

CITY OF WINCHESTER, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

Prepared by:  
City of Winchester, Virginia  
Finance Department

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**CITY OF WINCHESTER, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

	Page(s)
<b>INTRODUCTORY SECTION</b>	
Officials .....	i
Organization Chart.....	ii
Letter of Transmittal .....	iii-viii
Certificate of Achievement.....	ix
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	1-2
Management's Discussion and Analysis .....	3a-3k
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Exhibit 1 – Statement of Net Assets.....	4
Exhibit 2 – Statement of Activities .....	5
Fund Financial Statements:	
Exhibit 3 – Balance Sheet – Governmental Funds.....	6
Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	7
Exhibit 5 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	8
Exhibit 6 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund .....	9-10
Exhibit 7 – Statement of Net Assets – Proprietary Funds .....	11
Exhibit 8 – Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	12
Exhibit 9 – Statement of Cash Flows – Proprietary Funds .....	13-14
Exhibit 10 – Statement of Fiduciary Net Assets – Fiduciary Funds .....	15
Notes to Financial Statements .....	16-61
<u>Required Supplementary Information:</u>	
Exhibit 11 – Schedules of Funding Progress.....	62

Other Supplementary Information:

## Combining and Individual Fund Statements and Schedules:

Governmental Funds .....	63
Exhibit 12 – Combining Balance Sheet – Nonmajor Governmental Funds.....	64
Exhibit 13 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	65
Exhibit 14 – Combining Balance Sheet – Nonmajor Special Revenue Funds.....	66
Exhibit 15 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds.....	67
Exhibit 16 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds .....	68-69
Exhibit 17 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds .....	70
Internal Service Funds.....	71
Exhibit 18 – Combining Statement of Net Assets.....	72
Exhibit 19 – Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets .....	73
Exhibit 20 – Combining Statement of Cash Flows .....	74
Fiduciary Funds.....	75
Exhibit 21 – Combining Statement of Fiduciary Net Assets – Agency Funds .....	76
Exhibit 22 – Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds .....	77
Discretely Presented Component Unit – School Board.....	78-79
Exhibit 23 – Balance Sheet – Governmental Funds.....	80
Exhibit 24 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	81
Exhibit 25 – Statement of Net Assets – Proprietary Funds.....	82
Exhibit 26 – Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	83
Exhibit 27 – Statement of Cash Flows – Proprietary Funds .....	84
Exhibit 28 – Statement of Fiduciary Net Assets .....	85
Exhibit 29 – Statement of Changes in Fiduciary Net Assets .....	86
Exhibit 30 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund .....	87
Exhibit 31 – Combining Balance Sheet – Nonmajor Governmental Funds.....	88
Exhibit 32 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds .....	89
Exhibit 33 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds .....	90

Other Supplementary Information: (Continued)

## Discretely Presented Component Unit – School Board (Continued)

## Exhibit 34 – Schedule of Revenues, Expenditures, and Changes in Fund Balances –

Budget and Actual – Capital Projects Funds .....91

Exhibit 35 – Combining Statement of Net Assets – Internal Service Funds.....92

## Exhibit 36 – Combining Statement of Revenues, Expenses, and Changes in Fund

Net Assets – Internal Service Funds .....93

Exhibit 37 – Combining Statement of Cash Flows – Internal Service Funds .....94

## Exhibit 38 – Combining Statement of Fiduciary Net Assets – Private-Purpose

Trust Funds .....95

## Exhibit 39 – Combining Statement of Changes in Fiduciary Net Assets – Private-Purpose

Trust Funds .....96

Exhibit 40 – Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds .....97

## Discretely Presented Component Unit – Parking Authority .....98

Exhibit 41 – Statement of Net Assets – Parking Authority Fund .....99

## Exhibit 42 – Statement of Revenues, Expenses, and Changes in Fund Net Assets –

Parking Authority Fund .....100

Exhibit 43 – Statement of Cash Flows – Parking Authority Fund .....101

**STATISTICAL SECTION**

Narrative .....102

Table 1 – Net Assets by Component .....103

Table 2 – Changes in Net Assets ..... 104-106

Table 3 – Fund Balances of Governmental Funds.....107

Table 4 – Changes in Fund Balances of Governmental Funds ..... 108-109

Table 5 – Assessed Value and Actual Value of Taxable Property .....110

Table 6 – Direct Property Tax Rates .....111

Table 7 – Principal Property Taxpayers .....112

Table 8 – Property Tax Levies and Collections.....113

Table 9 – Ratios of Outstanding Debt by Type .....114

Table 10 – Ratios of Net General Bonded Debt Outstanding.....115

Table 11 – Direct and Overlapping Governmental Activities Debt .....116

Table 12 – Legal Debt Margin Information.....117

Table 13 – Pledged-Revenue Coverage.....118

Table 14 – Demographic and Economic Statistics .....119

Table 15 – Principal Employers .....120

Table 16 – Full-time Equivalent City Government Employees by Function .....121

Table 17 – Operating Indicators by Function .....122

Table 18 – Capital Assets Statistics by Function.....123

## COMPLIANCE SECTION

Page(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 <i>Governmental Auditing Standards</i> .....	124-125
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	126-127
Summary of State and Local Compliance Matters .....	128
Schedule of Findings and Questioned Costs .....	129-130
Schedule of Expenditures of Federal Awards .....	131-132
Schedule of Prior Year Findings .....	133

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor  
Jeffrey B. Buettner, President  
Arthur H. Major, Vice President  
Milton F. McInturff, Sr., Vice Mayor

John P. Tagnesi  
John A. Willingham  
John W. Hill

Evan H. Clark  
Les C. Veach

OFFICIALS

James R. O'Connor, City Manager  
Kari J. Van Diest, Deputy Clerk of Council

CONSTITUTIONAL OFFICERS

Leonard W. Millholland, City Sheriff  
R. Mark Garber, City Treasurer  
Terence H. Whittle, Clerk of the Circuit Court  
Ann T. Burkholder, Commissioner of the Revenue  
Alexander R. Iden, Commonwealth's Attorney

OTHER OFFICIALS

Joel A. Davis  
John C. Knight  
James W. Deskins

Mary M. Blowe  
Jeffrey S. Cullers  
Thomas D. Lloyd  
Anthony C. Williams  
Karen B. Helm

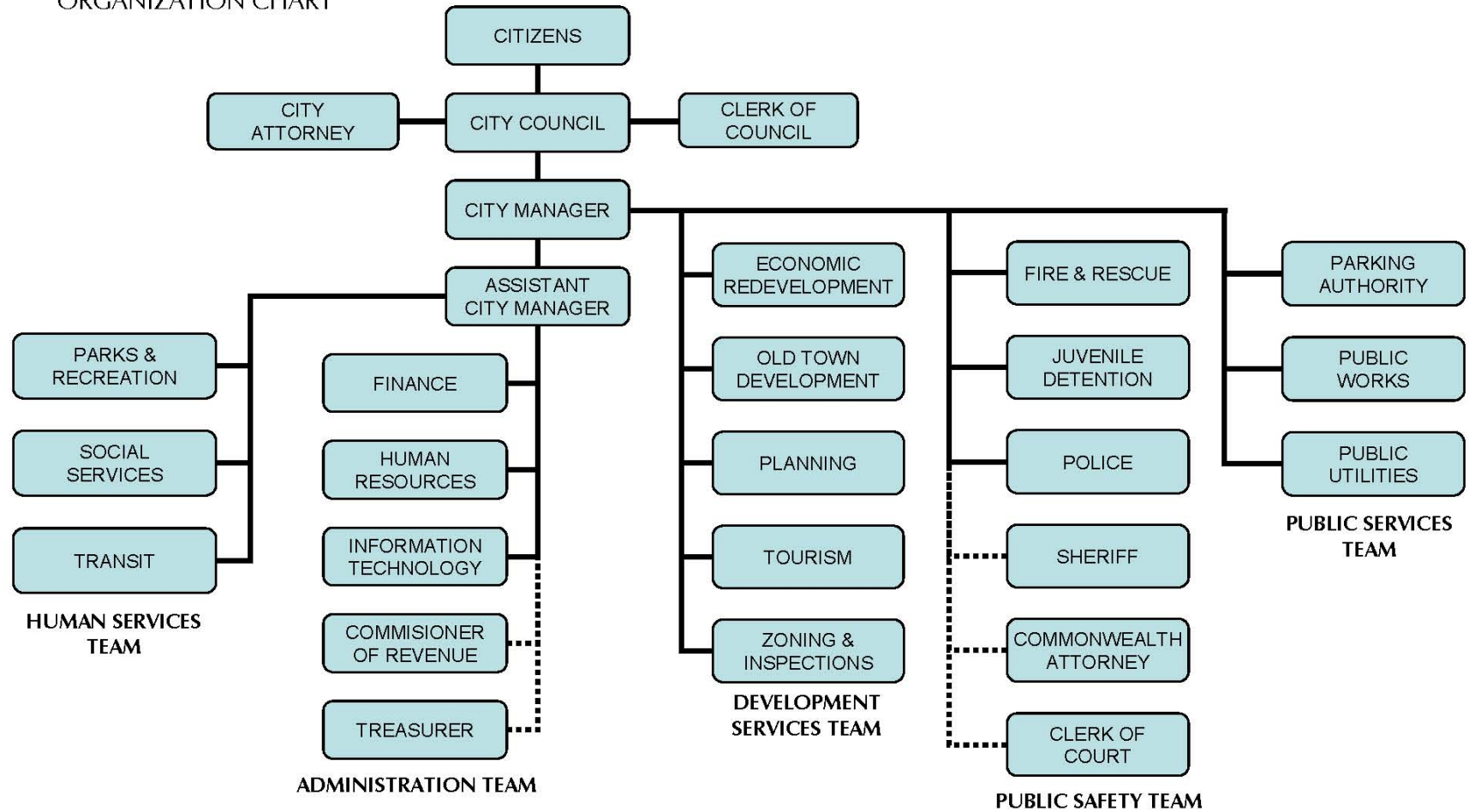
Bradley S. Veach  
Timothy A. Youmans  
Kevin L. Sanzenbacher  
Thomas E. Hoy  
Carla Taylor  
Perry A. Eisenach  
Dr. Ricky L. Leonard  
Joyce S. Braithwaite  
Samantha R. Anderson

Vincent P. Diem

Director of Human Resources  
Building Official  
Economic Redevelopment  
Director  
Finance Director  
Fire and Rescue Chief  
Information Technology Director  
City Attorney  
Executive Director, Old Town  
Development Board  
Parks & Recreation Director  
Planning Director  
Chief of Police  
Public Works Director  
Human Services Director  
Public Services Director  
Superintendent of Schools  
Voter Registrar  
Executive Director, Winchester  
Parking Authority  
Zoning & Inspections  
Administrator



# CITY OF WINCHESTER ORGANIZATION CHART



- Parks & Recreation Advisory Board
- Social Services Advisory Board

- Industrial Development Authority
- Old Town Development Board
- Planning Commission
- Tourism Board
- Board of Architectural Review
- Board of Zoning Appeals
- Community Development Committee

- Fire Prevention Code of Appeals
- Local Emergency Planning Commission
- Juvenile Detention Commission
- Regional Jail Board

- Winchester Parking Authority
- Tree Commission
- Fred-Winchester Service Authority



## CITY OF WINCHESTER, VIRGINIA

Rouss City Hall  
15 North Cameron Street  
Winchester, VA 22601

Telephone: 540/667-1815  
FAX: 540/723-0238

November 21, 2011

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, 2011 is submitted herewith pursuant to Section 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, 2011. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

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



## **Profile of the City of Winchester**

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.3 square miles and serves a population of approximately 26,000. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, 97 miles away.

The City of Winchester has a Council/Manager form of government. The nine member Council consists of a Mayor and eight Councilors elected from four wards in the city with each ward electing two members from the territory of the ward, and the mayor elected at-large and serve 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 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; the 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 City of Winchester created the WPA to plan and foster the development of off-street parking facilities. The WPA is included in the accompanying financial statements as the City appoints all WPA members and is able to impose its will on the WPA.
- ◆ Winchester School Board (Board): The Board was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. All members of the Board are appointed by the City's Common Council, which has the ability to impose its will upon the Board.

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 biennial 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 60-mile radius. Because of the City's position as a regional economic center and its extensive highway system, the City's work force is drawn from a substantially broader area. Employers in the area offer a wide variety of private sector jobs ranging from agriculture, forestry, and manufacturing, to retail, professional, educational, and medical services.

The City's largest employer is the Valley Health Systems, which owns and operates the Winchester Medical Center and five smaller primary care hospitals along with other related services such as urgent care clinics, home health services, a childcare facility, and transport services. The Winchester Medical Center is a non-profit, regional referral hospital, serving the tri-state region surrounding the City. The 411-bed facility offers a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services. The Winchester Medical Center started a \$175,000,000 addition to their campus in 2010; this includes construction of a new 400,000 square foot, four story bed tower adding up to 120 new beds; construction of a 60,000 square foot outpatient diagnostic center; and construction of a 560-space parking deck.

Located within the City of Winchester is Shenandoah University, a United Methodist Church-affiliated institution, which was founded in 1875 in Dayton, Virginia, and moved to Winchester in 1960. Today, Shenandoah University has an enrollment of approximately 3,000 students. These students participate in more than 90 programs of study at the undergraduate, graduate, doctorate and professional levels in six schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, and School of Education and Human Development. The University has expressed an interest to work with the City to develop an upperclassmen and graduate housing center in downtown Winchester.

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 has U.S. Customs and Immigration Service available with 24 hour notice. 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 requirements of the airport.

The City's commercial tax base accounts for 40.6% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, and Winchester Station house Martin's, Staples, Kohl's, Office Max, Books-A-Million, Michael's, Old Navy, and HH Gregg. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Big K-Mart, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of specialty shops and restaurants. There are also several anchorless strip centers and one life style center that house Ann Taylor, Jos A Banks Clothier, and other high end retail stores. The City also is home to several



national chain restaurants. In addition, the City has several class A office buildings serving the professional services sector and business service entities.

The City's Economic Redevelopment Department and other regional economic organizations collaborate to stimulate economic growth in the City and the surrounding areas. The current efforts of the Economic Redevelopment Department have resulted in the \$28,000,000 expansion of O'Sullivan Films which will create 175 new jobs; the redevelopment of over 60,000 square feet of historic properties in the downtown to accommodate the expansion of the Yount Hyde and Barbour accounting firm; and the creation of new rental housing opportunities for 38 young professionals and Shenandoah University graduate students. The City has also been successful in obtaining grant funding for Redevelopment activities. The City is participating with the US Department of Housing and Urban Development through the Community Development Block Grant Entitlement Program which provides ongoing annual funding. The major focus of the Community Development Block Grant Entitlement Funds is to encourage and support a major block by block revitalization in the northeast quadrant of the City.

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 Winchester 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. The recent major focus in downtown has been the creation of new housing opportunities for young professionals, with the goal of stimulating 300 new housing units downtown over the next five years.

### **Long-term Financial Planning**

Unassigned fund balance in the general fund (27.7% of General Fund expenditures) falls within the policy guidelines set by Council for planning purposes. Twenty percent is the target for the City's General Fund balance.

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 2030. Factored into the financial planning model are the future major capital projects. The City will need to purchase new emergency communication equipment and towers to meet new communication regulations which will cost approximately \$6,000,000 million in future fiscal years. Renovation and expansion of John Kerr Elementary School will be a consideration for a future bond issue of approximately \$18 to 20 million. Operational costs for the newly renovated facility will increase as the renovations are completed at an approximate cost of \$1,000,000. The school is approximately 40 years old and has never been renovated. Enrollment projections show that elementary space is inadequate to handle the additional 350 students anticipated by the year 2013. These improvements should take us well into the future and provide a quality education for all students in the City.

### **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. Water Treatment Plant**

The City's water treatment plant is located south of Middletown and provides the sole source of potable water for the City. The facility is over 50 years old and much of the plant's equipment is original and has reached the end of its useful life. The City started on the construction of significant improvements to the water treatment plant in January 2010. These improvements that will cost approximately \$25 million are nearing completion and will be completed by the spring of 2012. The improvements consist of:

- New chemical feed system
- SCADA control system
- Replacement of high service pumps
- Replacement of raw water pumps
- Additional treated water storage
- New solids handling system

### **B. Water Distribution/Sewer Collection Systems**

The City's water distribution system is one of the oldest in the United States and many existing water mains are over 150 years old. The system experiences numerous water main breaks and approximately 30% of the water pumped into the system is lost due to leaks. The sanitary sewer collection system is also very old and much of it is in poor condition.

The City has started an aggressive program of replacing this very old water and sewer infrastructure. The City recently completed the replacement of approximately 5 miles of water and sewer mains in the core downtown area and along Berryville Avenue (a major commercial corridor). Construction on utility replacements in the north end of the City recently commenced and projects on Amherst Street adjacent to the hospital and on Indian Alley in downtown are scheduled to be completed in 2012. Beginning on January 2, 2013, the project to replace the utilities on the Pedestrian Mall is scheduled to begin.

### **C. Sidewalk Improvements**

Making improvements to sidewalks within the City is a high priority for City Council. The City has recently started work on a \$2 million project that will replace sidewalks on Valley Avenue, Millwood Avenue, S. Loudoun Street, Purcell Avenue, and Woodstock Lane. This project is expected to be completed by the summer of 2012.

## **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, 2010. This was the nineteenth year that the City of Winchester has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive

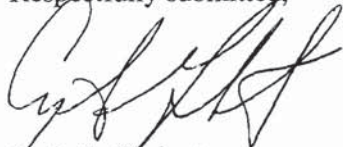
annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Craig S. Gerhart  
Interim City Manager



Mary M. Blowe  
Finance Director

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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* and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

**In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non-major fund statements, non-major funds budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements, the non-major funds budgetary comparison statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 21, 2011

**City of Winchester, Virginia**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2011**

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, 2011. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

**Financial Highlights**

- The assets of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2011 by \$55.8 million (net assets).
- The City's total net assets increased approximately \$4.9 million over the course of this year's operations. Net assets of governmental activities increased \$5.1 million, and net assets of business-type activities decreased \$0.2 million over the prior year. The increase in net assets by the governmental activities is the result of a reduction in long-term liabilities due to debt repayment.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23.0 million, an increase of \$1.4 million in comparison with the prior year. Approximately 80.8% of this amount, \$18.6 million, is available for spending at the government's discretion (unassigned fund balance).
- As of the close of the current fiscal year, the unassigned fund balance of the City's general fund was \$18.6 million. This amount represents 27.7% of total general fund expenditures.
- The City's total debt increased by \$17.0 million, or 10.3%, during the current fiscal year due to the issuance of new debt for utility construction projects.

**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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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; and recreation and cultural. The business-type activities of the City include water and sewer and bus operations.

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

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

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

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

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

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

## **Overview of the Financial Statements (Continued)**

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-61 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 62 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 assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by \$55.8 million at the close of fiscal year 2011.

The City's net assets 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 Assets**  
**Fiscal Year ended June 30, 2011**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Assets</b>								
Current and other assets	\$ 31.6	\$ 31.8	\$ 6.5	\$ 11.9	\$ 38.1	\$ 43.7	\$ 12.1	\$ 10.4
Capital assets	78.8	80.5	135.3	108.0	214.1	188.5	114.6	117.3
<b>Total Assets</b>	<b>110.4</b>	<b>112.3</b>	<b>141.8</b>	<b>119.9</b>	<b>252.2</b>	<b>232.2</b>	<b>126.7</b>	<b>127.7</b>
<b>Liabilities</b>								
Current and other liabilities	11.0	12.4	7.9	8.2	18.9	20.6	5.2	5.3
Long-term liabilities	88.0	93.6	89.5	67.1	177.5	160.7	1.1	1.8
<b>Total Liabilities</b>	<b>99.0</b>	<b>106.0</b>	<b>97.4</b>	<b>75.3</b>	<b>196.4</b>	<b>181.3</b>	<b>6.3</b>	<b>7.1</b>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	62.4	62.5	43.5	44.2	105.9	106.7	114.6	116.4
Restricted	-	-	-	-	-	-	-	-
Unrestricted net assets	(51.0)	(56.2)	0.9	0.4	(50.1)	(55.8)	5.8	4.2
<b>Total Net Assets</b>	<b>\$ 11.4</b>	<b>\$ 6.3</b>	<b>\$ 44.4</b>	<b>\$ 44.6</b>	<b>\$ 55.8</b>	<b>\$ 50.9</b>	<b>\$ 120.4</b>	<b>\$ 120.6</b>

**Governmental activities.** As shown in Table 2, net assets for governmental activities increased from \$6.3 million at the end of FY2010 to \$11.4 million at the end of FY2011. The major reason for the increase in net assets is due to the governmental activities reduction in long-term liabilities of \$5.6 million during the current year. The City, as required by GASB 34, reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board.

If the debt related to the construction of schools was not presented in governmental activities, the net assets for the governmental activities would be \$85.8 million and the total net assets for the primary government would be \$130.2 million.

