252	3,312	3,068	3,076	3,094
Recyclable scrap	11	19	9	21	20	18	21	13	10	8
Other Public Works										
Street resurfacing (miles)	5	3	7	7	1	2	6	5	21	7
Parks and Recreation										
Shelter permits issued	448	681	472	821	839	911	691	493	352	390
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	30,126	38,061	43,154	48,108	49,774	47,201	25,156	25,776	23,349	33,515
Racquetball court users (1)	1,341	1,345	1,196	2,474	2,407	2,324	2,506	2,445	2,711	1,980
Indoor fitness room users (1)	6,077	8,136	5,167	13,487	9,901	9,316	7,375	6,067	5,797	2,535
Water										
Average daily production	7.9 mgd	7.9 mgd	6.85 mgd	6.34 mgd	6.43 mgd	6.83 mgd	6.14mgd	5.95mgd	6.43 mgd	6.55mgd
New connections	38	55	32	42	40	28	26	28	38	44
Total connections	10,824	10,879	10,911	10,953	10,993	11,021	11,047	11,075	11,113	11,157
Water main breaks	55	60	56	30	55	40	29	42	48	33
Average daily consumption	5.9 mgd	6.1 mgd	5.25 mgd	4.8 mgd	4.9 mgd	4.67 mgd	4.5mgd	5.09mgd	5.4 mgd	6.12 mgd
Wastewater										
Average daily flow (12 month period)	4.9 mgd	4.8 mgd	4.6 mgd	5.37 mgd	4.8 mgd	4.52 mgd	4.96mgd	4.87mgd	4.70 mgd	4.96 mgd
Peak Flow (12 month period)	9.7 mgd	9.8 mgd	9.8 mgd	8.45 mgd	9.8 mgd	23.1 mgd	22.0mgd	25.9mgd	25.47 mgd	18.49 mgd
Transit										
Passenger trips	148,169	139,672	130,494	120,656	128,876	136,501	130,190	120,758	126,122	138,961
Schools (2)										
Number of teachers, Elementary (K-4)	132	121	121	131	143	143	143	147	150	159
Number of teachers, Middle 5-8)	99	99	99	94	90	97	95	98	104	107
Number of teachers, Secondary (9-12)	100	102	102	99	96	96	98	99	101	102
Number of students, Elementary (K-4)	1,417	1,447	1,529	1,605	1,649	1684	1776	1,707	1,688	1,698
Number of students, Middle (5-8)	1,101	1,063	1,073	1,074	1,084	1178	1190	1,177	1,287	1,306
Number of students, Secondary (9-12)	1,190	1,142	1,112	1,066	1,096	1117	1119	1,263	1,190	1,259

Source: Various Departments in the City

Notes:

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

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

Table 18

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
SubStations	1	1	1	1	1	2	1	-	-	-
Patrol cars	74	76	77	76	76	79	76	73	69	74
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection Trucks	8	7	7	7	7	7	7	7	8	8
Other Public Works										
Streets (miles)	205	205	219	221	221	221	221	221	221	221
Streetlights	72	72	63	63	63	63	63	63	63	126
Traffic signals	64	63	60	56	56	56	56	56	57	59
Parks and Recreation										
Number of parks	15	15	15	14	14	14	14	14	14	14
Acreage	248	248	248	248	248	248	248	247	247	247
Playgrounds	10	10	10	9	9	9	9	9	9	9
Community centers	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	9	8	9	9	9	9	9	9	9	9
Soccer/football fields	5	5	6	6	6	9	9	9	9	9
Basketball courts	7	7	7	7	7	7	7	7	7	7
Tennis courts	7	7	7	7	7	8	8	8	8	8
Volleyball court	1	1	1	1	-	-	-	-	-	-
Horseshoe courts	24	24	24	24	24	24	24	24	24	24
Water										
Miles of water mains	125	125	125	125	126	126	126	126	126	127
Fire hydrants	1,082	1,082	1,082	1,085	1,085	1,085	1,085	1,085	1,085	1,088
Water storage capacity	11 mg	11 mg	11 mg	11mg	12mg	12mg	12mg	12mg	12mg	12 mg
Wastewater										
Miles of storm sewers	80	80	81	82	82	82	82	82	82	83
Miles of sanitary sewers	122	122	122	122	122	122	122	122	122	123
Opequon wastewater treatment capacity (1)	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1mgd	7.1mgd	7.1 mgd
Transit										
Minibuses	8	8	7	7	7	7	7	7	6	6
Trolleys	2	2	2	2	2	2	2	2	1	1
Vans	2	2	2	2	2	2	2	1	2	2
Schools										
Attendance Centers, Elementary	4	4	4	4	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1	1	1	1	1
Number of classrooms, Elementary	164	123	123	123	123	127	127	127	127	127
Number of classrooms, Middle	90	90	90	90	90	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95	95	95	95	95