## Government-wide Financial Analysis (Continued)

**Table 2**  
**Changes in the City of Winchester's Net Assets**  
**Fiscal Year ended June 30, 2011**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Revenues</b>								
Program Revenues								
Charges for services	\$ 4.0	\$ 3.5	\$ 19.6	\$ 18.3	\$ 23.6	\$ 21.8	\$ 0.9	\$ 1.0
Operating grants and contributions	11.9	10.2	-	-	11.9	10.2	19.9	21.2
Capital grants and contributions	-	16.2	0.5	1.6	0.5	17.8	2.2	3.0
General Revenues								
Property taxes	33.8	34.1	-	-	33.8	34.1	-	-
Sales taxes	8.1	7.4	-	-	8.1	7.4	-	-
Other taxes	17.5	16.7	-	-	17.5	16.7	-	-
Grants and contributions not restricted to specific programs	3.0	2.8	-	-	3.0	2.8	-	-
Unrestricted investment earnings	0.1	0.3	-	0.1	0.1	0.4	0.1	0.2
Other	0.3	-	0.1	-	0.4	-	25.5	25.8
<b>Total revenues</b>	<b>\$ 78.7</b>	<b>\$ 91.2</b>	<b>\$ 20.2</b>	<b>\$ 20.0</b>	<b>\$ 98.9</b>	<b>\$ 111.2</b>	<b>\$ 48.6</b>	<b>\$ 51.2</b>
<b>Expenses</b>								
General government administration	4.0	4.0	-	-	4.0	4.0	-	-
Judicial administration	3.0	2.9	-	-	3.0	2.9	-	-
Public safety	17.8	17.6	-	-	17.8	17.6	-	-
Public works	9.2	7.8	-	-	9.2	7.8	-	-
Health and welfare	7.7	7.2	-	-	7.7	7.2	-	-
Education	25.4	25.4	-	-	25.4	25.4	48.8	47.3
Parks, recreation and culture	3.4	3.4	-	-	3.4	3.4	-	-
Community development	2.4	1.7	-	-	2.4	1.7	-	-
Interest on long-term debt	4.0	4.2	-	-	4.0	4.2	-	-
Water and sewer	-	-	17.1	15.9	17.1	15.9	-	-
Bus service	-	-	-	1.0	-	1.0	-	-
<b>Total expenses</b>	<b>76.9</b>	<b>74.2</b>	<b>17.1</b>	<b>16.9</b>	<b>94.0</b>	<b>91.1</b>	<b>48.8</b>	<b>47.3</b>
<b>Increase (decrease) in net assets</b>								
<b>before transfers</b>	<b>1.8</b>	<b>17.0</b>	<b>3.1</b>	<b>3.1</b>	<b>4.9</b>	<b>20.1</b>	<b>(0.2)</b>	<b>3.9</b>
Transfers	3.3	1.9	(3.3)	(1.9)	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b>5.1</b>	<b>18.9</b>	<b>(0.2)</b>	<b>1.2</b>	<b>4.9</b>	<b>20.1</b>	<b>(0.2)</b>	<b>3.9</b>
<b>Net Assets - beginning</b>								
<b>as restated (Note 17)</b>	<b>6.3</b>	<b>(12.6)</b>	<b>44.6</b>	<b>43.4</b>	<b>50.9</b>	<b>30.8</b>	<b>120.6</b>	<b>116.7</b>
<b>Net Assets - ending</b>	<b>\$ 11.4</b>	<b>\$ 6.3</b>	<b>\$ 44.4</b>	<b>\$ 44.6</b>	<b>\$ 55.8</b>	<b>\$ 50.9</b>	<b>\$ 120.4</b>	<b>\$ 120.6</b>

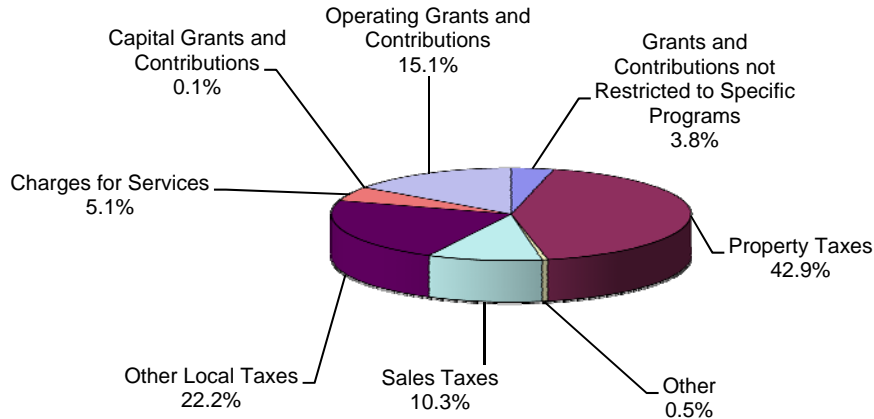
As shown in Table 2, the City's revenues from governmental activities totaled \$78.7 million for FY2011, a decrease of \$12.5 million from FY2010. As shown in Figure A, the City received 75.4% of its revenue from taxes. The major source of revenue for the City was property taxes (\$33.8 million or 42.9%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2011 decreased by approximately 11.4% from the prior year, due to the decline in residential property values. While tax revenues (property, sales, and other taxes) increased \$1.2 million from the prior year, capital grants and contributions revenue decreased by \$16.2 million due to the absence of any new road improvements donated to the City from the state.



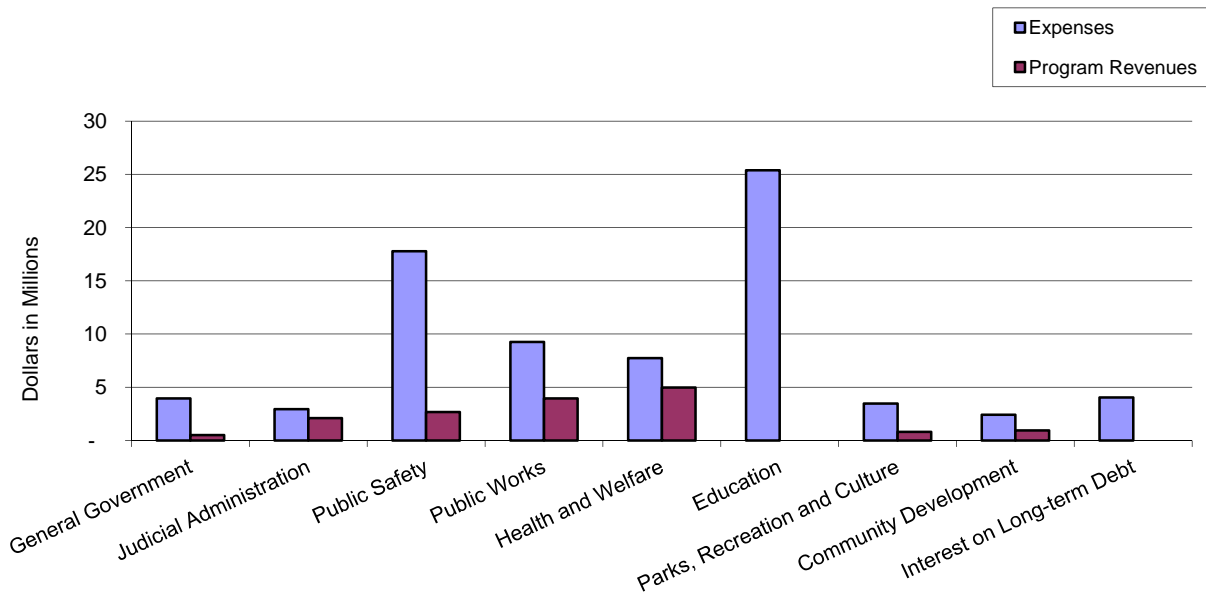
### Government-wide Financial Analysis (Continued)

The City's expenses from governmental activities totaled \$76.9 million (Table 2) for the fiscal year ended June 30, 2011, a decrease of \$2.7 million from the prior year. As shown in Figure B, education was the largest expense at \$25.4 million or 33.0% of total governmental expenses. Public safety was the second largest expense at \$17.8 million or 23.1% of total governmental expenses.

**Figure A**  
**Revenues by Source – Governmental Activities**



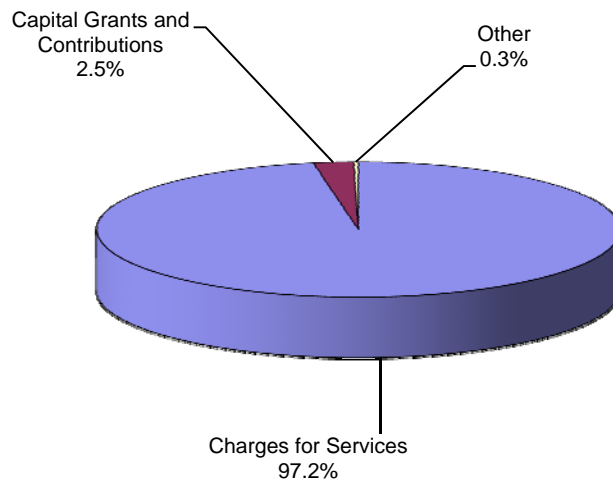
**Figure B**  
**Expenses and Program Revenues – Governmental Activities**



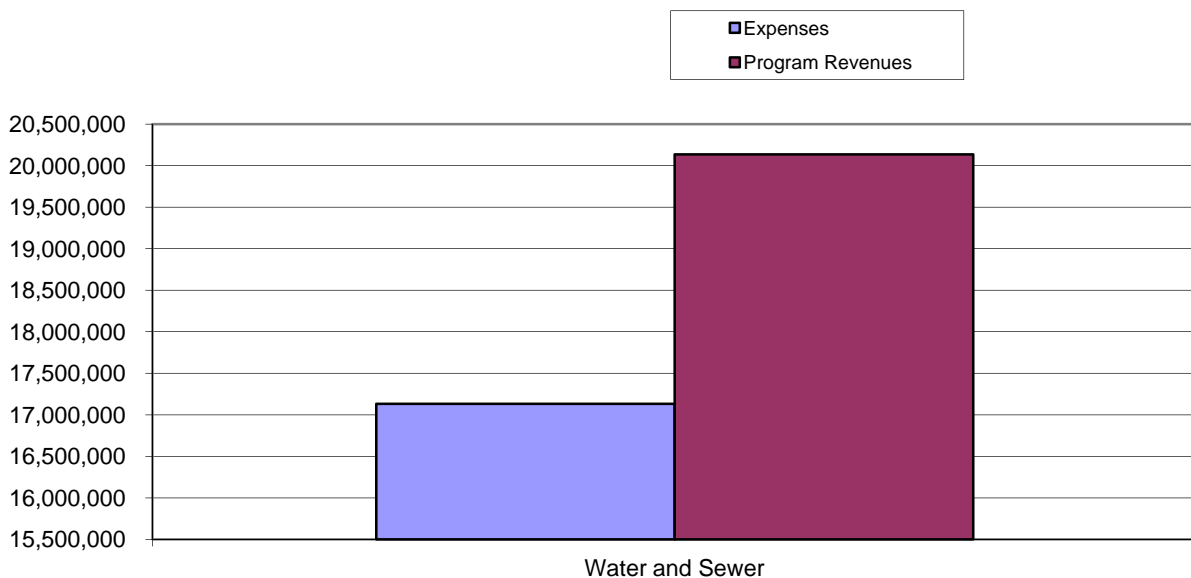
## Government-wide Financial Analysis (Continued)

**Business-type activities.** The City's business-type activities include the water and sewer fund. The net assets of these business-type activities totaled \$44.4 million (Table 2) a decrease of \$0.2 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 \$19.6 million or 97.2% of the total revenues for business-type activities. Capital grants and contributions decreased \$1.1 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 \$17.1 million (Table 2) an increase of \$0.2 million from the prior year. This increase in expenses is due to increased costs associated with the water and sewer operations.

**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. During 2011, the City implemented GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The new standard replaces the previous reserved, unreserved, and designated fund balance categories with five classifications: nonspendable, restricted, committed, assigned, and unassigned.

Fund balances are the differences between assets and liabilities in governmental funds.

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance include 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 balances 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, 2011, the City's governmental funds reported combined fund balances of \$23.0 million, an increase of \$1.4 million in comparison with the prior year. Approximately \$18.6 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, 2011, the unassigned fund balance of the general fund was \$18.6 million, while total fund balance reached \$20.9 million. Unassigned fund balance represents 27.7% of total general fund expenditures, as a measure of the general fund's liquidity.

Fund balance in the City's general fund increased by \$2.0 million during the current fiscal year. The key factor for the increase was due to the increase in operating grants and contributions (\$1.7 million) which resulted from the consolidation of several special revenue funds into the general fund.

**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 assets of the City's water and sewer fund for the fiscal year ended June 30, 2011, amounted to \$1.1 million, an increase of \$0.7 million from the prior year. The increase in the water and sewer can be attributed to the construction projects.

### **General Fund Budgetary Highlights**

This was the City's second year of using an annual budget process instead of a biennial budget process. City Council revised the City budget two times over the course of the year. The difference between the original budget and the final amended budget of expenditures for the general fund was an increase of \$2.7 million, \$1.4 million for community development and \$1.3 million due to the consolidation of three non-major governmental funds into the general fund.

Actual revenues were above final budget amounts by \$1.3 million, while actual expenditures were \$1.3 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes were above estimated revenues by \$0.8 million, mainly due to the increases in sales tax revenue. This increase is the result of the strong retail base in the City.
- Revenues from other revenues, including general property taxes were comparable with the budget amounts.
- Actual combined general government, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were \$0.8 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Community development was \$0.5 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, 2011, amounts to \$214.1 million net of depreciation, which represents an increase of \$25.5 million, or 13.5% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 8 to the financial statements.

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

- Water and sewer line replacements totaled \$5.6 million
- Renovation of the Percy D. Miller Water Treatment Plant; construction in progress at June 30, 2011 totaled \$33.3 million.
- Increase in purchased capacity at Frederick-Winchester Service Authority totaled \$14.0 million.

Table 3 summarizes the City's capital assets as of June 30, 2010 and 2011.

**Table 3**  
**City of Winchester's Capital Assets**  
**(net of depreciation)**  
**Fiscal Year ended June 30, 2011**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,285,693	\$ 4,102,510	\$ 1,201,485	\$ 1,201,485	\$ 5,487,178	\$ 5,303,995
Construction in progress	168,385	26,514	36,524,091	25,627,676	36,692,476	25,654,190
Buildings	21,565,033	21,205,809	1,687,890	2,740,692	23,252,923	23,946,501
Improvements other than buildings	3,337,935	3,505,029	5,441	5,896	3,343,376	3,510,925
Infrastructure	45,737,006	48,048,923	72,386,578	68,380,101	118,123,584	116,429,024
Machinery & Equipment	3,729,723	3,670,410	1,474,976	2,148,365	5,204,699	5,818,775
FWSA purchased capacity	-	-	22,057,949	7,968,846	22,057,949	7,968,846
<b>Total Capital Assets</b>	<b>\$ 78,823,775</b>	<b>\$ 80,559,195</b>	<b>\$ 135,338,410</b>	<b>\$ 108,073,061</b>	<b>\$ 214,162,185</b>	<b>\$ 188,632,256</b>

**Long-term debt.** As shown in Table 4, the City of Winchester had total debt outstanding of \$181.7 million, for the fiscal year ended June 30, 2011, an increase of \$17.0 million from the fiscal year ended June 30, 2010. This entire amount is backed by the full faith and credit of the City, with \$91.6 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2011, the City retired \$9.1 million of outstanding principal and issued \$26.1 million of revenue bonds to fund utility projects. More detailed information regarding the City's long-term debt can be found in Note 10 to the financial statements.

## **Capital Assets and Debt Administration (Continued)**

**Table 4**  
**City of Winchester's Outstanding Debt**  
**Fiscal Year ended June 30, 2011**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
General Obligation Bonds	\$ 90,109,540	\$ 95,870,531	\$ 23,779,501	\$ 25,444,814	\$ 113,889,041	\$ 121,315,345
Revenue Bonds	-	-	47,610,000	36,215,000	47,610,000	36,215,000
Obligations payable	-	-	20,221,937	7,232,324	20,221,937	7,232,324
<b>Total Outstanding Debt</b>	<b>\$ 90,109,540</b>	<b>\$ 95,870,531</b>	<b>\$ 91,611,438</b>	<b>\$ 68,892,138</b>	<b>\$ 181,720,978</b>	<b>\$ 164,762,669</b>

The City's General Obligation Bonds in prior bond issues have been rated AA+ by Standard & Poor's Corporation, and Aa2 by Moody's Investors Service. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City's legal debt limit is \$278.6 million. As of June 30, 2011, the City's total debt applicable to the limitation totaled \$113.9 million, leaving a legal debt margin of \$164.7 million.

## **Economic Factors and Next Year's Budgets and Rates**

- The City of Winchester completed an Economic Development Master Plan and adopted the updated Comprehensive Plan. The goal described in both of these new plans is to attract young professionals, and families headed by individuals over the age of 55. These are the two largest growing population segments in the country, with the largest amounts of disposable income and the minimal impact on municipal services. Our plans call for major changes in land use to allow for more mixed use development and increases in housing density with the hope that these changes will allow for the development of appropriate housing and work environments required to attract these population segments. These two populations groups will help provide a skilled workforce for future employment, particularly in our growing health services industries, along with providing market support for our retail and service sectors.
- The City will continue with additional water and sewer replacement projects in other areas of the City during the coming years, including Amherst Street and the Pedestrian Walking Mall, and will be implementing water and sewer rate increases each year during the next two years to finance the additional debt service for these projects. These rate increases have already been approved by City Council and a 14% rate increase will go into effect on June 1, 2012 and an additional 14% rate increase will go into effect on June 1, 2013.
- For the month of June 2011, the City's unemployment rate was 7.3%, compared to the State's 6.3% and Federal rate of 9.3%.

## **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 Director of Finance, City of Winchester, 15 N. Cameron Street, Winchester, VA 22601.

## BASIC FINANCIAL STATEMENTS.

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## GOVERNMENT WIDE FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA**

**STATEMENT OF NET ASSETS**

**June 30, 2011**

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
<b>ASSETS</b>					
Cash	\$ 16,525,144	\$ 1,118,731	\$ 17,643,875	\$ 5,696,766	\$ 781,766
Investments	7,388,845	510,710	7,899,555	2,600,114	354,424
Receivables, net:					
Taxes, including penalties	2,076,364	-	2,076,364	-	-
Accounts	452,815	3,019,437	3,472,252	88,608	3,696
Promises to give	-	-	-	1,488,776	-
Due from other governments	4,222,943	-	4,222,943	2,161,423	-
Internal balances	231,797	(231,797)	-	-	-
Prepays	53,000	-	53,000	19,762	-
Inventories	132,754	108,445	241,199	28,765	-
Deferred charges	512,552	700,767	1,213,319	-	185,585
Restricted cash	-	1,264,833	1,264,833	-	-
Capital assets:					
Nondepreciable	4,454,078	37,725,576	42,179,654	2,307,970	71,037
Depreciable, net	74,369,697	97,612,834	171,982,531	112,384,739	8,970,131
Total assets	<u>110,419,989</u>	<u>141,829,536</u>	<u>252,249,525</u>	<u>126,776,923</u>	<u>10,366,639</u>
<b>LIABILITIES</b>					
Accounts payable and other current					
liabilities	3,386,686	2,567,502	5,954,188	4,959,669	427,182
Accrued interest	956,677	865,429	1,822,106	-	176,312
Unearned revenue	691,442	-	691,442	-	-
Noncurrent liabilities:					
Due within one year	5,874,249	4,436,675	10,310,924	232,000	176,038
Due in more than one year	88,054,109	89,561,673	177,615,782	1,101,066	8,681,628
Total liabilities	<u>98,963,163</u>	<u>97,431,279</u>	<u>196,394,442</u>	<u>6,292,735</u>	<u>9,461,160</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	62,402,348	43,480,262	105,882,610	114,692,709	400,647
Unrestricted	(50,945,522)	917,995	(50,027,527)	5,791,479	504,832
Total net assets	<u>\$ 11,456,826</u>	<u>\$ 44,398,257</u>	<u>\$ 55,855,083</u>	<u>\$ 120,484,188</u>	<u>\$ 905,479</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Exhibit 2

					Net (Expenses) Revenues and Changes in Net Assets				
Program Revenues					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 3,951,051	\$ 276,960	\$ 233,064	\$ -	\$ (3,441,027)		\$ (3,441,027)		
Judicial administration	2,935,921	781,054	1,319,527	-	(835,340)		(835,340)		
Public safety	17,771,948	1,031,282	1,638,908	-	(15,101,758)		(15,101,758)		
Public works	9,257,342	788,258	3,128,784	36,524	(5,303,776)		(5,303,776)		
Health and welfare	7,730,706	70,083	4,900,371	-	(2,760,252)		(2,760,252)		
Education	25,378,193	-	-	-	(25,378,193)		(25,378,193)		
Parks, recreation, and culture	3,461,791	732,187	75,823	-	(2,653,781)		(2,653,781)		
Community development	2,414,352	312,354	630,991	-	(1,471,007)		(1,471,007)		
Interest on long-term debt	4,036,885	-	-	-	(4,036,885)		(4,036,885)		
Total governmental activities	76,938,189	3,992,178	11,927,468	36,524	(60,982,019)		(60,982,019)		
Business-type activities:									
Water and sewer	17,132,555	19,636,840	-	498,821	-	\$ 3,003,106	3,003,106		
Total business-type activities	17,132,555	19,636,840	-	498,821	-	3,003,106	3,003,106		
Total primary government	\$ 94,070,744	\$ 23,629,018	\$ 11,927,468	\$ 535,345	(60,982,019)	3,003,106	(57,978,913)		
<b>Component units:</b>									
School board	\$ 48,837,882	\$ 880,295	\$ 19,926,049	\$ 2,216,821				\$ (25,814,717)	\$ -
Parking authority	1,243,344	856,719	-	-				-	(386,625)
Total component unit	\$ 50,081,226	\$ 1,737,014	\$ 19,926,049	\$ 2,216,821				(25,814,717)	(386,625)
General revenues:									
Taxes:									
Property taxes					33,797,432	-	33,797,432	-	-
Sales taxes					8,086,528	-	8,086,528	-	-
Utility taxes					1,987,027	-	1,987,027	-	-
Business license taxes					5,451,253	-	5,451,253	-	-
Franchise taxes					349,004	-	349,004	-	-
Hotel and meals taxes					5,671,611	-	5,671,611	-	-
Communication taxes					2,260,141	-	2,260,141	-	-
Other local taxes					1,762,905	-	1,762,905	-	-
Sale of right-of-way					250,000	-	250,000	-	-
Miscellaneous					4,304	45,146	49,450	236,623	5,699
Payments from City					-	-	-	25,351,902	-
Grants and contributions not restricted to specific programs					2,997,533	-	2,997,533	-	-
Unrestricted investment earnings					146,478	12,746	159,224	79,639	10,935
Transfers					3,321,749	(3,321,749)	-	-	-
Total revenues and transfers					66,085,965	(3,263,857)	62,822,108	25,668,164	16,634
Change in net assets					5,103,946	(260,751)	4,843,195	(146,553)	(369,991)
Net assets - beginning, as restated (See Note 17)					6,352,880	44,659,008	51,011,888	120,630,741	1,275,470
Net assets - ending					\$ 11,456,826	\$ 44,398,257	\$ 55,855,083	\$ 120,484,188	\$ 905,479

## FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 13,267,245	\$ 1,585,994	\$ 14,853,239
Investments	6,055,430	724,000	6,779,430
Receivables, net:			
Taxes, including penalties	2,076,364	-	2,076,364
Accounts	195,492	243,803	439,295
Prepays	-	40,000	40,000
Inventories	11,950	-	11,950
Due from other funds	338,000	-	338,000
Due from other governments	3,336,166	886,777	4,222,943
Total assets	<u>\$ 25,280,647</u>	<u>\$ 3,480,574</u>	<u>\$ 28,761,221</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 717,544	\$ 625,263	\$ 1,342,807
Deposits payable	128,071	-	128,071
Accrued payroll	749,483	182,716	932,199
Due to other funds	-	338,000	338,000
Deferred revenues	2,699,231	225,611	2,924,842
Total liabilities	<u>4,294,329</u>	<u>1,371,590</u>	<u>5,665,919</u>
Fund balances:			
Nonspendable	11,950	40,000	51,950
Restricted	441,131	-	441,131
Committed	950,000	-	950,000
Assigned	931,312	2,068,984	3,000,296
Unassigned	18,651,925	-	18,651,925
Total fund balances	<u>20,986,318</u>	<u>2,108,984</u>	<u>23,095,302</u>
Total liabilities and fund balances	<u>\$ 25,280,647</u>	<u>\$ 3,480,574</u>	

Amounts reported for governmental activities in the Statement of Net

Assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 78,802,748

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 2,233,400

Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 1,086,405

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (93,761,029)

Net assets of governmental activities \$ 11,456,826

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 33,942,158	\$ -	\$ 33,942,158
Other local taxes	25,568,470	-	25,568,470
Permits, privilege fees, and regulatory licenses	292,644	-	292,644
Fines and forfeitures	221,715	-	221,715
Revenues from use of money and property	299,931	15,075	315,006
Charges for services	839,375	1,006,658	1,846,033
Miscellaneous	604,176	160,751	764,927
Recovered costs	1,008,042	37,181	1,045,223
Intergovernmental:			
Commonwealth	6,218,343	5,054,663	11,273,006
Federal	759,422	2,704,860	3,464,282
Total revenues	<u>69,754,276</u>	<u>8,979,188</u>	<u>78,733,464</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	3,690,586	-	3,690,586
Judicial administration	2,737,509	31,396	2,768,905
Public safety	16,544,510	927,112	17,471,623
Public works	2,941,043	4,017,679	6,958,722
Health and welfare	1,078,574	6,648,612	7,727,186
Education	25,378,193	-	25,378,193
Parks, recreation, and culture	3,047,340	70,316	3,117,656
Community development	2,135,250	196,799	2,332,049
Debt service:			
Principal retirement	5,760,991	-	5,760,991
Interest and fiscal charges	4,132,168	-	4,132,168
Total expenditures	<u>67,446,164</u>	<u>11,891,914</u>	<u>79,338,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,308,112</u>	<u>(2,912,726)</u>	<u>(604,614)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of right-of-way	250,000	-	250,000
Insurance recoveries	4,304	-	4,304
Transfers in	2,211,528	3,222,191	5,433,719
Transfers out	(2,713,105)	(876,681)	(3,589,786)
Total other financing sources and uses	<u>(247,273)</u>	<u>2,345,510</u>	<u>2,098,237</u>
Net change in fund balances	2,060,839	(567,216)	1,493,623
Fund balance - beginning (as restated, Note 17)	<u>18,925,479</u>	<u>2,676,200</u>	<u>21,601,679</u>
Fund balance - ending	<u>\$ 20,986,318</u>	<u>\$ 2,108,984</u>	<u>\$ 23,095,302</u>



**CITY OF WINCHESTER, VIRGINIA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 1,493,623
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 \$918,238 exceeded depreciation \$4,119,492 in the current period.	(3,201,254)
In the statement of activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the <i>cost</i> of the property sold.	(42,352)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(267,382)
The transfer of capital assets and accrued leave from a non-major enterprise fund to governmental activities.	1,477,816
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the transaction has no effect on net assets.	5,760,991
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.	53,172
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(170,668)
Change in net assets of governmental activities	<u>\$ 5,103,946</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2011**

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 34,049,500	\$ 33,869,500	\$ 33,942,158	\$ 72,658
Other local taxes	24,582,000	24,762,000	25,568,470	806,470
Permits, privilege fees, and regulatory licenses	262,000	259,800	292,644	32,844
Fines and forfeitures	150,000	152,200	221,715	69,515
Revenues from use of money and property	408,500	408,500	299,931	(108,569)
Charges for services	910,500	934,500	839,375	(95,125)
Miscellaneous	156,500	153,500	604,176	450,676
Recovered costs	900,000	864,000	1,008,042	144,042
Intergovernmental:				
Commonwealth	5,787,000	6,155,300	6,218,343	63,043
Federal	-	805,759	759,422	(46,337)
Total revenues	67,206,000	68,365,059	69,754,276	1,389,217
<b>EXPENDITURES</b>				
Current:				
General government administration:				
Legislative	118,800	118,800	118,398	402
General and financial administration	3,573,933	3,877,108	3,440,832	436,276
Board of elections	158,500	158,500	131,356	27,144
Total general government administration	3,851,233	4,154,408	3,690,586	463,822
Judicial administration:				
Courts	1,654,300	1,787,219	1,755,845	31,374
Commonwealth attorney	921,500	983,443	981,664	1,779
Total judicial administration	2,575,800	2,770,662	2,737,509	33,153
Public safety:				
Law enforcement and traffic control	6,620,049	7,023,040	6,899,103	123,937
Fire and rescue services	4,258,754	4,207,754	4,188,220	19,534
Correction and detention	3,685,053	3,852,004	3,851,354	650
Inspections	466,100	466,100	436,460	29,640
Other Protection	1,052,200	1,225,756	1,169,373	56,383
Total public safety	16,082,156	16,774,654	16,544,510	230,144
Public Works:				
Maintenance of highways, streets, bridges and sidewalks	56,400	43,200	28,468	14,732
Sanitation and waste removal	1,155,800	1,155,800	1,132,487	23,313
Maintenance of buildings and grounds	1,764,600	1,853,300	1,780,088	73,212
Total public works	2,976,800	3,052,300	2,941,043	111,257
Health and welfare:				
Health	243,321	243,321	243,321	-
Chapter X board	183,307	183,307	183,307	-
Welfare/Human Services	700,000	675,000	651,946	23,054
Total Health and Welfare	1,126,628	1,101,628	1,078,574	23,054
Education:				
Contributions to community college	26,291	26,291	26,291	-
Contributions to School Board	25,351,902	25,351,902	25,351,902	-
Total Education	25,378,193	25,378,193	25,378,193	-
Parks, recreation, and cultural:				
Parks and recreation	2,419,400	2,528,050	2,518,674	9,376
Cultural enrichment	147,575	147,575	143,640	3,935
Contribution to Regional Library	385,026	385,026	385,026	-
Total parks, recreation, and cultural	2,952,001	3,060,651	3,047,340	13,311

continued

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Exhibit 6 (Cont'd)
	Original	Final	Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (continued)</b>				
Current: (continued)				
Community development:				
Planning and community development	\$ 1,246,591	\$ 2,638,591	\$ 2,135,250	\$ 503,341
Total community development	<u>1,246,591</u>	<u>2,638,591</u>	<u>2,135,250</u>	<u>503,341</u>
Debt service:				
Principal retirement	5,761,102	5,761,102	5,760,991	111
Interest and fiscal charges	<u>4,109,398</u>	<u>4,134,398</u>	<u>4,132,168</u>	<u>2,230</u>
Total debt service	<u>9,870,500</u>	<u>9,895,500</u>	<u>9,893,159</u>	<u>2,341</u>
Total expenditures	<u>66,059,902</u>	<u>68,826,587</u>	<u>67,446,164</u>	<u>1,380,423</u>
Excess of revenues over expenditures	<u>1,146,098</u>	<u>(461,528)</u>	<u>2,308,112</u>	<u>2,769,640</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of right-of-way	-	-	250,000	250,000
Insurance recoveries	-	-	4,304	4,304
Transfers in	1,600,000	1,890,000	2,211,528	321,528
Transfers out	<u>(3,746,098)</u>	<u>(3,706,849)</u>	<u>(2,713,105)</u>	<u>993,744</u>
Total other financing sources (uses)	<u>(2,146,098)</u>	<u>(1,816,849)</u>	<u>(247,273)</u>	<u>1,569,576</u>
Net change in fund balances	<u>\$ (1,000,000)</u>	<u>\$ (2,278,377)</u>	<u>\$ 2,060,839</u>	<u>\$ 4,339,216</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

Exhibit 7

	Business-type Activities- Enterprise Funds			Governmental Activities
	Major	Nonmajor		
	Water and Sewer Fund	Bus Service Fund	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,118,731	\$ -	\$ 1,118,731	\$ 1,671,905
Investments	510,710	-	510,710	609,415
Accounts receivable, net	3,019,437	-	3,019,437	13,520
Prepays	-	-	-	13,000
Inventories	108,445	-	108,445	120,804
Total current assets	<u>4,757,323</u>	<u>-</u>	<u>4,757,323</u>	<u>2,428,644</u>
Noncurrent assets:				
Restricted cash	1,264,833	-	1,264,833	-
Deferred charges	700,767	-	700,767	-
Capital assets:				
Nondepreciable	37,725,576	-	37,725,576	-
Depreciable, net	97,612,834	-	97,612,834	21,027
Total capital assets, net	<u>135,338,410</u>	<u>-</u>	<u>135,338,410</u>	<u>21,027</u>
Total noncurrent assets	<u>137,304,010</u>	<u>-</u>	<u>137,304,010</u>	<u>21,027</u>
Total assets	<u>142,061,333</u>	<u>-</u>	<u>142,061,333</u>	<u>2,449,671</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,211,960	-	2,211,960	972,111
Customer deposits	224,239	-	224,239	-
Accrued payroll	131,303	-	131,303	11,498
Accrued interest	865,429	-	865,429	-
Bonds payable and other obligations - current	4,436,675	-	4,436,675	-
Total current liabilities	<u>7,869,606</u>	<u>-</u>	<u>7,869,606</u>	<u>983,609</u>
Noncurrent liabilities:				
Compensated absences	174,600	-	174,600	20,377
Net OPEB obligation	-	-	-	591,077
Bonds payable and other obligations	89,387,073	-	89,387,073	-
Total noncurrent liabilities	<u>89,561,673</u>	<u>-</u>	<u>89,561,673</u>	<u>611,454</u>
Total liabilities	<u>97,431,279</u>	<u>-</u>	<u>97,431,279</u>	<u>1,595,063</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	43,480,262	-	43,480,262	21,027
Unrestricted	1,149,792	-	1,149,792	833,581
Total net assets	<u>\$ 44,630,054</u>	<u>\$ -</u>	<u>44,630,054</u>	<u>\$ 854,608</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(231,797)	
Net assets of business-type activities			<u>\$ 44,398,257</u>	

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 8

	Business-type Activities- Enterprise Funds			Governmental Activities
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>OPERATING REVENUES</b>				
Revenue from use of property	\$ 3,850	\$ -	\$ 3,850	\$ -
Charges for services	15,864,280	-	15,864,280	4,979,695
Miscellaneous	45,146	-	45,146	-
Recovered costs	3,768,710	-	3,768,710	-
Total operating revenues	19,681,986	-	19,681,986	4,979,695
<b>OPERATING EXPENSES</b>				
Personal services	3,540,613	-	3,540,613	509,262
Contractual services	4,530,503	-	4,530,503	131,053
Other supplies and expenses	3,591,103	-	3,591,103	765,780
Insurance claims and expenses	-	-	-	3,783,612
Depreciation	2,675,909	-	2,675,909	1,525
Total operating expenses	14,338,128	-	14,338,128	5,191,232
Operating income (loss)	5,343,858	-	5,343,858	(211,537)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental:				
Federal	208,171	-	208,171	-
Investment earnings	12,746	-	12,746	14,422
Interest and fiscal charges	(2,607,171)	-	(2,607,171)	-
Loss on disposal of capital assets	(160,809)	-	(160,809)	-
Total nonoperating revenues (expenses)	(2,547,063)	-	(2,547,063)	14,422
Income before contributions and transfers	2,796,795	-	2,796,795	(197,115)
Capital contributions	290,650	-	290,650	-
Transfers out	(1,600,000)	(1,721,749)	(3,321,749)	-
Change in net assets	1,487,445	(1,721,749)	(234,304)	(197,115)
Total net assets - beginning (as restated, Note 17)	43,142,609	1,721,749		1,051,723
Total net assets - ending	\$ 44,630,054	\$ -		\$ 854,608
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(26,447)	
Change in net assets of business-type activities			\$ (260,751)	

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 9

	Business-type Activities- Enterprise Funds			Governmental Activities
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers and users	\$ 15,733,218	\$ -	\$ 15,733,218	\$ 4,986,667
Cash paid to suppliers	(8,093,903)	-	(8,093,903)	(876,919)
Cash paid to employees	(3,544,411)	-	(3,544,411)	(309,297)
Premiums paid	-	-	-	(3,987,658)
Other receipts	3,817,706	-	3,817,706	-
Net cash provided (used) by operating activities	7,912,610	-	7,912,610	(187,207)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Subsidy from grants	208,171	-	208,171	-
Transfer to other funds	(1,600,000)	(309)	(1,600,309)	-
Net cash used in noncapital financing activities	(1,391,829)	(309)	(1,392,138)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	26,844,647	-	26,844,647	-
Acquisition and construction of capital assets	(31,426,405)	-	(31,426,405)	-
Principal paid on capital debt	(3,397,180)	-	(3,397,180)	-
Interest paid on capital debt	(3,677,015)	-	(3,677,015)	-
Bond issue costs	(151,138)	-	(151,138)	-
Net cash used in capital and related financing activities	(11,807,091)	-	(11,807,091)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	12,746	-	12,746	14,422
Net cash provided by investing activities	12,746	-	12,746	14,422
Net decrease in cash and cash equivalents	(5,273,564)	(309)	(5,273,873)	(172,785)
Cash and cash equivalents - beginning of year	8,167,838	309	8,168,147	2,454,105
Cash and cash equivalents - end of year	\$ 2,894,274	\$ -	\$ 2,894,274	\$ 2,281,320

**CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:**

Cash	\$ 1,118,731	\$ -	\$ 1,118,731	\$ 1,671,905
Cash equivalents - investments	510,710	-	510,710	609,415
Restricted cash	1,264,833	-	1,264,833	-
Total	\$ 2,894,274	\$ -	\$ 2,894,274	\$ 2,281,320

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 9 (Cont'd)

	Business-type Activities- Enterprise Funds			Governmental Activities
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>RECONCILIATION OF OPERATION (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 5,343,858	\$ -	\$ 5,343,858	\$ (211,537)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	2,675,909	-	2,675,909	1,525
(Increase) decrease in:				
Accounts receivable	(110,290)	-	(110,290)	6,972
Prepays	-	-	-	(51,593)
Inventories	16,566	-	16,566	(132,540)
Increase (decrease) in:				
Accounts payable	11,137	-	11,137	-
Accrued payroll	18,507	-	18,507	1,437
Net OPEB obligation	-	-	-	194,077
Compensated absences	(22,305)	-	(22,305)	4,452
Customer deposits	(20,772)	-	(20,772)	-
Total adjustments	<u>2,568,752</u>	<u>-</u>	<u>2,568,752</u>	<u>24,330</u>
Net cash provided (used) by operating activities	<u>\$ 7,912,610</u>	<u>\$ -</u>	<u>\$ 7,912,610</u>	<u>\$ (187,207)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>				
Capital contributions of water and sewer lines from developers	\$ 290,650	\$ -	\$ 290,650	\$ -
Capital asset purchases included in accounts payable at year end	\$ 1,477,299	\$ -	\$ 1,477,299	\$ -
Capitalized interest	\$ 1,277,834	\$ -	\$ 1,277,834	\$ -

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2011**

		Exhibit 10
		Total Agency Funds
<hr/>		
<b>ASSETS</b>		
Cash	\$	849,006
Investments		952,027
Accounts receivable		8,752
Total assets	\$	<u>1,809,785</u>
 <b>LIABILITIES</b>		
Accounts payable	\$	18,925
Accrued payroll		73,720
Amounts held for human services clients		12,317
Amounts held for NRJA		569,835
Amounts held for NRJDC		1,134,988
Total liabilities	\$	<u>1,809,785</u>



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the City conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the 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 eleven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. 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 is described further in Note 10.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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 2011, the City provided total support of \$13,034.

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 2011, the City provided total support of \$292,056.

Separate financial statements for these joint ventures may be obtained at the entity's Administrative offices as follows:

Frederick-Winchester Service Authority  
P. O. Box 43  
Winchester, VA 22604

Winchester Regional Airport Authority  
491 Airport Road  
Winchester, VA 22602

Northwestern Juvenile Detention Center Commission  
145 Fort Collier Road  
Winchester, VA 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.

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 \$385,026 to the Board for operating support for 2011.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

*Special revenue funds* account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Human Services Fund, Comprehensive Services Fund, Federal and State Grants Fund, Community Development Block Grant Fund, Housing Choice Voucher Program Fund, Housing Fund, Highway Maintenance Fund, Emergency Medical Services Fund, Winchester-Frederick County Convention and Visitors Bureau Fund, Law Library Fund, Asset Forfeiture Fund, and Bus Fund. A number of these funds were closed in the current year and their residual balances transferred to other funds.

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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. The Water and Sewer Fund, which accounts for the operation of the City's water distribution system and sewage collection system, 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 Northern Shenandoah CSA trust fund, 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 human services clients, regional jail construction, and a regional juvenile detention center.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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, bus 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Assets, Liabilities, and Net Assets or Equity**

*Deposits and Investments*

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

*Receivables and Payables*

Activity between funds that are 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.

*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.

*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  
Due Date

January 1  
June 5/December 5

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

*Motor Vehicles*

The City employs an innovative system providing for both proration and monthly billing/assessment for personal property taxes on motor vehicles. Property is assessed on the date which a vehicle gains situs 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.

Levy Date	Date on which legal situs is attained
Due Date	Thirty days after assessment

*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, consisted of the following:

General fund (property taxes, penalties, and interest)	\$ 2,016,956
Emergency medical service fund	57,074
Water and sewer fund	<u>119,672</u>
	<u><u>\$ 2,193,702</u></u>

*Use of Estimates*

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

*Capital Assets*

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



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

*Capital Assets (Continued)*

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. \$1,693,672 of interest was capitalized during the current year.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

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

*Compensated Absences*

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the City has accrued the liability arising from compensated absences.

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

*Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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

*Fund Balances*

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

The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the City, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** - Amounts the City intends to use for a specified purpose; intent can be expressed by the governing body or by other officials designated this authority.
- **Unassigned** –Amounts that are available for any purpose; positive amounts are reported only in the general fund.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

*Restricted Amounts*

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

*Minimum Fund Balance Policy*

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

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

*Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2011 total \$111,437 in the general fund, \$105,066 in the capital improvements fund, and \$240,087 in the school capital improvements fund.