Source: Various Departments in the City

Notes:
(1) Operated by Frederick Winchester Service Authority

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 2016-001.**

City's Response to Finding

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 20, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Winchester, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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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
March 20, 2017

CITY OF WINCHESTER, VIRGINIA

SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS
June 30, 2016

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

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements
Education
Social Services
Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

A. SUMMARY OF AUDITOR'S RESULTS

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

Name of Program	CFDA #
Federal Transit Cluster	20.500, 20.507
Highway Planning and Construction	20.205
Preschool Development Grant	84.419

8. The **threshold for** distinguishing Type A and B programs was **$750,000**.
9. The City of Winchester was determined to be a **low-risk auditee**.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2016-001: Commonwealth of Virginia Disclosure Statements

Condition:

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

Recommendation:

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

Management's Response:

The auditee concurs with this recommendation.

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

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Passthrough Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Agriculture				
Pass-through payments:				
Department of Social Services:				
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010116/0040116		$ 429,408
Department of Forest Service:				
Cooperative Forestry Assistance	10.664	0000106723		4,125
Department of Corrections:				
National School Lunch Program	10.555	APE40623		22,770
Commonwealth of Virginia Department of Agriculture and Consumer Services				
National School Lunch Program	10.555	APE40623	1,203,797	
National School Lunch Program - Commodities	10.555	APE40623	116,996	
School Breakfast Program	10.553	APE40591	358,766	
Total School Lunch Cluster				1,679,559
Fresh Fruits and Vegetables	10.582	APE40601/40251		61,173
Total U.S. Department of Agriculture				2,197,035
U.S. Department of Homeland Security				
Pass-through payments:				
Department of Emergency Management:				
Disaster Grants - Public Assistance	97.036	DEM0015899		156,668
Emergency Management Performance Grant	97.042	62744		8,905
Assistance to Firefighters	97.044	FO03391		11,600
State Homeland Security Grant Program	97.073	7760200		78,573
Total U.S. Department of Homeland Security				255,746
U.S. Department of Housing and Urban Development				
Direct payments:				
Community Development Block Grants/Entitlement Grants	14.218	N/A		220,633
Total U.S. Department of Housing and Urban Development				220,633
U.S. Department of the Interior				
Direct payments:				
National Park Service				
Historic Preservation Fund Graints	15.904	N/A		3,923
Total U.S. Department of Justice				3,923
U.S. Department of Justice				
Direct payments:				
Equitable Sharing Program	16.922	N/A		128,027
Bulletproof Vest Partnership Program	16.607	N/A		1,469
Pass-through payments:				
Department of Criminal Justice Services				
Internet Crimes Against Children Task Force Program	16.800	16-E2350AC16		1,709
Crime Victim Assistance	16.575	86015		92,738
Sexual Assault Services Grant	16.017	47915		14,074
Total U.S. Department of Justice				238,017
U.S. Department of Transportation				
Direct payments:				
Federal Transit - Capital Investment Grants	20.500	N/A	20,612	
Federal Transit - Formula Grants	20.507	N/A	416,069	
Total Federal Transit Cluster:				
Pass-through payments:				436,681
Virginia Department of Motor Vehicles				
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	55383		26,765
Virginia Department of Transportation				
Highway Planning and Construction	20.205	0000097834		889,746
Total U.S. Department of Transportation				1,353,192

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

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

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

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

Note 2: Non-Cash Assistance

The City of Winchester participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity distributions of $116,996 from the National School Lunch Program.

Note 3: Loan Program

Included in prior year Schedule of Expenditures of Federal Awards were loan proceeds obtained through the Housing and Urban Development Fund in the total amount of $1,500,000. The loan is through the Community Development Block Grant Program, CFDA number 14.218. The outstanding balance on the loan at June 30, 2016 is $1,400,751.