*Net Assets*

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

*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 Assets (Exhibit 1), the school related debt reduces *unrestricted net assets* for the primary government, while the capital assets are reported in *net assets invested in capital assets, net of related debt* for the School Board.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of these differences for the primary government and school board are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Bonds payable	\$ 90,109,540	\$ -
Less: Unamortized bond issue costs	(512,552)	-
Less: Deferred charge on refunding	(326,231)	-
Plus: Issuance premium	1,613,005	-
Accrued interest payable	956,677	-
Compensated absences	1,920,590	1,333,066
	<u>\$ 93,761,029</u>	<u>\$ 1,333,066</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.” The details of this difference in the primary government are as follows:

Net assets of the internal service funds	\$ 854,608
Add: Internal receivable representing costs in excess of charges to business-type activities – prior years	205,350
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	26,447
	<u>\$ 1,086,405</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of these differences for the primary government and school board are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Principal repayments:		
Capital lease	\$ -	\$ 867,785
General obligation debt	5,760,991	-
	<u>\$ 5,760,991</u>	<u>\$ 867,785</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)**

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these differences for the primary government and school board, respectively, is as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Compensated absences	\$ (42,110)	\$ 4,322
Accrued interest	61,837	-
Amortization of debt issue costs	(70,062)	-
Amortization of issuance premium	201,385	-
Amortization of deferred charge on refunding	(97,878)	-
	<u>\$ 53,172</u>	<u>\$ 4,322</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.” The details of this difference in the primary government are as follows:

Changes in net assets of the internal service funds	\$ (197,115)
Add: Loss from costs in excess of charges to business-type activities	<u>26,447</u>
	<u>\$ (170,668)</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets**

The proprietary fund statement of net assets includes a reconciliation between *net assets-total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statements of net assets. The description of the sole element of that reconciliation is “Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.” The details of this difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities – prior years	\$ (205,350)
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>(26,447)</u>
	<u><u>\$ (231,797)</u></u>

**Note 3. Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 3. Stewardship, Compliance, and Accountability (Continued)**

**Budgetary Information (Continued)**

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 increase of \$108,650 in the general fund, and \$7,013 in the school operating fund.

**Note 4. Deposits and Investments**

**Deposits**

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

**Investments**

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

*Credit Risk* - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP). The City has no investment policy that would further limit its investment choices.

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	\$ 11,008,360	AAA	3.48
Mutual Funds	523,638	AA- to AA	N/A
LGIP	307,119	AAAm	N/A
SNAP	1,834,669	AAAm	N/A
Total investments	<u>\$ 13,673,786</u>		

\* - Average Maturity in Years



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 4. Deposits and Investments**

**Investments (Continued)**

**Concentration of Credit Risk:**

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

<u>Issuer</u>	<u>Percent of Total Portfolio</u>
SNAP	13.42%
Federal National Mortgage Association	43.92%
Federal Home Loan Mortgage Corporation	36.58%

**Interest Rate Risk:**

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

	<u>Component Units</u>		
	<u>Primary Government</u>	<u>School Board</u>	<u>Winchester Parking Authority</u>
Deposits and investments:			
Cash on hand	\$ 3,675	\$ -	\$ -
Deposits	18,489,206	5,957,386	781,766
Investments	10,116,415	3,202,947	354,424
	<u>\$ 28,609,296</u>	<u>9,160,333</u>	<u>\$ 1,136,190</u>
Statement of net assets:			
Cash	\$ 17,643,875	\$ 5,696,766	\$ 781,766
Investments	7,899,555	2,600,114	354,424
Restricted cash	1,264,833		
Fiduciary:			
Cash and cash equivalents	849,006	260,620	-
Investments	952,027	602,833	-
	<u>\$ 28,609,296</u>	<u>\$ 9,160,333</u>	<u>\$ 1,136,190</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 5. Due from Other Governments**

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

	<b>Primary Government</b>	<b>Component Unit – School Board</b>
Commonwealth of Virginia:		
IDEA 611 – flow through	\$ -	\$ 239,435
State sales tax	-	250,865
Education jobs fund grant	-	514,018
Technology grant	-	206,000
Title I	-	235,619
Other state school funds	-	715,486
Local sales tax	1,378,264	-
Transit grants	412,113	-
Welfare grants	473,203	-
Comprehensive Service Act funds	175,276	-
Communication tax	186,031	-
Shared expenses	129,590	-
Community development block grant	270,761	-
Other state funds	857,433	-
Total due from the Commonwealth	<u>3,882,671</u>	<u>2,161,423</u>
Frederick County:		
Joint Judicial Center – debt service	173,592	-
Joint Judicial Center – operating expenses	166,680	-
Total due from other governments	<u>\$ 4,222,943</u>	<u>\$ 2,161,423</u>

**Note 6. Promise to Give**

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

Receivable in less than one year	\$ 220,065
Receivable in one to five years	847,936
Receivable in five to ten years	524,946
Receivable in ten to fifteen years	358,380
Receivable in fifteen to twenty years	15,000
Total unconditional promises to give	1,966,327
Less discounts to present value	(477,551)
Net unconditional promises to give	<u>\$ 1,488,776</u>

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 7. Interfund Receivables, Payables, and Transfers**

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

**Primary Government**

Due to general fund from:

Non-major governmental funds	\$ 338,000
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Total due to general fund from other funds for cash advances	\$ 338,000
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**Component Unit – School Board**

Due to school operating fund from:

Federal grants fund	\$ 910,148
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Total due to school operating fund from other funds for cash advances	\$ 910,148
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Inter-fund transfers for the year ended June 30, consisted of the following:

**Primary Government**

Transfers to general fund from:

Water and sewer fund	\$ 1,600,000
Non-major governmental funds	611,528

Total transfers to general fund	\$ 2,211,528
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Transfers to non-major governmental funds from:

General fund	\$ 2,713,105
Non-major governmental funds	265,153
Non-major enterprise funds – modified accrual	243,933 <sup>1</sup>

Total transfers to non-major governmental funds	\$ 3,222,191
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Transfers from non-major enterprise funds to governmental activities – full accrual	\$ 1,477,816 <sup>1</sup>
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Transfers to school capital improvement fund from: School operating fund	\$ 1,631,041
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Transfers to non-major governmental funds from: School operating fund	\$ 200,000
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<sup>1</sup> Transfer as a result of bus fund activity being moved to a special revenue fund due to the bus fund relying heavily on government support.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 7. Interfund Receivables, Payables, and Transfers (Continued)**

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 8. Capital Assets**

**Primary Government**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital asset, not being depreciated:				
Land	\$ 4,102,510	\$ 183,183	\$ -	\$ 4,285,693
Construction in progress	26,514	168,385	(26,514)	168,385
Total capital assets not being depreciated	<u>4,129,024</u>	<u>351,568</u>	<u>(26,514)</u>	<u>4,454,078</u>
Capital assets, being depreciated:				
Buildings	28,657,689	1,343,644	(81,493)	29,919,840
Improvements other than buildings	6,335,829	-	-	6,335,829
Infrastructure	61,019,809	26,514	-	61,046,323
Equipment	10,483,376	1,536,738	(655,195)	11,364,919
Total capital assets being depreciated	<u>106,496,703</u>	<u>2,906,896</u>	<u>(736,688)</u>	<u>108,666,911</u>
Less accumulated depreciation for:				
Buildings	(7,451,880)	(977,296)	74,369	(8,354,807)
Improvements other than buildings	(2,830,800)	(167,094)	-	(2,997,894)
Infrastructure	(12,970,886)	(2,338,431)	-	(15,309,317)
Equipment	(6,812,966)	(1,442,197)	619,967	(7,635,196)
Total accumulated depreciation	<u>(30,066,532)</u>	<u>(4,925,018)</u>	<u>694,336</u>	<u>(34,297,214)</u>
Total capital assets being depreciated, net	<u>76,430,171</u>	<u>(2,018,122)</u>	<u>(42,352)</u>	<u>74,369,697</u>
Governmental activities capital assets, net	<u>\$ 80,559,195</u>	<u>\$ (1,666,554)</u>	<u>\$ (68,866)</u>	<u>\$ 78,823,775</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 8. Capital Assets (Continued)**

**Primary Government (Continued)**

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

Governmental activities:	
General government	\$ 161,620
Judicial administration	175,654
Public safety	522,740
Public works	2,777,822
Health and welfare	14,477
Parks, recreation, and cultural	392,086
Community development	<u>76,618</u>
 Total depreciation expense – governmental activities	 <u><u>\$ 4,121,017</u></u>

Depreciation above of \$4,121,017 is different from depreciation on the previous table of \$4,925,018. This difference of \$804,001 is attributed to the transfer of capital assets and related depreciation for the bus fund, which was moved from an enterprise activity to a governmental activity in 2011.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 8. Capital Assets (Continued)**

**Primary Government (Continued)**

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land	\$ 1,201,485	\$ -	\$ -	\$ 1,201,485
Construction in progress	25,627,676	15,857,180	(4,960,765)	36,524,091
Total capital assets not being depreciated	<u>26,829,161</u>	<u>15,857,180</u>	<u>(4,960,765)</u>	<u>37,725,576</u>
Capital assets, being depreciated:				
Buildings	5,061,763	-	(1,343,644)	3,718,119
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	87,791,495	5,520,288	(293,438)	93,018,345
Equipment	3,545,877	24,348	(943,127)	2,627,098
FWSA purchased capacity	12,259,762	15,143,785	-	27,403,547
Total capital assets being depreciated	<u>108,777,734</u>	<u>20,688,421</u>	<u>(2,580,209)</u>	<u>126,885,946</u>
Less accumulated depreciation for:				
Buildings	(2,321,071)	(74,255)	365,097	(2,030,229)
Improvements other than buildings	(112,941)	(455)	-	(113,396)
Infrastructure	(19,411,394)	(1,353,003)	132,630	(20,631,768)
Equipment	(1,397,512)	(193,514)	438,904	(1,152,122)
FWSA purchased capacity	(4,290,916)	(1,054,682)	-	(5,345,598)
Total accumulated depreciation	<u>(27,533,834)</u>	<u>(2,675,909)</u>	<u>936,631</u>	<u>(29,273,113)</u>
Total capital assets being depreciated, net	<u>81,243,900</u>	<u>18,012,512</u>	<u>(1,643,578)</u>	<u>97,612,834</u>
Business-type activities capital assets, net	<u>\$ 108,073,061</u>	<u>\$ 33,869,692</u>	<u>\$ (6,604,343)</u>	<u>\$ 135,338,410</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 8. Capital Assets (Continued)**

**Primary Government (Continued)**

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

Business-type activities:	
Water and sewer fund	\$ <u>2,675,909</u>
Total depreciation expense – business-type activities	\$ <u><u>2,675,909</u></u>

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

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

**Construction Commitments:**

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

	<b><u>Total Contracts</u></b>	<b><u>Total Payments</u></b>	<b><u>Future Amounts to be Expended</u></b>
Water and sewer fund:			
Water treatment plant	\$ <u>20,182,977</u>	\$ <u>16,634,957</u>	\$ <u>3,548,020</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 8. Capital Assets (Continued)**

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

**Component Unit – School Board**

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land	\$ 2,307,970	\$ -	\$ -	\$ 2,307,970
Construction in progress	90,407	-	(90,407)	-
	<u>2,398,377</u>	<u>-</u>	<u>(90,407)</u>	<u>2,307,970</u>
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Buildings	128,721,463	699,970	-	129,421,433
Improvements other than buildings	2,001,550	202,973	-	2,204,523
Equipment	5,865,451	78,666	-	5,944,117
	<u>136,588,464</u>	<u>981,609</u>	<u>-</u>	<u>137,570,073</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(16,128,748)	(3,105,287)	-	(19,234,035)
Improvements other than buildings	(1,727,086)	(26,679)	-	(1,753,765)
Equipment	(3,803,000)	(394,534)	-	(4,197,534)
	<u>(21,658,834)</u>	<u>(3,526,500)</u>	<u>-</u>	<u>(25,185,334)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>114,929,630</u>	<u>(2,544,891)</u>	<u>-</u>	<u>112,384,739</u>
School board capital assets, net	<u>\$ 117,328,007</u>	<u>\$ (2,544,891)</u>	<u>\$ (90,407)</u>	<u>\$ 114,692,709</u>



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 8. Capital Assets (Continued)**

**Component Unit – Parking Authority**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Construction in progress	-	59,352	-	59,352
Total capital assets not being depreciated	11,685	59,352	-	71,037
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	169,442	470,706	-	640,148
Total capital assets being depreciated	9,977,020	470,706	-	10,447,726
Less accumulated depreciation for:				
Buildings	(1,086,103)	(194,849)	-	(1,280,952)
Improvements other than buildings	(55,352)	(536)	-	(55,888)
Equipment	(131,402)	(9,353)	-	(140,755)
Total accumulated depreciation	(1,272,857)	(204,738)	-	(1,477,595)
Total capital assets being depreciated, net	8,704,163	265,968	-	8,970,131
Parking Authority capital assets, net	<u>\$ 8,715,848</u>	<u>\$ 325,320</u>	<u>\$ -</u>	<u>\$ 9,041,168</u>

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

Governmental activities:	
School Board – Education	<u>\$ 3,526,500</u>
Business-type activities:	
Parking Authority – Public works	<u>\$ 204,738</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 9. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At year end, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 1,834,197	\$ -	\$ 1,834,197
Deferred joint judicial commission, representing uncollected debt service billings (General Fund)	173,592	-	173,592
Deferred EMS transportation charges, representing uncollected EMS billings (Special Revenue Fund)	225,611	-	225,611
Property taxes paid in advance, representing property taxes not yet due (General Fund)	<u>-</u>	<u>691,442</u>	<u>691,442</u>
Total deferred revenue for governmental funds	<u>\$ 2,233,400</u>	<u>\$ 691,442</u>	<u>\$ 2,924,842</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 10. Long-Term Debt**

**Primary Government**

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

<b>Governmental Activities</b>		
<b>General Obligation</b>		
<b>Bonds</b>		
	<b>Principal</b>	<b>Interest</b>
2012	\$ 5,689,273	\$ 3,884,301
2013	5,917,816	3,665,384
2014	6,145,007	3,436,364
2015	5,765,624	3,190,791
2016	5,306,066	2,942,976
2017-2021	29,348,428	10,907,429
2022-2026	29,547,326	3,957,758
2027-2031	2,390,000	86,000
	<u>\$ 90,109,540</u>	<u>\$ 32,071,003</u>

<b>Business-type Activities</b>						
<b>General Obligation</b>		<b>Revenue Bonds</b>		<b>Obligations Payable</b>		
<b>Bonds</b>				<b>FWSA</b>		
<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2012	\$ 1,757,124	\$ 1,028,794	\$ 1,245,000	\$ 2,383,018	\$ 1,246,287	\$ 1,077,818
2013	1,824,893	959,579	1,715,000	2,315,412	1,425,177	742,368
2014	1,900,293	884,781	1,800,000	2,241,757	1,475,304	687,992
2015	1,823,606	805,650	1,875,000	2,166,260	1,532,382	630,842
2016	1,848,502	723,071	1,955,000	2,080,489	1,587,732	567,991
2017-2021	9,232,409	2,299,600	11,305,000	8,841,487	3,435,384	2,339,754
2022-2026	5,082,674	609,117	14,105,000	5,673,795	3,001,210	1,743,567
2027-2031	310,000	7,750	13,610,000	1,608,374	3,588,061	1,100,712
2032-2036	-	-	-	-	1,699,200	514,988
2036-2039	-	-	-	-	1,231,200	91,931
	<u>\$ 23,779,501</u>	<u>\$ 7,318,342</u>	<u>\$ 47,610,000</u>	<u>\$ 27,310,592</u>	<u>\$ 20,221,937</u>	<u>\$ 9,497,963</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 10. Long-Term Debt (Continued)**

**Primary Government (Continued)**

**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:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 95,870,531	\$ -	\$ 5,760,991	\$ 90,109,540	\$ 5,689,273
Unamortized bond premium	1,814,390	-	201,385	1,613,005	192,355
Unamortized deferred amounts on refunding	(424,109)	-	(97,878)	(326,231)	(84,379)
Compensated absences	1,862,511	155,456	77,000	1,940,967	77,000
Net OPEB obligation	397,000	194,077	-	591,077	-
Governmental activities long-term liabilities	<u>\$ 99,520,323</u>	<u>\$ 349,533</u>	<u>\$ 5,941,498</u>	<u>\$ 93,928,358</u>	<u>\$ 5,874,249</u>
	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 25,444,814	\$ -	\$ 1,665,313	\$ 23,779,501	\$ 1,757,124
Revenue bonds	36,215,000	12,165,000	770,000	47,610,000	1,245,000
Obligations payable	7,232,324	13,951,480	961,867	20,221,937	1,246,287
Unamortized bond premium	1,918,887	728,167	200,668	2,446,386	227,022
Unamortized deferred amounts on refunding	(294,251)	-	(60,175)	(234,076)	(53,758)
Compensated absences	228,800	-	54,200	174,600	15,000
Business-type activities long-term liabilities	<u>\$ 70,745,574</u>	<u>\$ 26,844,647</u>	<u>\$ 3,591,873</u>	<u>\$ 93,998,348</u>	<u>\$ 4,436,675</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, \$20,377 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 10. Long-Term Debt (Continued)**

**Primary Government (Continued)**

**Changes in Long-Term Debt (Continued)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
<b><u>Details of Long-Term Indebtedness</u></b>		
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	\$ 2,572,020	\$ 2,572,020
\$10,000,000 General Obligation Public Improvement Bonds, Series of 2001, issued October 5, 2001, maturing annually beginning September 1, 2002 through September 1, 2021, interest payable semi-annually at 4.50%. Purpose: General and Utilities capital projects	2,697,800	3,882,200
\$3,680,000 General Obligation Public Improvement Bonds, Series of 2002A, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2023, interest payable semi-annually at 3.58%. Purpose: General and School capital projects	2,500,000	-
\$6,320,000 General Obligation Public Improvement Refunding Bonds, Series of 2002B, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2014, interest payable semi-annually at 3.30%. Purpose: Utilities and School capital projects	1,812,000	453,000
\$9,595,000 General Obligation Public Improvement Bonds, Series of 2003, issued December 18, 2003, maturing annually beginning September 1, 2004 through September 1, 2023, interest payable semi-annually at 3.79% Purpose: General, Utilities and School capital projects	4,905,806	2,109,194

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 10. Long-Term Debt (Continued)**

**Primary Government (Continued)**

**Changes in Long-Term Debt (Continued)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
<b><u>Details of Long-Term Indebtedness (Continued)</u></b>		
\$35,020,000 General Obligation Public Improvement and Refunding Bonds, Series of 2004, issued October 21, 2004, maturing annually beginning January 15, 2005 through January 15, 2025, interest payable semi-annually at 3.77%. Purpose: General, Utilities, and School capital projects	\$ 18,591,914	\$ 5,598,087
\$45,000,000 General Obligation Public Improvement, Series of 2005, issued November 1, 2005, maturing annually beginning November 1, 2006 through November 1, 2025, interest payable semi-annually at 4.1861% Purpose: General, Utilities, and School capital projects	34,075,000	5,410,000
\$23,660,000 General Obligation Public Improvement, Series of 2006, issued December 21, 2006, maturing annually beginning December 1, 2007 through December 1, 2026, interest payable semi-annually at 3.84%. Purpose: Utilities and School capital projects	16,495,000	3,755,000
\$7,200,000 General Obligation Public Improvement, Series of 2007, issued September 12, 2007, maturing annually beginning September 1, 2008 through September 1, 2027, interest payable semi-annually at rates of 4.0-5.0%. Purpose: General and School capital projects	<u>6,460,000</u>	<u>-</u>
Total General Obligation Bonds	<u><u>\$ 90,109,540</u></u>	<u><u>\$ 23,779,501</u></u>
<b>Revenue Bonds:</b>		
\$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	\$ -	\$ 11,685,000

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 10. Long-Term Debt (Continued)**

**Primary Government (Continued)**

**Changes in Long-Term Debt (Continued)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
<b><u>Details of Long-Term Indebtedness (Continued)</u></b>		
\$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	-	11,465,000
\$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	-	12,295,000
\$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	-	12,165,000
Total Revenue Bonds	<u>\$ -</u>	<u>\$ 47,610,000</u>
<b>Obligations Payable – FWSA:</b>		
\$26,452,442 FWSA Opequen Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2038 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects	<u>\$ -</u>	<u>\$ 20,221,937</u>

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 10. Long-Term Debt (Continued)**

**School Board**

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
<b>Governmental Activities - School Board</b>					
Capital leases	\$ 867,785	\$ -	\$ 867,785	\$ -	\$ -
Compensated absences	<u>1,337,388</u>	<u>227,678</u>	<u>232,000</u>	<u>1,333,066</u>	<u>232,000</u>
School board long-term liabilities	<u>\$ 2,205,173</u>	<u>\$ 227,678</u>	<u>\$ 1,099,785</u>	<u>\$ 1,333,066</u>	<u>\$ 232,000</u>



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 10. Long-Term Debt (Continued)**

**Parking Authority**

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

	<u>Parking Authority</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 160,000	\$ 421,900
2013	165,000	414,588
2014	175,000	406,938
2015	180,000	398,500
2016	190,000	389,250
2017-2021	1,105,000	1,789,875
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	<u>1,085,000</u>	<u>54,874</u>
	<u>\$ 8,560,000</u>	<u>\$ 7,000,175</u>

**Changes in Long-Term Debt**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Business-type Activities – Component Unit Parking Authority</b>					
Revenue bond	\$ 8,715,000	\$ -	\$ 155,000	\$ 8,560,000	\$ 160,000
Unamortized bond premium	282,414	-	16,308	266,106	16,038
Compensated absences	<u>45,758</u>	<u>-</u>	<u>14,198</u>	<u>31,560</u>	<u>-</u>
Parking authority long-term liabilities	<u>\$ 9,043,172</u>	<u>\$ -</u>	<u>\$ 185,506</u>	<u>\$ 8,857,666</u>	<u>\$ 176,038</u>

**Details of Long-Term Indebtedness**

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

\$ 8,560,000

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 11. Contingent Liabilities**

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 12. Virginia Retirement System**

Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 12. Virginia Retirement System (Continued)**

Plan Description (continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. 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 for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. 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 2011 was 9.34% of annual covered payroll. The City School Board contribution rate for 2011 was 8.93% of annual covered payroll of non-professional employees.

The School Board's required contributions to the teacher cost-sharing pool were \$2,129,064 for 2011, \$1,478,296 for 2010, and \$2,162,926 for 2009. In each year, the School Board contributed 100% of the required contributions.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 12. Virginia Retirement System (Continued)**

Annual Pension Cost

For 2011, the City's annual pension cost was equal to the City's required and actual contributions. For 2011, the School Board's annual pension cost for its non-professional employees was equal to the School Board's required and actual contributions.

**Three-Year Trend Information**  
**City**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 1,854,902	100%	\$ -
June 30, 2010	\$ 1,878,179	100%	\$ -
June 30, 2009	\$ 1,686,297	100%	\$ -

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 239,975	100%	\$ -
June 30, 2010	\$ 145,131	100%	\$ -
June 30, 2009	\$ 149,330	100%	\$ -

The 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the assets is equal to the modified market value of assets. This method uses 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 an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 12. Virginia Retirement System (Continued)**

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 78.3% and 83.6% funded for the City and the School Board (non-professional employees), respectively. The actuarial accrued liability for benefits was \$76,183,079 and \$5,582,402, and the actuarial value of assets was \$59,652,664 and \$4,664,275, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,530,415 and \$918,127 for the City and the School Board (non-professional employees), respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$20,053,084 and \$1,803,499, and ratio of the UAAL to the covered payroll was 82.4% and 50.9% 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, presents 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.

**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 do 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>.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 12. Virginia Retirement Systems (Continued)**

**VRS Health Insurance Credit (Continued)**

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 2011 was 0.15% of annual covered payroll. The School Board contribution rate for 2011 was 0.60% of annual covered payroll of non-professional employees.

Actuarial Methods and Assumptions

The required contributions for the City and the School Board (non-professional employees) were determined as part of an actuarial valuation performed as of September 30, 2008 using the entry age normal cost method. The actuarial assumptions at September 30, 2008 included (a) 7.50% 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 September 30, 2008 was 28 years.

**Three-Year Trend Information**  
**City**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 29,790	100%	\$ -
June 30, 2010	\$ 68,152	100%	\$ -
June 30, 2009	\$ 68,548	100%	\$ -

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 6,200	100%	\$ -
June 30, 2010	\$ 10,068	100%	\$ -
June 30, 2009	\$ 10,359	100%	\$ -

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 12. Virginia Retirement System (Continued)**

**VRS Health Insurance Credit (Continued)**

Funding Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the VRS health insurance credit program was 45.7% and 44.1% funded. The actuarial liability for the City and School Board (non-professional employees) benefits were \$463,797 and \$72,176 respectively, and the actuarial value of assets was \$211,970 and \$31,864, resulting in an unfunded actuarial liability (UAAL) of \$251,827 and \$40,312 for the City and the School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$20,053,084 and \$1,803,499, and ratio of the UAAL to the covered payroll was 1.3% and 2.2% 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 13. 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 Local Government Risk Management Plan (VARISK2), a public entity risk pool currently operating as a common risk management and insurance program for several member cities and counties in Virginia. The City pays an annual premium to VARISK2 for its public officials general liability and public officials law enforcement liability insurance coverage. The agreement for formation of the VARISK2 provides that VARISK2 will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1 million for each insured event.

Through the Virginia Municipal League, the City has joined together with other cities and counties in the Virginia Municipal Group Self Insurance Association (VMGSIA) and the Virginia Municipal Liability Pool (VMLP), public entity risk pools currently operating as common risk management and insurance programs for several member cities and counties in Virginia. The City pays an annual premium to VMGSIA for its workers' compensation and employer's liability insurance coverage, and to VMLP for its general liability and commercial automotive coverage. The agreements for formation of the VMGSIA and VMLP provide that they will be self-sustaining through member premiums. Workers' compensation coverage provides the benefits as set forth in the Virginia Workers' Compensation Act. VMLP will reinsure through commercial insurance companies for claims in excess of \$5 million for general liability, and \$5 million for automotive liability.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 13. 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.

The City carries commercial insurance for all other risks of loss, including property, commercial crime and fidelity, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City and School Board are partially self-insured for health insurance coverage for their respective employees, and account for the uninsured risks of loss within Internal Service Funds. From the Internal Service Funds, the City and School Board pay up to the annual stop loss limit of \$75,000 and \$90,000 per person, respectively, and purchase commercial insurance for claims in excess of such limits. The City and School Board make payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. Excess amounts accumulated are reserved for the possibility of future catastrophic losses.

Changes in the City and School Board claims liability amount for the last three years are shown below.

**Three-Year Trend Information - City**

<b>Fiscal Year Ending</b>	<b>Beginning Liability</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Ending Liability</b>
June 30, 2011	\$ 458,064	\$ 2,609,478	\$ 3,343,257	\$ 275,715
June 30, 2010	583,857	3,127,047	3,039,840	458,064
June 30, 2009	412,857	3,294,376	3,123,376	583,857

**Three-Year Trend Information – School Board**

<b>Fiscal Year Ending</b>	<b>Beginning Liability</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Ending Liability</b>
June 30, 2011	\$ 411,593	\$ 4,195,551	\$ 4,140,144	\$ 467,000
June 30, 2010	409,096	3,532,478	3,529,981	411,593
June 30, 2009	415,639	3,723,825	3,730,368	409,096



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 14. Related Party Transactions**

During 2011, the City paid \$28,108 and \$430 to Buettner Tire Distributors, Inc. and Gearclean, Inc., respectively, for automobile repair services and fire and rescue equipment testing. Two members of the City's Common Council had economic interests in these businesses.

Additionally, the Human Services department has a 15 year lease for property that commenced during 2011 with a company in which a Council member is a partial owner. The City paid \$480,000 during 2011. The lease calls for monthly lease payments of \$40,000 per month and an initial deposit of \$40,000 is being held by the company.

**Note 15. 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 can continue the same medical coverage they had (including dependent coverage) as active employees. 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 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 \$248,923 for 2011.

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.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 15. Other Post-employment Benefits (Continued)**

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$ 445,000
Interest on net OPEB obligation	15,000
Adjustment to annual required contribution	<u>(17,000)</u>
Annual OPEB cost	443,000
Contributions made	<u>(248,923)</u>
Increase in net OPEB obligation	194,077
Net OPEB obligation – beginning of year	<u>397,000</u>
Net OPEB obligation – end of year	<u><u>\$ 591,077</u></u>

Trend Information

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 443,000	56.2%	\$ 591,077
June 30, 2010	\$ 397,000	49.9%	\$ 397,000
June 30, 2009	\$ 377,000	47.5%	\$ 198,000

Funded Status and Funding Progress

The funding status of the plan as of June 1, 2009 was as follows:

Actuarial Accrued Liability (AAL)	\$ 4,417,000
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 4,417,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%
Covered Payroll (Active Plan Members)	\$ 16,282,810
UAAL as a Percentage of Covered Payroll	27.1%

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 15. Other Post-employment Benefits (Continued)**

Funding Status and Funding Progress (Continued)

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 is 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.

In the July 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4% 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 open amortization method and a 30-year amortization period are being used. The remaining amortization period at July 1, 2009 was 29 years.

The following additional simplifying assumptions were made:

*Coverage Status and Age of Spouse* – Actual coverage status is used; females assumed 3 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.

90% of actives currently enrolled in the City's health care plan, or 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 increase 5.5 % per year. While medical costs have increased by a rate well in excess of 5.5% 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.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 15. Other Post-employment Benefits (Continued)**

Actuarial Methods and Assumptions (Continued)

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

**Note 16. 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:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Nonspendable:		
Prepays	\$ -	\$ 40,000
Inventories	11,950	-
Total nonspendable	11,950	40,000
Restricted for:		
Public safety	436,131	-
Community development	5,000	-
Total restricted	441,131	-
Committed to:		
Community development	950,000	-
Total committed	950,000	-
Assigned to:		
Judicial administration	12,879	72,759
Public safety	6,996	702,750
Public works	800,000	370,943
Health and welfare	-	224,554
Parks, recreation and cultural	-	51,910
Community development	111,437	-
Subsequent year appropriation	-	646,068
Total assigned	931,312	2,068,984
Unassigned	18,651,925	-
Total fund balance	<u>\$ 20,986,318</u>	<u>\$ 2,108,984</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 17. Prior Period Adjustments**

The following is a summary of the restatement to fund balances/net assets:

	Primary Government			School Board	
	Governmental Activities	General Fund	Internal Service Funds	Operating Fund	School Governmental Activities
Fund balance/ net assets					
June 30, 2010, as previously stated	\$ 4,481,558	\$ 17,267,157	\$ 838,723	\$ 7,015	\$ 120,341,329
To correct unearned revenue beginning balance	1,658,322	1,658,322	-	-	-
To correct health insurance prepayment	213,000	-	213,000	-	-
To correct amount due from other governments	-	-	-	289,412	289,412
Fund balance/net assets					
June 30, 2010, as restated	<u>\$ 6,352,880</u>	<u>\$ 18,925,479</u>	<u>\$ 1,051,723</u>	<u>\$ 296,427</u>	<u>\$ 120,630,741</u>

Adjustments Summarized:

- The unearned revenue correction was to eliminate amounts recorded as unearned revenue in relation to property taxes.
- The health insurance prepayment correction was to reflect health insurance expense in the proper period.
- The due from other governments correction was to reflect additional accounts receivable from other governments in the proper period.

**Note 18. Subsequent Events**

On September 8, 2011, the City issued \$31,705,000 in General Obligation Public Improvement Refunding Bonds, Series 2011. A portion of the proceeds of the Bonds will be used to purchase United States Treasury Securities which will be placed in an irrevocable trust together with an initial cash deposit to be used solely to refund that portion of the City's General Obligation Public Improvement Bond, Series 2002A, Series 2003, Series 2004, and Series 2005. The amount to be refunded approximates \$31,410,000.

On October 11, 2011, the City issued \$19,470,000 in Taxable Water and Sewer System Revenue Bonds, Series 2011B. The proceeds of the bonds will be used to finance certain utility system capital improvement projects for the City, including, but not limited to upgrading and replacing water mains, along with related infrastructure improvements.

On October 11, 2011, the city approved a \$1,500,000 loan with the Virginia Resource Authority (VRA) to finance water main replacements in low-income neighborhoods. The loan will be matched by the VRA, who will provide an additional \$1,500,000 for use on this project. Total project expenditures are expected to be \$3,000,000.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 19. New Accounting Standards**

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

GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements* was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the “substantively the same governing body” criterion, it additionally requires that a financial benefit or financial burden relationship exist or management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

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

## REQUIRED SUPPLEMENTARY INFORMATION

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

**CITY - DEFINED BENEFIT PENSION PLAN**

Exhibit 11

	(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, 2008	\$ 57,696,699	\$ 63,672,417	\$ 5,975,718	90.6%	\$ 19,553,367	30.6%
June 30, 2009	58,987,278	68,332,284	9,345,006	86.3%	20,470,820	45.7%
June 30, 2010	59,652,664	76,183,079	16,530,415	78.3%	20,053,084	82.4%

**SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - DEFINED BENEFIT PENSION 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
June 30, 2008	\$ 4,195,951	\$ 4,415,953	\$ 220,002	95.0%	\$ 1,784,253	12.3%
June 30, 2009	4,488,789	4,994,502	505,713	89.9%	1,982,067	25.5%
June 30, 2010	4,664,275	5,582,402	918,127	83.6%	1,803,499	50.9%

**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
September 30, 2008	\$ 127,117	\$ 634,002	\$ 506,885	20.0%	\$ 19,553,367	2.6%
September 30, 2009	144,542	409,938	265,396	35.3%	20,470,820	1.3%
September 30, 2010	211,970	463,797	251,827	45.7%	20,053,084	1.3%

**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
September 30, 2008	\$ 16,123	\$ 78,876	\$ 62,753	20.4%	\$ 1,784,253	3.5%
September 30, 2009	20,709	67,285	46,576	30.8%	1,982,067	2.3%
September 30, 2010	31,864	72,176	40,312	44.1%	1,803,499	2.2%

**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
June 1, 2009	\$ -	\$ 4,417,000	\$ 4,417,000	0.0%	\$ 16,282,810	27.1%



COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**Human 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.

**Comprehensive Services Fund** – to account for the provisions of special services youth and families required by the Comprehensive Services Act. Financing is provided by state funds, which may be used only for this purpose. This fund was closed during 2011 and the residual balance transferred to other governmental funds.

**Community Development Block Grant Fund** – to account for the proceeds from Private Property Rehabilitation Program deferred loans funded under a Community Development Block Grant by the Department of Housing and Urban Development. This fund was closed during 2011 and the residual balance transferred to other governmental funds.

**Housing Choice Voucher Program Fund** – to account for the costs of providing housing assistance. Financing is provided by loan payments made by homeowners as well as state funding received. This fund was closed during 2011 and the residual balance transferred to other governmental funds.

**Housing Fund** – to account for the provisions of the City's housing assistance programs supporting affordable housing and rehabilitation initiatives within the City of Winchester. Financing is provided by local funds which may only be used for this purpose. This fund was closed during 2011 and the residual balance transferred to other governmental funds.

**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.

**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.

**Asset Forfeiture Fund** – to account for the proceeds from the seizure of assets in the investigation of criminal activities, the expenditure of which is governed by federal and state law enforcement agencies. This fund was closed during 2011 and the residual balance transferred to other governmental funds.

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

### CAPITAL PROJECTS FUND

**Capital Improvements Fund** – to account for the financing and construction of capital projects of the general government. Financing is provided by general government revenue and bond issues.

**CITY OF WINCHESTER, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011**

Exhibit 12

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash	\$ 1,060,390	\$ 525,604	\$ 1,585,994
Investments	484,037	239,963	724,000
Accounts receivable, net	243,803	-	243,803
Prepays	40,000	-	40,000
Due from other governments	886,777	-	886,777
	<u>2,715,007</u>	<u>765,567</u>	<u>3,480,574</u>
Total assets	<u>\$ 2,715,007</u>	<u>\$ 765,567</u>	<u>\$ 3,480,574</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 610,830	\$ 14,433	\$ 625,263
Accrued payroll	182,716	-	182,716
Due to other funds	338,000	-	338,000
Deferred revenue	225,611	-	225,611
	<u>1,357,157</u>	<u>14,433</u>	<u>1,371,590</u>
Total liabilities	<u>1,357,157</u>	<u>14,433</u>	<u>1,371,590</u>
Fund balances:			
Nonspendable	40,000	-	40,000
Assigned	1,317,850	751,134	2,068,984
	<u>1,357,850</u>	<u>751,134</u>	<u>2,108,984</u>
Total fund balances	<u>1,357,850</u>	<u>751,134</u>	<u>2,108,984</u>
Total liabilities and fund balances	<u>\$ 2,715,007</u>	<u>\$ 765,567</u>	<u>\$ 3,480,574</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 13

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Revenues from use of money and property	\$ 15,075	\$ -	\$ 15,075
Charges for services	1,006,658	-	1,006,658
Miscellaneous	160,751	-	160,751
Recovered costs	25,894	11,287	37,181
Intergovernmental:			
Commonwealth	5,052,327	2,336	5,054,663
Federal	2,704,860	-	2,704,860
Total revenues	<u>8,965,565</u>	<u>13,623</u>	<u>8,979,188</u>
<b>EXPENDITURES</b>			
Current:			
Judicial administration	31,396	-	31,396
Public safety	815,895	111,217	927,112
Public works	3,817,765	199,914	4,017,679
Health and welfare	6,648,612	-	6,648,612
Parks, recreation, and culture	-	70,316	70,316
Community development	196,799	-	196,799
Total expenditures	<u>11,510,467</u>	<u>381,447</u>	<u>11,891,914</u>
Excess of expenditures over revenues	<u>(2,544,902)</u>	<u>(367,824)</u>	<u>(2,912,726)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,927,791	294,400	3,222,191
Transfers out	(876,681)	-	(876,681)
Total other financing sources	<u>2,051,110</u>	<u>294,400</u>	<u>2,345,510</u>
Net change in fund balances	(493,792)	(73,424)	(567,216)
Fund balance - beginning	<u>1,851,642</u>	<u>824,558</u>	<u>2,676,200</u>
Fund balance - ending	<u>\$ 1,357,850</u>	<u>\$ 751,134</u>	<u>\$ 2,108,984</u>

**CITY OF WINCHESTER, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2011**

	Human Services Fund	Comprehensive Services Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund	Housing Fund
<b>ASSETS</b>					
Cash	\$ 217,907	\$ -	\$ -	\$ -	\$ -
Investments	99,484	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Prepays	40,000	-	-	-	-
Due from other governments	473,659	-	-	-	-
Total assets	<u>\$ 831,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 473,617	\$ -	\$ -	\$ -	\$ -
Accrued payroll	92,879	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>566,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	40,000	-	-	-	-
Assigned	224,554	-	-	-	-
Total fund balances	<u>264,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 831,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Bus Fund	Total
\$ 295,114	\$ 456,396	\$ 46,703	\$ 43,758	\$ -	\$ 512	1,060,390
134,733	208,365	21,322	19,977	-	156	484,037
-	225,611	-	17,757	-	435	243,803
-	-	-	-	-	-	40,000
1,005	-	-	-	-	412,113	886,777
<u>\$ 430,852</u>	<u>\$ 890,372</u>	<u>\$ 68,025</u>	<u>\$ 81,492</u>	<u>\$ -</u>	<u>\$ 413,216</u>	<u>\$ 2,715,007</u>
\$ 74,688	\$ 38,137	\$ 11,613	\$ 8,269	\$ -	\$ 4,506	\$ 610,830
45,771	18,870	4,502	465	-	20,229	182,716
-	-	-	-	-	338,000	338,000
-	225,611	-	-	-	-	225,611
120,459	282,618	16,115	8,734	-	362,735	1,357,157
-	-	-	-	-	-	40,000
310,393	607,754	51,910	72,758	-	50,481	1,317,850
310,393	607,754	51,910	72,758	-	50,481	1,357,850
<u>\$ 430,852</u>	<u>\$ 890,372</u>	<u>\$ 68,025</u>	<u>\$ 81,492</u>	<u>\$ -</u>	<u>\$ 413,216</u>	<u>\$ 2,715,007</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2011**

	Human Services Fund	Comprehensive Services Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund	Housing Fund
<b>REVENUES</b>					
Revenues from use of money and property	\$ 1,449	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Miscellaneous	9,217	-	-	-	-
Recovered costs	739	-	-	-	-
Intergovernmental:					
Commonwealth	2,355,631	-	-	-	-
Federal	2,270,828	-	-	-	-
Total revenues	<u>4,637,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
Judicial administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	6,648,612	-	-	-	-
Community development	-	-	-	-	-
Total expenditures	<u>6,648,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,010,748)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,256,399	-	-	-	-
Transfers out	-	(19,596)	(289,758)	(245,556)	(297,672)
Total other financing sources (uses)	<u>2,256,399</u>	<u>(19,596)</u>	<u>(289,758)</u>	<u>(245,556)</u>	<u>(297,672)</u>
Net change in fund balances	245,651	(19,596)	(289,758)	(245,556)	(297,672)
Fund balance - beginning	<u>18,903</u>	<u>19,596</u>	<u>289,758</u>	<u>245,556</u>	<u>297,672</u>
Fund balance - ending	<u>\$ 264,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Bus Fund	Total
\$ 7,184	\$ 5,625	\$ 269	\$ 518	\$ -	\$ 30	\$ 15,075
-	860,392	-	53,952	-	92,314	1,006,658
11,321	-	136,435	-	-	3,778	160,751
25,155	-	-	-	-	-	25,894
2,576,104	-	-	-	-	120,592	5,052,327
1,005	-	-	-	-	433,027	2,704,860
<u>2,620,769</u>	<u>866,017</u>	<u>136,704</u>	<u>54,470</u>	<u>-</u>	<u>649,741</u>	<u>8,965,565</u>
-	-	-	31,396	-	-	31,396
-	815,895	-	-	-	-	815,895
2,947,572	-	-	-	-	870,193	3,817,765
-	-	-	-	-	-	6,648,612
-	-	196,799	-	-	-	196,799
<u>2,947,572</u>	<u>815,895</u>	<u>196,799</u>	<u>31,396</u>	<u>-</u>	<u>870,193</u>	<u>11,510,467</u>
<u>(326,803)</u>	<u>50,122</u>	<u>(60,095)</u>	<u>23,074</u>	<u>-</u>	<u>(220,452)</u>	<u>(2,544,902)</u>
299,959	-	100,500	-	-	270,933	2,927,791
-	-	-	-	(24,099)	-	(876,681)
<u>299,959</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>(24,099)</u>	<u>270,933</u>	<u>2,051,110</u>
(26,844)	50,122	40,405	23,074	(24,099)	50,481	(493,792)
<u>337,237</u>	<u>557,632</u>	<u>11,505</u>	<u>49,684</u>	<u>24,099</u>	<u>-</u>	<u>1,851,642</u>
<u>\$ 310,393</u>	<u>\$ 607,754</u>	<u>\$ 51,910</u>	<u>\$ 72,758</u>	<u>\$ -</u>	<u>\$ 50,481</u>	<u>\$ 1,357,850</u>

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2011**

	Human Services Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 1,449	\$ 1,449
Charges for services	-	-	-	-
Miscellaneous	-	-	9,217	9,217
Recovered costs	-	-	739	739
Intergovernmental:				
Commonwealth	1,826,033	3,380,340	2,355,631	(1,024,709)
Federal	1,945,967	2,277,640	2,270,828	(6,812)
Total revenues	<u>3,772,000</u>	<u>5,657,980</u>	<u>4,637,864</u>	<u>(1,020,116)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	5,088,000	7,996,980	6,648,612	1,348,368
Community development	-	-	-	-
Total expenditures	<u>5,088,000</u>	<u>7,996,980</u>	<u>6,648,612</u>	<u>1,348,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,316,000)</u>	<u>(2,339,000)</u>	<u>(2,010,748)</u>	<u>328,252</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,316,000	2,339,000	2,256,399	(82,601)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>1,316,000</u>	<u>2,339,000</u>	<u>2,256,399</u>	<u>(82,601)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,651</u>	<u>\$ 245,651</u>

	Housing Choice Voucher Program Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	100,000	-	-	-
Federal	-	-	-	-
Total revenues	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Health and welfare	123,000	-	-	-
Community development	-	-	-	-
Total expenditures	<u>123,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	23,000	-	-	-
Transfers out	-	-	(245,556)	(245,556)
Total other financing sources and uses	<u>23,000</u>	<u>-</u>	<u>(245,556)</u>	<u>(245,556)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (245,556)</u>	<u>\$ (245,556)</u>

Comprehensive Services Fund				Community Development Block Grant Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,310,000	-	-	-	-	-	-	-
-	-	-	-	425,000	-	-	-
1,310,000	-	-	-	425,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,310,000	-	-	-	-	-	-	-
-	-	-	-	800,000	-	-	-
2,310,000	-	-	-	800,000	-	-	-
(1,000,000)	-	-	-	(375,000)	-	-	-
1,000,000	-	-	-	375,000	-	-	-
-	-	(19,596)	(19,596)	-	-	(289,758)	(289,758)
1,000,000	-	(19,596)	(19,596)	375,000	-	(289,758)	(289,758)
\$ -	\$ -	\$ (19,596)	\$ (19,596)	\$ -	\$ -	\$ (289,758)	\$ (289,758)
Housing Fund							
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)				
\$ -	\$ -	\$ -	\$ -				
-	-	-	-				
-	-	-	-				
-	-	-	-				
-	-	-	-				
-	-	-	-				
-	-	-	-				
-	-	-	-				
260,000	-	-	-				
260,000	-	-	-				
(260,000)	-	-	-				
260,000	-	-	-				
-	-	(297,672)	(297,672)				
260,000	-	(297,672)	(297,672)				
\$ -	\$ -	\$ (297,672)	\$ (297,672)				

**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, 2011**

	Highway Maintenance Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 7,184	\$ 7,184
Charges for services	-	-	-	-
Miscellaneous	-	-	11,321	11,321
Recovered costs	-	-	25,155	25,155
Intergovernmental:				
Commonwealth	2,965,000	2,965,000	2,576,104	(388,896)
Federal	-	-	1,005	1,005
Total revenues	<u>2,965,000</u>	<u>2,965,000</u>	<u>2,620,769</u>	<u>(344,231)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	3,765,000	3,765,000	2,947,572	817,428
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>3,765,000</u>	<u>3,765,000</u>	<u>2,947,572</u>	<u>817,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(800,000)</u>	<u>(800,000)</u>	<u>(326,803)</u>	<u>473,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	800,000	800,000	299,959	(500,041)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>800,000</u>	<u>800,000</u>	<u>299,959</u>	<u>(500,041)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,844)</u>	<u>\$ (26,844)</u>

	Law Library Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 518	\$ 518
Charges for services	30,000	30,000	53,952	23,952
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>54,470</u>	<u>24,470</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	30,000	30,000	31,396	(1,396)
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>31,396</u>	<u>(1,396)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>23,074</u>	<u>23,074</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,074</u>	<u>\$ 23,074</u>

Emergency Medical Services Fund				Win-Fred Convention and Visitors Bureau Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 5,000	\$ 5,000	\$ 5,625	\$ 625	\$ -	\$ -	\$ 269	\$ 269
870,000	870,000	860,392	(9,608)	-	-	-	-
-	-	-	-	154,500	154,500	136,435	(18,065)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
875,000	875,000	866,017	(8,983)	154,500	154,500	136,704	(17,796)
-	-	-	-	-	-	-	-
875,000	875,000	815,895	59,105	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	255,000	255,000	196,799	58,201
875,000	875,000	815,895	59,105	255,000	255,000	196,799	58,201
-	-	50,122	50,122	(100,500)	(100,500)	(60,095)	40,405
-	-	-	-	100,500	100,500	100,500	-
-	-	-	-	-	-	-	-
-	-	-	-	100,500	100,500	100,500	-
\$ -	\$ -	\$ 50,122	\$ 50,122	\$ -	\$ -	\$ 40,405	\$ 40,405
Asset Forfeiture Fund				Bus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 30
-	-	-	-	90,500	90,500	92,314	1,814
-	-	-	-	-	-	3,778	3,778
-	-	-	-	127,900	127,900	120,592	(7,308)
-	-	-	-	533,600	533,600	433,027	(100,573)
-	-	-	-	752,000	752,000	649,741	(102,259)
-	-	-	-	-	-	-	-
-	-	-	-	1,035,000	1,035,000	870,193	(164,807)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,035,000	1,035,000	870,193	(164,807)
-	-	-	-	(283,000)	(283,000)	(220,452)	62,548
-	-	-	-	283,000	283,000	270,933	(12,067)
-	-	(24,099)	(24,099)	-	-	-	-
-	-	(24,099)	(24,099)	283,000	283,000	270,933	(12,067)
\$ -	\$ -	\$ (24,099)	\$ (24,099)	\$ -	\$ -	\$ 50,481	\$ 50,481

**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, 2011**

Exhibit 17

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Recovered costs	\$ -	\$ -	\$ 11,287	\$ 11,287
Intergovernmental:				
Commonwealth	-	-	2,336	2,336
Federal	800,000	800,000	-	(800,000)
Total revenues	800,000	800,000	13,623	(786,377)
<b>EXPENDITURES</b>				
Current:				
Public safety	1,000,000	1,000,000	111,217	888,783
Public works	-	210,100	199,914	10,186
Parks, recreation and culture	1,000,000	965,900	70,316	895,584
Total expenditures	2,000,000	2,176,000	381,447	1,794,553
Excess (deficiency) of revenues over (under) expenditures	(1,200,000)	(1,376,000)	(367,824)	1,008,176
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,200,000	1,376,000	294,400	(1,081,600)
Total other financing sources and uses	1,200,000	1,376,000	294,400	(1,081,600)
Net change in fund balances	\$ -	\$ -	\$ (73,424)	\$ (73,424)

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## **INTERNAL SERVICE FUNDS**

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

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

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



**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2011**

Exhibit 18

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,239,372	\$ 26,726	\$ 405,807	\$ 1,671,905
Investments	411,943	12,202	185,270	609,415
Accounts receivable, net	1,020	12,500	-	13,520
Prepays	13,000	-	-	13,000
Inventories	-	120,804	-	120,804
Total current assets	<u>1,665,335</u>	<u>172,232</u>	<u>591,077</u>	<u>2,428,644</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	-	21,027	-	21,027
Total assets	<u>1,665,335</u>	<u>193,259</u>	<u>591,077</u>	<u>2,449,671</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	890,374	81,737	-	972,111
Accrued payroll	2,187	9,311	-	11,498
Total current liabilities	<u>892,561</u>	<u>91,048</u>	<u>-</u>	<u>983,609</u>
Noncurrent liabilities:				
Compensated absences	2,153	18,224	-	20,377
Net OPEB obligation	-	-	591,077	591,077
Total noncurrent liabilities	<u>2,153</u>	<u>18,224</u>	<u>591,077</u>	<u>611,454</u>
Total liabilities	<u>894,714</u>	<u>109,272</u>	<u>591,077</u>	<u>1,595,063</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	21,027	-	21,027
Unrestricted	770,621	62,960	-	833,581
Total net assets	<u>\$ 770,621</u>	<u>\$ 83,987</u>	<u>\$ -</u>	<u>\$ 854,608</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,622,537	\$ 1,129,965	\$ 227,193	\$ 4,979,695
Total operating revenues	<u>3,622,537</u>	<u>1,129,965</u>	<u>227,193</u>	<u>4,979,695</u>
<b>OPERATING EXPENSES</b>				
Personal services	56,841	258,344	194,077	509,262
Contractual services	-	131,053	-	131,053
Other supplies and expenses	-	721,522	44,258	765,780
Insurance claims and expenses	3,783,612	-	-	3,783,612
Depreciation	-	1,525	-	1,525
Total operating expenses	<u>3,840,453</u>	<u>1,112,444</u>	<u>238,335</u>	<u>5,191,232</u>
Operating income (loss)	<u>(217,916)</u>	<u>17,521</u>	<u>(11,142)</u>	<u>(211,537)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	<u>11,288</u>	<u>-</u>	<u>3,134</u>	<u>14,422</u>
Change in net assets	(206,628)	17,521	(8,008)	(197,115)
Total net assets - beginning, as restated	<u>977,249</u>	<u>66,466</u>	<u>8,008</u>	<u>1,051,723</u>
Total net assets - ending	<u>\$ 770,621</u>	<u>\$ 83,987</u>	<u>\$ -</u>	<u>\$ 854,608</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from internal services provided	\$ 3,638,984	\$ 1,120,490	\$ 227,193	\$ 4,986,667
Cash paid to suppliers	-	(832,661)	(44,258)	(876,919)
Cash paid to employees	(55,378)	(253,919)	-	(309,297)
Premiums paid	(3,987,658)	-	-	(3,987,658)
Net cash provided (used) by operating activities	(404,052)	33,910	182,935	(187,207)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	11,288	-	3,134	14,422
Net cash provided by investing activities	11,288	-	3,134	14,422
Net increase (decrease) in cash and cash equivalents	(392,764)	33,910	186,069	(172,785)
Cash and cash equivalents - beginning of year	2,044,079	5,018	405,008	2,454,105
Cash and cash equivalents - end of year	\$ 1,651,315	\$ 38,928	\$ 591,077	\$ 2,281,320
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 1,239,372	\$ 26,726	\$ 405,807	\$ 1,671,905
Cash equivalents - Investments	411,943	12,202	185,270	609,415
Total	\$ 1,651,315	\$ 38,928	\$ 591,077	\$ 2,281,320
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (217,916)	\$ 17,521	\$ (11,142)	\$ (211,537)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	1,525	-	1,525
(Increase) decrease in accounts receivable	16,447	(9,475)	-	6,972
(Increase) decrease in inventory	-	(51,593)	-	(51,593)
Increase (decrease) in accounts payable	(204,046)	71,506	-	(132,540)
Increase (decrease) in accrued payroll	364	1,073	-	1,437
Increase (decrease) in net OPEB obligation	-	-	194,077	194,077
Increase (decrease) in compensated absences	1,099	3,353	-	4,452
Total adjustments	(186,136)	16,389	194,077	24,330
Net cash provided (used) by operating activities	\$ (404,052)	\$ 33,910	\$ 182,935	\$ (187,207)

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## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

**Northern Shenandoah CSA Trust Fund** – to account for state and local funds, including amounts from other participating localities, for providing shared early intervention services for eligible children.

**Special Welfare Fund** – to account for the receipt and payment of funds collected by the City on the behalf of certain human 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 ASSETS**  
**AGENCY FUNDS**  
**June 30, 2011**

Exhibit 21

	Northern Shenandoah CSA Trust Fund	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
<b>ASSETS</b>					
Cash	\$ -	\$ 11,868	\$ -	\$ 837,138	\$ 849,006
Investments	-	-	569,835	382,192	952,027
Accounts receivable	-	449	-	8,303	8,752
Total assets	<u>\$ -</u>	<u>\$ 12,317</u>	<u>\$ 569,835</u>	<u>\$ 1,227,633</u>	<u>\$ 1,809,785</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 18,925	\$ 18,925
Accrued payroll	-	-	-	73,720	73,720
Amounts held for human services clients	-	12,317	-	-	12,317
Amounts held for NRJA	-	-	569,835	-	569,835
Amounts held for NRJDC	-	-	-	1,134,988	1,134,988
Total liabilities	<u>\$ -</u>	<u>\$ 12,317</u>	<u>\$ 569,835</u>	<u>\$ 1,227,633</u>	<u>\$ 1,809,785</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 22

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>Northern Shenandoah CSA Trust Fund</b>				
Assets:				
Cash	\$ 26,529	\$ -	\$ 26,529	\$ -
Investments	18,819		18,819	-
Accounts receivable	4,050	-	4,050	-
Due from other governments	5,747	-	5,747	-
Total Assets	<u>\$ 55,145</u>	<u>\$ -</u>	<u>\$ 55,145</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ 55,145	\$ -	\$ 55,145	-
Total Liabilities	<u>\$ 55,145</u>	<u>\$ -</u>	<u>\$ 55,145</u>	<u>\$ -</u>
<b>Special Welfare Fund</b>				
Assets:				
Cash	\$ 8,383	\$ 3,485	\$ -	\$ 11,868
Accounts receivable	-	449	-	449
Total Assets	<u>\$ 8,383</u>	<u>\$ 3,934</u>	<u>\$ -</u>	<u>\$ 12,317</u>
Liabilities:				
Amounts held for human services clients	\$ 8,383	\$ 3,934	\$ -	\$ 12,317
Total Liabilities	<u>\$ 8,383</u>	<u>\$ 3,934</u>	<u>\$ -</u>	<u>\$ 12,317</u>
<b>Northwestern Regional Jail Authority</b>				
<b>Construction Fund</b>				
Assets:				
Investments	\$ 569,604	\$ 1,135,851	\$ 1,135,620	\$ 569,835
Total Assets	<u>\$ 569,604</u>	<u>\$ 1,135,851</u>	<u>\$ 1,135,620</u>	<u>\$ 569,835</u>
Liabilities:				
Amounts held for NRJA	\$ 569,604	\$ 1,135,851	\$ 1,135,620	\$ 569,835
Total Liabilities	<u>\$ 569,604</u>	<u>\$ 1,135,851</u>	<u>\$ 1,135,620</u>	<u>\$ 569,835</u>
<b>Northwestern Regional Juvenile Detention</b>				
<b>Center Fund</b>				
Assets:				
Cash	\$ 1,126,002	\$ 2,529,489	\$ 2,818,353	\$ 837,138
Investments	330,231	51,961	-	382,192
Accounts receivable	281,002	1,626,312	1,899,011	8,303
Total Assets	<u>\$ 1,737,235</u>	<u>\$ 4,207,762</u>	<u>\$ 4,717,364</u>	<u>\$ 1,227,633</u>
Liabilities:				
Accounts payable	\$ 21,624	\$ 2,381,419	\$ 2,384,118	\$ 18,925
Accrued payroll	68,231	5,489	-	73,720
Amounts held for NRJDC	1,647,380	1,820,854	2,333,246	1,134,988
Total Liabilities	<u>\$ 1,737,235</u>	<u>\$ 4,207,762</u>	<u>\$ 4,717,364</u>	<u>\$ 1,227,633</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash	\$ 1,160,914	\$ 2,532,974	\$ 2,844,882	\$ 849,006
Investments	918,654	1,187,812	1,154,439	952,027
Accounts receivable	285,052	1,626,761	1,903,061	8,752
Due from other governments	5,747	-	5,747	-
Total Assets	<u>\$ 2,370,367</u>	<u>\$ 5,347,547</u>	<u>\$ 5,908,129</u>	<u>\$ 1,809,785</u>
Liabilities:				
Accounts payable	\$ 76,769	\$ 2,381,419	\$ 2,439,263	\$ 18,925
Accrued payroll	68,231	5,489	-	73,720
Amounts held for human services clients	8,383	3,934	-	12,317
Amounts held for NRJA	569,604	1,135,851	1,135,620	569,835
Amounts held for NRJDC	1,647,380	1,820,854	2,333,246	1,134,988
Total Liabilities	<u>\$ 2,370,367</u>	<u>\$ 5,347,547</u>	<u>\$ 5,908,129</u>	<u>\$ 1,809,785</u>

## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

### **MAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

**School Operating Fund** – to account for the operations and maintenance of the schools. Financing is provided by state and federal funds, and by appropriations from the City’s general revenues. State and federal education funds received may be used only for this purpose. Annual appropriations from general revenues were restricted by the Appropriations Resolution to education expenditures.

#### **CAPITAL PROJECTS FUNDS**

**School Fundraising Fund** – created to account fundraising revenue and expenditures for the construction of school facilities.

**School Capital Improvement Fund** – created to account for unexpended school funds allowed by the Common Council to be carried over to future periods for school related capital projects.

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

**School Cafeteria Fund** – to account for the operation and maintenance of cafeterias of the schools. Financing is provided primarily from charges for services and federal and state lunch subsidiaries. Such funds are limited by federal and state law to expenditures for cafeteria operations and maintenance.

**School Federal Grants Fund** – to account for the proceeds from federal grants. Such funds are limited to specified educational expenditures that are governed by the terms of the grant.

**School Textbook Fund** – to account for the purchase and sale of school textbooks. Financing is provided primarily by the transfer of funds from the School Operating Fund and funds so received are limited by the School Board to expenditures only for school textbooks.



**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
(Continued)**

**INTERNAL SERVICE FUNDS**

**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.

**School Consolidated Maintenance Fund** – to account for the repairs and maintenance services provided by the School Maintenance Department. Costs are accumulated and reimbursed by the School Board.

**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, 2011**

Exhibit 23

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,321,056	\$ 542,313	\$ 1,791,479	\$ 637,413	\$ 4,292,261
Investments	735,025	247,134	685,762	290,972	1,958,893
Receivables, net:					
Accounts	-	-	-	63,277	63,277
Promises to give	-	1,488,776	-	-	1,488,776
Due from other funds	910,148	-	-	-	910,148
Due from other governments	910,813	-	33,095	1,217,515	2,161,423
Inventories	-	-	-	28,765	28,765
Total assets	<u>\$ 3,877,042</u>	<u>\$ 2,278,223</u>	<u>\$ 2,510,336</u>	<u>\$ 2,237,942</u>	<u>\$ 10,903,543</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 465,055	\$ 28,792	\$ 102,106	\$ 34,467	\$ 630,420
Accrued payroll	3,410,342	-	-	390,403	3,800,745
Due to other funds	-	-	-	910,148	910,148
Deferred revenue	350	1,488,777	-	-	1,489,127
Total liabilities	<u>3,875,747</u>	<u>1,517,569</u>	<u>102,106</u>	<u>1,335,018</u>	<u>6,830,440</u>
Fund balances:					
Nonspendable	-	-	-	28,765	28,765
Assigned	1,295	760,654	2,408,230	874,159	4,044,338
Total fund balances	<u>1,295</u>	<u>760,654</u>	<u>2,408,230</u>	<u>902,924</u>	<u>4,073,103</u>
Total liabilities and fund balances	<u>\$ 3,877,042</u>	<u>\$ 2,278,223</u>	<u>\$ 2,510,336</u>	<u>\$ 2,237,942</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,649,959
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,489,127
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 funds are included in governmental activities in the statement of net assets.	1,605,065
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,333,066)</u>
Net assets of governmental activities	<u>\$ 120,484,188</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 24

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenues from use of money and property	\$ 58,220	\$ 6,040	\$ 9,846	\$ 5,533	\$ 79,639
Charges for services	206,151	-	-	674,144	880,295
Miscellaneous	66,747	2,348,516	12,669	4,885	2,432,817
Recovered costs	133,719	-	102,904	-	236,623
Intergovernmental revenues:					
Local	25,351,902	-	-	-	25,351,902
Commonwealth	15,351,920	-	-	33,050	15,384,970
Federal	-	-	-	4,541,079	4,541,079
Total revenues	<u>41,168,659</u>	<u>2,354,556</u>	<u>125,419</u>	<u>5,258,691</u>	<u>48,907,325</u>
<b>EXPENDITURES</b>					
Current:					
Education	39,632,750	-	-	5,137,555	44,770,305
Capital projects	-	127,059	957,916	-	1,084,975
Debt service:					
Principal retirement	-	867,785	-	-	867,785
Interest and other fiscal charges	-	35,106	-	-	35,106
Total expenditures	<u>39,632,750</u>	<u>1,029,950</u>	<u>957,916</u>	<u>5,137,555</u>	<u>46,758,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,535,909</u>	<u>1,324,606</u>	<u>(832,497)</u>	<u>121,136</u>	<u>2,149,154</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,631,041	200,000	1,831,041
Transfers out	(1,831,041)	-	-	-	(1,831,041)
Total other financing sources (uses)	<u>(1,831,041)</u>	<u>-</u>	<u>1,631,041</u>	<u>200,000</u>	<u>-</u>
Net change in fund balances	(295,132)	1,324,606	798,544	321,136	2,149,154
Fund balances (deficits) - beginning, as adjusted	<u>296,427</u>	<u>(563,952)</u>	<u>1,609,686</u>	<u>581,788</u>	
Fund balances (deficits) - ending	<u>\$ 1,295</u>	<u>\$ 760,654</u>	<u>\$ 2,408,230</u>	<u>\$ 902,924</u>	

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (862,793) exceeded depreciation (3,514,164) in the current period. (2,651,371)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (215,996)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 867,785

Internal service funds are used by management to charge the costs of maintenance and risk management, to individual funds. The net revenue (expense) of these internal service funds is reported with governmental activities. (300,447)

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. 4,322

Change in net assets of governmental activities \$ (146,553)

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

	Exhibit 25
	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,404,505
Investments	641,221
Receivables, net	25,331
Prepays	19,762
Total current assets	<u>2,090,819</u>
Noncurrent assets:	
Capital assets:	
Depreciable, net	42,750
Total assets	<u>2,133,569</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	528,504
Total liabilities	<u>528,504</u>
<b>NET ASSETS</b>	
Invested in capital assets	42,750
Unrestricted	1,562,315
Total net assets	<u>\$ 1,605,065</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

	Exhibit 26
	Governmental Activities- Internal Service Funds
<hr/>	
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,027,852
Total operating revenues	<u>5,027,852</u>
<b>OPERATING EXPENSES</b>	
Personal services	660,985
Contractual services	273,000
Other supplies and expenses	204,594
Insurance claims and expenses	4,195,551
Depreciation	<u>12,336</u>
Total operating expenses	<u>5,346,466</u>
Operating loss	<u>(318,614)</u>
<b>NONOPERATING REVENUES</b>	
Investment earnings	<u>18,167</u>
Total nonoperating revenues	<u>18,167</u>
Change in net assets	(300,447)
Total net assets - beginning	<u>1,905,512</u>
Total net assets - ending	<u>\$ 1,605,065</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 27

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from internal services provided	\$ 5,026,958
Cash paid to suppliers	(437,004)
Cash paid to employees	(660,985)
Premiums paid	(4,068,186)
Net cash used by operating activities	(139,217)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(28,409)
Net cash used by capital and related financing activities	(28,409)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	18,167
Net cash provided by investing activities	18,167
Net decrease in cash and cash equivalents	(149,459)
Cash and cash equivalents - beginning of year	2,195,185
Cash and cash equivalents - end of year	\$ 2,045,726
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 1,404,505
Cash equivalents - Investments	641,221
Total	\$ 2,045,726
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating loss	\$ (318,614)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	12,336
Change in assets and liabilities:	
Increase in accounts receivable	(894)
Decrease in prepaids	86,121
Increase in accounts payable	81,834
Total adjustments	179,397
Net cash used by operating activities	\$ (139,217)

**Noncash investing, capital, and financing activities:**

There are no noncash activities to disclose.

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**FIDUCIARY FUNDS**  
**June 30, 2011**

		Exhibit 28
	Private- Purpose Trust Funds	Employee Benefits Agency Fund
<b>ASSETS</b>		
Cash	\$ -	\$ 260,620
Investments	<u>523,130</u>	<u>79,703</u>
Total assets	<u>523,130</u>	<u>\$ 340,323</u>
<b>LIABILITIES</b>		
Accounts payable	<u>-</u>	<u>\$ 340,323</u>
Total liabilities	<u>-</u>	<u>\$ 340,323</u>
<b>NET ASSETS</b>		
Held in trust for scholarships	<u>\$ 523,130</u>	

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2011**

	Exhibit 29
	Private- Purpose Trust Funds
<b>ADDITIONS</b>	
Gifts and contributions	\$ 55,561
Investment earnings:	
Interest	194
Dividends	14,705
Net increase in the fair value of investments	27,434
Total additions	<u>97,894</u>
<b>DEDUCTIONS</b>	
Administrative expenses	3,236
Scholarships awarded	62,890
Total deductions	<u>66,126</u>
Change in net assets	31,768
Net assets - beginning	<u>491,362</u>
Net assets - ending	<u><u>\$ 523,130</u></u>



**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**For the Year Ended June 30, 2011**

Exhibit 30

	School Operating Fund			EXHIBIT 30
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ 110,000	\$ 110,000	\$ 58,220	\$ (51,780)
Charges for services	151,000	159,050	206,151	47,101
Miscellaneous	150,000	90,000	66,747	(23,253)
Recovered costs	62,000	66,241	133,719	67,478
Intergovernmental:				
Local	25,351,902	25,351,902	25,351,902	-
Commonwealth	15,339,797	15,356,823	15,351,920	(4,903)
Total revenues	41,164,699	41,134,016	41,168,659	34,643
<b>EXPENDITURES</b>				
Current:				
Education	41,164,699	41,141,029	39,632,750	1,508,279
Total expenditures	41,164,699	41,141,029	39,632,750	1,508,279
Excess (deficiency) of revenues over (under) expenditures	-	(7,013)	1,535,909	1,542,922
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(1,831,041)	(1,831,041)
Total other financing sources (uses)	-	-	(1,831,041)	(1,831,041)
Net change in fund balances	\$ -	\$ (7,013)	\$ (295,132)	\$ (288,119)

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2011**

Exhibit 31

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash	\$ 234,281	\$ -	\$ 403,132	\$ 637,413
Investments	106,924	-	184,048	290,972
Accounts receivable	63,277	-	-	63,277
Due from other governments	-	1,217,515	-	1,217,515
Inventories	28,765	-	-	28,765
Total assets	<u>\$ 433,247</u>	<u>\$ 1,217,515</u>	<u>\$ 587,180</u>	<u>\$ 2,237,942</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 140	\$ 26,217	\$ 8,110	\$ 34,467
Accrued payroll	109,253	281,150	-	390,403
Due to other funds	-	910,148	-	910,148
Total liabilities	<u>109,393</u>	<u>1,217,515</u>	<u>8,110</u>	<u>1,335,018</u>
Fund balances:				
Nonspendable	28,765	-	-	28,765
Assigned	295,089	-	579,070	874,159
Total fund balances	<u>323,854</u>	<u>-</u>	<u>579,070</u>	<u>902,924</u>
Total liabilities and fund balances	<u>\$ 433,247</u>	<u>\$ 1,217,515</u>	<u>\$ 587,180</u>	<u>\$ 2,237,942</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**NONMAJOR FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 32

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Revenues from use of money and property	\$ 1,782	\$ -	\$ 3,751	\$ 5,533
Charges for services	674,144	-	-	674,144
Miscellaneous	4,885	-	-	4,885
Intergovernmental revenues:				
Commonwealth	33,050	-	-	33,050
Federal	1,257,519	3,283,560	-	4,541,079
Total revenues	<u>1,971,380</u>	<u>3,283,560</u>	<u>3,751</u>	<u>5,258,691</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>1,749,348</u>	<u>3,283,560</u>	<u>104,647</u>	<u>5,137,555</u>
Total expenditures	<u>1,749,348</u>	<u>3,283,560</u>	<u>104,647</u>	<u>5,137,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>222,032</u>	<u>-</u>	<u>(100,896)</u>	<u>121,136</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Net change in fund balances	222,032	-	99,104	321,136
Fund balance - beginning	<u>101,822</u>	<u>-</u>	<u>479,966</u>	<u>581,788</u>
Fund balance - ending	<u>\$ 323,854</u>	<u>\$ -</u>	<u>\$ 579,070</u>	<u>\$ 902,924</u>

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2011**

	School Cafeteria Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ 1,100	\$ 1,100	\$ 1,782	\$ 682
Charges for services	846,036	846,036	674,144	(171,892)
Miscellaneous	9,000	9,000	4,885	(4,115)
Intergovernmental:				
Commonwealth	33,807	33,807	33,050	(757)
Federal	873,259	930,638	1,257,519	326,881
Total revenues	<u>1,763,202</u>	<u>1,820,581</u>	<u>1,971,380</u>	<u>150,799</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>1,763,202</u>	<u>1,820,581</u>	<u>1,749,348</u>	<u>71,233</u>
Total expenditures	<u>1,763,202</u>	<u>1,820,581</u>	<u>1,749,348</u>	<u>71,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>222,032</u>	<u>222,032</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,032</u>	<u>\$ 222,032</u>

School Federal Grants Fund				School Textbook Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,751	\$ 3,751
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,922,389</u>	<u>4,189,835</u>	<u>3,283,560</u>	<u>(906,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,922,389</u>	<u>4,189,835</u>	<u>3,283,560</u>	<u>(906,275)</u>	<u>-</u>	<u>-</u>	<u>3,751</u>	<u>3,751</u>
<u>2,922,389</u>	<u>4,189,835</u>	<u>3,283,560</u>	<u>906,275</u>	<u>200,000</u>	<u>479,966</u>	<u>104,647</u>	<u>375,319</u>
<u>2,922,389</u>	<u>4,189,835</u>	<u>3,283,560</u>	<u>906,275</u>	<u>200,000</u>	<u>479,966</u>	<u>104,647</u>	<u>375,319</u>
-	-	-	-	(200,000)	(479,966)	(100,896)	379,070
-	-	-	-	200,000	479,966	200,000	(279,966)
-	-	-	-	200,000	479,966	200,000	(279,966)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,104</u>	<u>\$ 99,104</u>

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**CAPITAL PROJECTS FUNDS**  
**For the Year Ended June 30, 2011**

	School Fundraising Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ 73	\$ 6,040	\$ 5,967
Miscellaneous	179,714	1,589,984	2,348,516	758,532
Recovered costs	-	-	-	-
Total revenues	<u>179,714</u>	<u>1,590,057</u>	<u>2,354,556</u>	<u>764,499</u>
<b>EXPENDITURES</b>				
Capital projects	-	687,165	127,059	560,106
Debt service:				
Principal retirement	131,976	867,256	867,785	(529)
Interest and other fiscal charges	<u>47,738</u>	<u>35,636</u>	<u>35,106</u>	<u>530</u>
Total expenditures	<u>179,714</u>	<u>1,590,057</u>	<u>1,029,950</u>	<u>560,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,324,606</u>	<u>1,324,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,324,606</u>	<u>\$ 1,324,606</u>

## Exhibit 34

School Capital Improvement Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	
\$ -	\$ -	\$ 9,846	\$ 9,846
-	-	12,669	12,669
-	-	102,904	102,904
-	-	125,419	125,419
-	1,702,711	957,916	744,795
-	-	-	-
-	-	-	-
-	1,702,711	957,916	744,795
-	(1,702,711)	(832,497)	870,214
-	1,702,711	1,631,041	(71,670)
-	1,702,711	1,631,041	(71,670)
\$ -	\$ -	\$ 798,544	\$ 798,544

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2011**

Exhibit 35

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,322,906	\$ 81,599	\$ 1,404,505
Investments	603,967	37,254	641,221
Receivables, net	25,267	64	25,331
Prepays	<u>19,762</u>	<u>-</u>	<u>19,762</u>
Total current assets	<u>1,971,902</u>	<u>118,917</u>	<u>2,090,819</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	<u>-</u>	<u>42,750</u>	<u>42,750</u>
Total assets	<u>1,971,902</u>	<u>161,667</u>	<u>2,133,569</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	<u>467,080</u>	<u>61,424</u>	<u>528,504</u>
Total liabilities	<u>467,080</u>	<u>61,424</u>	<u>528,504</u>
<b>NET ASSETS</b>			
Invested in capital assets	-	42,750	42,750
Unrestricted	<u>1,504,822</u>	<u>57,493</u>	<u>1,562,315</u>
Total net assets	<u>\$ 1,504,822</u>	<u>\$ 100,243</u>	<u>\$ 1,605,065</u>



**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 36

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,861,240	\$ 1,166,612	\$ 5,027,852
Total operating revenues	<u>3,861,240</u>	<u>1,166,612</u>	<u>5,027,852</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	660,985	660,985
Contractual services	-	273,000	273,000
Other supplies and expenses	375	204,219	204,594
Insurance claims and expenses	4,195,551	-	4,195,551
Depreciation	-	12,336	12,336
Total operating expenses	<u>4,195,926</u>	<u>1,150,540</u>	<u>5,346,466</u>
Operating income (loss)	<u>(334,686)</u>	<u>16,072</u>	<u>(318,614)</u>
<b>NONOPERATING REVENUES</b>			
Investment earnings	<u>17,906</u>	<u>261</u>	<u>18,167</u>
Total nonoperating revenues	<u>17,906</u>	<u>261</u>	<u>18,167</u>
Change in net assets	(316,780)	16,333	(300,447)
Total net assets - beginning	<u>1,821,602</u>	<u>83,910</u>	<u>1,905,512</u>
Total net assets - ending	<u>\$ 1,504,822</u>	<u>\$ 100,243</u>	<u>\$ 1,605,065</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 37

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from internal services provided	\$ 3,859,780	\$ 1,167,178	\$ 5,026,958
Cash paid to suppliers	-	(437,004)	(437,004)
Cash paid to employees	-	(660,985)	(660,985)
Premiums paid	(4,068,186)	-	(4,068,186)
Net cash provided (used) by operating activities	(208,406)	69,189	(139,217)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	-	(28,409)	(28,409)
Net cash used by capital and related financing activities	-	(28,409)	(28,409)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	17,906	261	18,167
Net cash provided by investing activities	17,906	261	18,167
Net increase (decrease) in cash and cash equivalents	(190,500)	41,041	(149,459)
Cash and cash equivalents - beginning of year	2,117,373	77,812	2,195,185
Cash and cash equivalents - end of year	<u>\$ 1,926,873</u>	<u>\$ 118,853</u>	<u>\$ 2,045,726</u>
Cash and cash equivalents at end of year is comprised of the following:			
Cash	\$ 1,322,906	\$ 81,599	\$ 1,404,505
Cash equivalents - Investments	603,967	37,254	641,221
Total	<u>\$ 1,926,873</u>	<u>\$ 118,853</u>	<u>\$ 2,045,726</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (334,686)	\$ 16,072	\$ (318,614)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	12,336	12,336
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(1,460)	566	(894)
Decrease (increase) in prepaids	86,121	-	86,121
Increase (decrease) in accounts payable	41,619	40,215	81,834
Total adjustments	126,280	53,117	179,397
Net cash provided (used) by operating activities	<u>\$ (208,406)</u>	<u>\$ 69,189</u>	<u>\$ (139,217)</u>

**CITY OF WINCHESTER, VIRGINIA  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 PRIVATE-PURPOSE TRUST FUNDS  
 June 30, 2011**

Exhibit 38

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ASSETS</b>				
Investments	\$ 407,386	\$ 43,932	\$ 71,812	\$ 523,130
Total assets	<u>\$ 407,386</u>	<u>\$ 43,932</u>	<u>\$ 71,812</u>	<u>\$ 523,130</u>
<b>NET ASSETS</b>				
Held in trust for scholarships	<u>\$ 407,386</u>	<u>\$ 43,932</u>	<u>\$ 71,812</u>	<u>\$ 523,130</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**For the Year Ended June 30, 2011**

Exhibit 39

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ADDITIONS</b>				
Gifts and contributions	\$ 13,514	\$ 6,700	\$ 35,347	\$ 55,561
Investment earnings:				
Interest	37	-	157	194
Dividends	14,143	562	-	14,705
Net increase in fair value of investments	20,215	7,219	-	27,434
Total additions	<u>47,909</u>	<u>14,481</u>	<u>35,504</u>	<u>97,894</u>
<b>DEDUCTIONS</b>				
Administrative expenses	2,541	695	-	3,236
Scholarships awarded	12,190	12,700	38,000	62,890
Total deductions	<u>14,731</u>	<u>13,395</u>	<u>38,000</u>	<u>66,126</u>
Change in net assets	33,178	1,086	(2,496)	31,768
Net assets - beginning	<u>374,208</u>	<u>42,846</u>	<u>74,308</u>	<u>491,362</u>
Net assets - ending	<u>\$ 407,386</u>	<u>\$ 43,932</u>	<u>\$ 71,812</u>	<u>\$ 523,130</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2011**

				Exhibit 40
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>School Employee Benefits Fund</b>				
Assets:				
Cash	\$ 142,856	\$ 117,764	\$ -	\$ 260,620
Investments	<u>56,198</u>	<u>23,505</u>	<u>-</u>	<u>79,703</u>
Total Assets	<u>\$ 199,054</u>	<u>\$ 141,269</u>	<u>\$ -</u>	<u>\$ 340,323</u>
Liabilities:				
Accounts payable	<u>\$ 199,054</u>	<u>\$ 141,269</u>	<u>\$ -</u>	<u>\$ 340,323</u>
Total Liabilities	<u>\$ 199,054</u>	<u>\$ 141,269</u>	<u>\$ -</u>	<u>\$ 340,323</u>

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## **DISCRETELY PRESENTED COMPONENT UNIT – PARKING AUTHORITY**

### **ENTERPRISE FUND**

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

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**  
**ENTERPRISE FUND**  
**June 30, 2011**

	Exhibit 41
	Parking Authority Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 781,766
Investments	354,424
Accounts receivable, net	<u>3,696</u>
Total current assets	<u>1,139,886</u>
Noncurrent assets:	
Deferred charges	185,585
Capital assets:	
Nondepreciable	71,037
Depreciable, net	<u>8,970,131</u>
Total capital assets, net	<u>9,041,168</u>
Total noncurrent assets	<u>9,226,753</u>
Total assets	<u>10,366,639</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	414,430
Accrued payroll	12,752
Accrued interest payable	176,312
Revenue bonds payable	<u>176,038</u>
Total current liabilities	<u>779,532</u>
Noncurrent liabilities:	
Compensated absences	31,560
Revenue bonds payable	<u>8,650,068</u>
Total noncurrent liabilities	<u>8,681,628</u>
Total liabilities	<u>9,461,160</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	400,647
Unrestricted	<u>504,832</u>
Total net assets	<u>\$ 905,479</u>



**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**  
**ENTERPRISE FUND**  
**For the Year Ended June 30, 2011**

	Exhibit 42
	Parking Authority Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 856,719
Miscellaneous	5,699
Total operating revenues	<u>862,418</u>
<b>OPERATING EXPENSES</b>	
Personal services	366,811
Contractual services	115,157
Other supplies and expenses	135,475
Depreciation	<u>204,738</u>
Total operating expenses	<u>822,181</u>
Operating income	<u>40,237</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	10,935
Interest and fiscal charges	<u>(421,163)</u>
Total nonoperating revenues (expenses)	<u>(410,228)</u>
Change in net assets	(369,991)
Total net assets - beginning	<u>1,275,470</u>
Total net assets - ending	<u>\$ 905,479</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**  
**ENTERPRISE FUND**  
**For the Year Ended June 30, 2011**

	Exhibit 43
	Parking Authority Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 860,671
Cash paid to suppliers	(233,688)
Cash paid to employees	(379,829)
Net cash provided by operating activities	<u>247,154</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(155,161)
Principal paid on capital debt	(171,308)
Interest paid on capital debt	(412,680)
Net cash used by capital and related financing activities	<u>(739,149)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>10,935</u>
Net cash provided by investing activities	<u>10,935</u>
Net decrease in cash and cash equivalents	(481,060)
Cash and cash equivalents - beginning of year	<u>1,617,250</u>
Cash and cash equivalents - end of year	<u>\$ 1,136,190</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 781,766
Cash equivalents - Investments	<u>354,424</u>
Total	<u>\$ 1,136,190</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 40,237
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	204,738
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(1,747)
Increase (decrease) in accounts payable	16,944
Increase (decrease) in accrued payroll	1,180
Increase (decrease) in compensated absences	(14,198)
Total adjustments	<u>206,917</u>
Net cash provided by operating activities	<u>\$ 247,154</u>
<b>Noncash investing, capital, and financing activities:</b>	
Capital asset purchases in accounts payable at year end	<u>\$ 374,897</u>

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**SUPPLEMENTAL DATA.**

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## STATISTICAL SECTION

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

Contents	Pages
<i>Financial Trends – Tables 1 – 4</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. ....	103-109
<i>Revenue Capacity – Tables 5 – 8</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. ....	110-113
<i>Debt Capacity – Tables 9 – 13</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.....	114-118
<i>Demographic and Economic Information – Tables 14 – 15</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place .....	119-120
<i>Operating Information – Tables 16 – 18</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.....	121-123

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 ASSETS BY COMPONENT**  
**Last Nine Fiscal Years (1)**  
**(accrual basis of accounting)**

Table 1

	2003	2004	2005	2006	2007	2008	2009(2)	2010 (2)	2011
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 7,748,390	\$ 23,709,296	\$ 27,530,372	\$ 31,894,578	\$ 35,925,618	\$ 42,291,055	\$ 44,602,441	\$ 62,512,145	\$ 62,402,348
Restricted		-	-	-	217,166	102,003	49,876	-	-
Unrestricted	15,373,006	(2,745,524)	(16,610,067)	(41,078,838)	(53,683,445)	(58,705,920)	(59,010,599)	(58,030,587)	(50,945,522)
Total governmental activities net assets	<u>\$ 23,121,396</u>	<u>\$ 20,963,772</u>	<u>\$ 10,920,305</u>	<u>\$ (9,184,260)</u>	<u>\$ (17,540,661)</u>	<u>\$ (16,312,862)</u>	<u>\$ (14,358,282)</u>	<u>\$ 4,481,558</u>	<u>\$ 11,456,826</u>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 27,093,874	\$ 28,384,032	\$ 30,128,483	\$ 32,310,319	\$ 32,018,014	\$ 35,012,184	\$ 36,807,871	\$ 44,278,901	\$ 43,480,262
Restricted		-	-	2,000	2,000	2,000	2,000	-	-
Unrestricted	4,411,056	4,182,606	7,464,431	3,904,997	6,531,712	3,555,389	5,579,913	380,107	917,995
Total business-type activities net assets	<u>\$ 31,504,930</u>	<u>\$ 32,566,638</u>	<u>\$ 37,592,914</u>	<u>\$ 36,217,316</u>	<u>\$ 38,551,726</u>	<u>\$ 38,569,573</u>	<u>\$ 42,389,784</u>	<u>\$ 44,659,008</u>	<u>\$ 44,398,257</u>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 34,842,264	\$ 52,093,328	\$ 57,658,855	\$ 64,204,897	\$ 67,943,632	\$ 77,303,239	\$ 81,410,312	\$ 106,791,046	\$ 105,882,610
Restricted		-	-	2,000	219,166	104,003	51,876	-	-
Unrestricted	19,784,062	1,437,082	(9,145,636)	(37,173,841)	(47,151,733)	(55,150,531)	(53,430,686)	(57,650,480)	(50,027,527)
Total primary government net assets	<u>\$ 54,626,326</u>	<u>\$ 53,530,410</u>	<u>\$ 48,513,219</u>	<u>\$ 27,033,056</u>	<u>\$ 21,011,065</u>	<u>\$ 22,256,711</u>	<u>\$ 28,031,502</u>	<u>\$ 49,140,566</u>	<u>\$ 55,855,083</u>
<b>School Board Component Unit</b>									
Invested in capital assets, net of related debt	\$ 18,574,602	\$ 22,990,095	\$ 42,682,558	\$ 70,713,467	\$ 88,843,037	\$ 104,213,868	\$ 112,430,425	\$ 116,460,222	\$ 114,692,709
Restricted	1,517,504	2,626,304	-	-	2,096,290	3,731,987	1,767,727	-	-
Unrestricted	3,292,060	2,802,246	4,965,488	10,815,973	16,779,217	8,553,970	2,173,262	3,881,107	5,791,479
Total governmental activities net assets	<u>\$ 23,384,166</u>	<u>\$ 28,418,645</u>	<u>\$ 47,648,046</u>	<u>\$ 81,529,440</u>	<u>\$ 107,718,544</u>	<u>\$ 116,499,825</u>	<u>\$ 116,371,414</u>	<u>\$ 120,341,329</u>	<u>\$ 120,484,188</u>

Notes:

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.
- (2) These totals are as previously reported. A prior period adjustment was required in 2010 and 2011 which modified these amounts.



**CITY OF WINCHESTER, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**Last Nine Fiscal Years (1)**  
**(accrual basis of accounting)**

Table 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
Governmental activities:									
General government	\$ 2,962,960	\$ 3,618,293	\$ 3,757,763	\$ 4,101,357	\$ 4,611,199	\$ 4,963,448	\$ 4,646,225	\$ 4,023,701	\$ 3,951,051
Judicial administration	1,584,831	1,545,183	1,327,540	2,061,174	2,347,350	2,014,178	2,763,951	2,884,754	2,935,921
Public safety	10,452,560	11,199,311	12,392,777	14,541,554	15,534,200	16,781,824	18,323,978	17,585,438	17,771,948
Public works	4,605,814	5,185,182	5,212,319	5,296,991	5,871,189	7,940,266	7,067,534	7,766,233	9,257,342
Health and welfare	6,161,955	6,291,811	6,652,692	6,880,841	7,689,247	7,705,538	7,579,302	7,246,742	7,730,706
Education	20,872,530	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193
Parks, recreation, and culture	1,816,474	2,494,978	2,352,025	2,187,433	2,385,028	2,968,842	3,354,192	3,413,062	3,461,791
Community development	1,488,120	1,539,404	2,449,154	1,906,853	1,920,305	2,173,272	1,850,299	1,653,859	2,414,352
Interest on long-term debt	1,630,065	1,837,773	2,077,447	3,388,365	4,184,083	4,640,407	4,610,500	4,249,316	4,036,885
Total governmental activities expenses	51,575,309	60,640,529	77,667,061	97,194,417	89,515,837	81,827,935	78,120,521	74,239,219	76,938,189
Business-type activities:									
Water and sewer	10,660,801	10,698,172	10,291,642	11,660,732	12,867,908	14,427,989	16,030,605	15,973,606	17,132,555
Bus service	586,641	560,087	645,959	921,626	924,440	853,081	910,514	964,912	-
Total business-type activities expenses	11,247,442	11,258,259	10,937,601	12,582,358	13,792,348	15,281,070	16,941,119	16,938,518	17,132,555
Total primary government expenses	\$ 62,822,751	\$ 71,898,788	\$ 88,604,662	\$ 109,776,775	\$ 103,308,185	\$ 97,109,005	\$ 95,061,640	\$ 91,177,737	\$ 94,070,744
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
General government	\$ 501,150	\$ 512,515	\$ 609,001	\$ 672,473	\$ 681,154	\$ 732,219	\$ 795,459	\$ 254,535	\$ 276,960
Judicial administration	310,478	329,628	418,589	383,212	371,968	359,633	204,413	630,433	781,054
Public safety	120,547	137,440	109,541	127,567	1,008,032	895,701	888,450	992,875	1,031,282
Public works	300,956	370,730	358,752	480,784	615,990	603,778	1,064,374	341,284	788,258
Health and welfare	65,008	60,934	71,228	71,388	78,634	83,304	90,838	75,357	70,083
Parks, recreation, and culture	501,522	567,817	588,779	591,651	593,557	620,699	607,476	781,612	732,187
Community development	429,877	617,696	636,958	616,498	557,807	444,174	277,349	441,569	312,354
Operating grants and contributions	8,312,733	8,511,231	8,335,248	9,302,094	9,680,995	9,306,894	8,931,591	10,225,614	11,927,468
Capital grants and contributions	-	346,440	1,317,918	484,819	1,497,526	723,220	1,835,430	16,184,324	36,524
Total governmental activities revenues	10,542,271	11,454,431	12,446,014	12,730,486	15,085,663	13,769,622	14,695,380	29,927,603	15,956,170
Business-type activities:									
Charges for services:									
Water and sewer	12,602,143	13,217,273	14,618,918	13,511,213	14,656,789	16,036,767	17,926,218	18,236,410	19,636,840
Bus service	87,652	71,071	66,376	84,029	67,579	60,070	79,959	89,482	-
Operating grants and contributions	324,511	323,019	392,920	449,306	415,530	542,664	560,688	-	-
Capital grants and contributions	-	314,144	2,496,444	401,660	1,828,777	178,293	3,412,273	1,583,104	498,821
Total business-type activities revenues	13,014,306	13,925,507	17,574,658	14,446,208	16,968,675	16,817,794	21,979,138	19,908,996	20,135,661
Total primary government revenues	\$ 23,556,577	\$ 25,379,938	\$ 30,020,672	\$ 27,176,694	\$ 32,054,338	\$ 30,587,416	\$ 36,674,518	\$ 49,836,599	\$ 36,091,831

**CITY OF WINCHESTER, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**Last Nine Fiscal Years (1)**  
**(accrual basis of accounting)**

Table 2 (Cont'd)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (41,033,038)	\$ (49,186,098)	\$ (65,221,047)	\$ (84,463,931)	\$ (74,430,174)	\$ (68,058,313)	\$ (63,425,141)	\$ (44,311,616)	\$ (60,982,019)
Business-type activities	1,766,864	2,667,248	6,637,057	1,863,850	3,176,327	1,536,724	5,038,019	2,970,478	3,003,106
Total primary government net expense	<u>\$ (39,266,174)</u>	<u>\$ (46,518,850)</u>	<u>\$ (58,583,990)</u>	<u>\$ (82,600,081)</u>	<u>\$ (71,253,847)</u>	<u>\$ (66,521,589)</u>	<u>\$ (58,387,122)</u>	<u>\$ (41,341,138)</u>	<u>\$ (57,978,913)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Taxes:									
Property taxes	17,368,001	17,499,244	20,654,729	25,468,425	29,385,425	33,279,510	34,178,174	34,168,510	33,797,432
Sales taxes	8,791,276	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528
Utility taxes	3,123,810	3,262,250	3,394,446	3,433,690	2,832,613	2,015,744	1,991,193	1,915,234	1,987,027
Business license taxes	4,311,145	4,739,154	5,400,295	5,983,072	5,901,109	5,727,230	5,458,468	5,236,568	5,451,253
Franchise taxes	431,927	923,194	1,057,007	543,864	557,228	276,598	293,529	329,097	349,004
Hotel and meals taxes	3,426,565	3,737,769	5,032,624	5,598,277	5,845,108	5,739,369	5,021,594	5,375,860	5,671,611
E-911 taxes	554,297	618,392	651,115	579,235	-	-	-	-	-
Communication sales taxes	-	-	-	-	886,730	2,423,466	2,277,662	2,207,059	2,260,141
Other local taxes	1,606,576	1,187,763	1,468,133	2,182,526	2,187,954	1,720,639	2,129,896	1,598,674	1,762,905
Sale of right-of-way	-	-	-	-	-	-	-	-	250,000
Unrestricted grants and contributions	3,497,399	3,620,250	3,752,212	3,959,529	4,472,972	3,735,644	3,626,897	2,831,277	2,997,533
Investment earnings	208,968	59,384	205,740	875,864	1,322,717	1,458,202	460,609	281,219	146,478
Miscellaneous	475,516	417,124	414,694	459,032	799,216	512,011	527,737	-	4,304
Gain on sale of capital assets	43,465	378,716	-	734,856	70,364	-	22,781	-	-
Transfers	90,000	1,404,342	1,819,869	3,677,307	1,500,277	1,819,967	1,354,150	1,864,000	3,321,749
Total governmental activities	<u>43,928,945</u>	<u>47,383,477</u>	<u>54,124,086</u>	<u>64,390,370</u>	<u>66,042,769</u>	<u>68,455,753</u>	<u>65,379,721</u>	<u>63,197,056</u>	<u>66,085,965</u>
Business-type activities:									
Investment earnings	108,332	70,916	195,569	400,403	567,522	273,073	125,725	56,010	12,746
Miscellaneous	17,306	25,051	13,519	37,456	134,639	28,017	10,617	53,060	45,146
Transfers	(90,000)	(1,404,342)	(1,819,869)	(3,677,307)	(1,500,277)	(1,819,967)	(1,354,150)	(1,864,000)	(3,321,749)
Total business-type activities	<u>35,638</u>	<u>(1,308,375)</u>	<u>(1,610,781)</u>	<u>(3,239,448)</u>	<u>(798,116)</u>	<u>(1,518,877)</u>	<u>(1,217,808)</u>	<u>(1,754,930)</u>	<u>(3,263,857)</u>
Total primary government	<u>\$ 43,964,583</u>	<u>\$ 46,075,102</u>	<u>\$ 52,513,305</u>	<u>\$ 61,150,922</u>	<u>\$ 65,244,653</u>	<u>\$ 66,936,876</u>	<u>\$ 64,161,913</u>	<u>\$ 61,442,126</u>	<u>\$ 62,822,108</u>
<b>Change in Net Assets</b>									
Governmental activities	2,895,907	(1,802,621)	(11,096,961)	(20,073,561)	(8,387,405)	397,440	1,954,580	18,885,440	5,103,946
Business-type activities	<u>1,802,502</u>	<u>1,358,873</u>	<u>5,026,276</u>	<u>(1,375,598)</u>	<u>2,378,211</u>	<u>17,847</u>	<u>3,820,211</u>	<u>1,215,548</u>	<u>(260,751)</u>
Total primary government	<u>\$ 4,698,409</u>	<u>\$ (443,748)</u>	<u>\$ (6,070,685)</u>	<u>\$ (21,449,159)</u>	<u>\$ (6,009,194)</u>	<u>\$ 415,287</u>	<u>\$ 5,774,791</u>	<u>\$ 20,100,988</u>	<u>\$ 4,843,195</u>

**CITY OF WINCHESTER, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**Last Nine Fiscal Years (1)**  
**(accrual basis of accounting)**

Table 2 (Cont'd)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
School Board Component Unit:									
Education	\$ 34,734,639	\$ 36,697,616	\$ 39,729,723	\$ 42,043,989	\$ 44,755,582	\$ 47,890,837	\$ 51,428,596	\$ 47,296,567	\$ 48,837,882
Total School Board component unit expenses	<u>34,734,639</u>	<u>36,697,616</u>	<u>39,729,723</u>	<u>42,043,989</u>	<u>44,755,582</u>	<u>47,890,837</u>	<u>51,428,596</u>	<u>47,296,567</u>	<u>48,837,882</u>
<b>Program Revenues</b>									
School Board Component Unit:									
Charges for services:									
Education	804,049	881,307	915,437	949,126	963,824	924,387	957,618	880,847	880,295
Operating grants and contributions	13,092,918	13,714,468	15,551,702	16,524,727	17,422,798	18,058,555	19,567,683	21,252,219	19,926,049
Capital grants and contributions	<u>513,518</u>	<u>6,261,989</u>	<u>19,836,755</u>	<u>33,689,828</u>	<u>22,501,915</u>	<u>7,577,965</u>	<u>1,471,063</u>	<u>3,031,845</u>	<u>2,216,821</u>
Total School Board component unit revenues	<u>14,410,485</u>	<u>20,857,764</u>	<u>36,303,894</u>	<u>51,163,681</u>	<u>40,888,537</u>	<u>26,560,907</u>	<u>21,996,364</u>	<u>25,164,911</u>	<u>23,023,165</u>
<b>Net (Expense)/Revenue</b>									
School Board Component Unit	<u>(20,324,154)</u>	<u>(15,839,852)</u>	<u>(3,425,829)</u>	<u>9,119,692</u>	<u>(3,867,045)</u>	<u>(21,329,930)</u>	<u>(29,432,232)</u>	<u>(22,131,656)</u>	<u>(25,814,717)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
School Board Component Unit:									
Payment from City of Winchester	20,845,230	21,135,323	21,975,750	23,481,698	25,056,307	26,920,190	27,901,103	25,386,902	25,351,902
Investment earnings	197,189	76,553	424,115	998,705	1,211,760	1,110,082	216,949	165,518	79,639
Miscellaneous	149,827	243,789	246,617	281,299	3,788,082	3,815,962	1,185,769	145,137	236,623
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>8,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total School Board Component Unit	<u>21,192,246</u>	<u>21,455,665</u>	<u>22,655,230</u>	<u>24,761,702</u>	<u>30,056,149</u>	<u>31,846,234</u>	<u>29,303,821</u>	<u>25,697,557</u>	<u>25,668,164</u>
<b>Change in Net Assets</b>									
School Board Component Unit	<u>\$ 868,092</u>	<u>\$ 5,615,813</u>	<u>\$ 19,229,401</u>	<u>\$ 33,881,394</u>	<u>\$ 26,189,104</u>	<u>\$ 10,516,304</u>	<u>\$ (128,411)</u>	<u>\$ 3,565,901</u>	<u>\$ (146,553)</u>

Notes:

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

Table 3

	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Pre-GASB 54 implementation:</b>									
General Fund									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,465
Unreserved	10,983,201	12,572,449	14,714,401	18,982,128	25,075,724	28,957,466	26,842,432	20,577,901	17,253,692
Total general fund	<u>\$ 10,983,201</u>	<u>\$ 12,572,449</u>	<u>\$ 14,714,401</u>	<u>\$ 18,982,128</u>	<u>\$ 25,075,724</u>	<u>\$ 28,957,466</u>	<u>\$ 26,842,432</u>	<u>\$ 20,577,901</u>	<u>\$ 17,267,157</u>
All Other Governmental Funds									
Reserved	\$ 111,534	\$ 117,459	\$ 117,459	\$ 126,832	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Unreserved, reported in:									
Special revenue funds	2,179,631	1,392,992	1,201,214	1,286,541	1,468,954	1,704,636	1,820,531	-	1,811,642
Capital projects funds	1,320,836	1,590,093	1,559,751	950,751	6,847,195	2,969,046	1,842,195	4,279,791	824,558
Debt service funds	753,276	811,011	639,959	482,877	342,947	217,166	102,003	49,876	-
Total all other governmental funds	<u>\$ 4,365,277</u>	<u>\$ 3,911,555</u>	<u>\$ 3,518,383</u>	<u>\$ 2,847,001</u>	<u>\$ 8,659,096</u>	<u>\$ 4,890,848</u>	<u>\$ 3,764,729</u>	<u>\$ 4,329,667</u>	<u>\$ 2,676,200</u>
<b>Post-GASB 54 implementation:</b>									
2011									
General Fund									
Nonspendable	\$ 11,950								
Restricted	441,131								
Committed	950,000								
Assigned	931,312								
Unassigned	18,651,925								
Total general fund	<u>\$ 20,986,318</u>								
All Other Governmental Funds									
Nonspendable	\$ 40,000								
Restricted	-								
Committed	-								
Assigned	2,068,984								
Unassigned	-								
Total all other governmental funds	<u>\$ 2,108,984</u>								

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

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

Table 4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
General property taxes	\$ 16,962,723	\$ 17,174,708	\$ 17,904,992	\$ 20,502,718	\$ 25,041,195	\$ 29,701,648	\$ 33,045,144	\$ 33,704,350	\$ 33,821,252	\$ 33,942,158
Sales taxes	8,373,713	8,791,276	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528
Other local taxes	13,319,018	13,454,320	14,468,522	17,003,620	18,320,664	18,210,742	17,903,046	17,172,342	16,662,492	17,481,942
Permits, privilege fees, and regulatory licenses	236,827	433,236	621,027	639,874	619,646	560,761	450,188	285,131	392,290	292,644
Fines and forfeitures	170,343	171,173	185,477	274,987	221,123	203,206	171,521	159,077	147,721	221,715
Revenues from use of money and property	353,053	208,570	86,646	226,866	897,306	1,357,831	1,504,587	529,863	439,521	315,006
Charges for services	666,325	732,614	827,070	834,354	843,209	1,420,091	1,698,424	1,760,787	1,706,059	1,846,033
Miscellaneous	284,004	387,757	382,337	391,358	436,721	763,945	465,622	444,901	453,621	764,927
Recovered costs	597,267	670,731	647,694	650,470	776,667	903,114	887,583	1,454,804	979,769	1,045,223
Intergovernmental	11,203,986	11,810,132	12,477,171	12,575,431	13,646,660	13,697,391	13,849,118	14,393,918	14,754,690	14,737,288
Total revenues	52,167,259	53,834,517	57,136,831	63,372,900	71,697,884	77,099,785	79,722,606	77,942,204	76,746,973	78,733,464
<b>Expenditures</b>										
General government administration	2,580,774	2,566,622	3,201,756	3,140,752	3,445,735	3,907,048	4,420,565	3,999,143	3,803,786	3,690,586
Judicial administration	1,355,647	1,511,492	1,609,089	1,661,817	1,929,431	2,266,027	2,537,903	2,574,148	2,690,827	2,768,905
Public safety	9,110,416	10,387,188	11,041,207	12,505,214	14,851,908	15,745,426	16,592,044	17,907,345	16,963,980	17,471,623
Public works	4,342,821	5,139,949	5,878,314	5,645,313	6,994,174	7,592,466	9,579,042	8,611,361	10,526,541	6,958,722
Health and welfare	5,826,622	6,168,712	6,270,468	6,678,900	6,852,789	7,675,658	7,728,686	7,542,126	7,205,135	7,727,186
Education (1)	18,459,427	20,872,530	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193
Parks, recreation, and culture	1,880,178	1,974,719	2,239,955	2,125,648	2,702,534	2,941,953	3,898,630	3,716,933	3,877,809	3,117,656
Community development	1,326,312	1,490,323	1,560,657	2,456,570	1,922,337	1,897,862	2,247,515	1,757,737	1,574,376	2,332,049
Capital projects	4,565,268	1,826,167	583,013	744,593	1,004,599	2,866,617	2,466,646	2,027,584	-	-
Debt service:										
Principal retirement	2,746,988	2,837,627	3,101,293	3,511,299	4,290,832	4,860,328	5,702,316	5,544,227	5,829,665	5,760,991
Interest and fiscal charges	1,778,645	1,620,693	1,669,686	1,763,091	3,048,509	4,136,444	4,592,251	4,690,387	4,343,895	4,132,168
Bond issuance costs	9,457	27,542	105,029	297,686	260,168	142,965	98,552	-	-	-
Advance refunding escrow	-	88,892	-	129,378	-	-	-	-	-	-
Total expenditures	53,982,555	56,512,456	64,189,061	82,105,605	104,132,865	99,006,030	92,504,310	86,295,531	82,232,128	79,338,079
Excess of revenues over (under) expenditures	(1,815,296)	(2,677,939)	(7,052,230)	(18,732,705)	(32,434,981)	(21,906,245)	(12,781,704)	(8,353,327)	(5,485,155)	(604,615)

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

Table 4 (Cont'd)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Other Financing Sources (Uses)</b>										
Sale of property	\$ 187,374	\$ 43,465	\$ 382,758	\$ 7,004	\$ 752,455	\$ 82,493	\$ 1,520	\$ 43,198	\$ -	\$ 250,000
Insurance recoveries	-	-	-	-	59,303	13,416	14,015	18,576	114,754	4,304
Bonds issued	4,249,054	8,736,000	6,710,000	28,172,590	39,000,000	19,260,000	7,200,000	-	-	-
Premium on debt	-	-	61,315	620,625	1,230,047	772,124	88,710	-	-	-
Capital lease	-	-	242,595	766,308	282,000	360,425	441,500	-	-	-
Payment to refunded bond escrow agent	-	(5,056,000)	-	(9,952,868)	-	-	-	-	-	-
Transfers in	2,397,496	3,409,678	3,651,075	4,715,464	6,848,646	6,919,733	9,642,156	7,650,015	7,980,231	5,433,719
Transfers out	(2,262,496)	(3,319,678)	(2,246,733)	(2,895,595)	(3,800,775)	(5,419,456)	(7,847,350)	(6,295,865)	(6,336,231)	(3,589,786)
Total other financing sources and uses	4,571,428	3,813,465	8,801,010	21,433,528	44,371,676	21,988,735	9,540,551	1,415,924	1,758,754	2,098,237
Net change in fund balances	<u>\$ 2,756,132</u>	<u>\$ 1,135,526</u>	<u>\$ 1,748,780</u>	<u>\$ 2,700,823</u>	<u>\$ 11,936,695</u>	<u>\$ 82,490</u>	<u>\$ (3,241,153)</u>	<u>\$ (6,937,403)</u>	<u>\$ (3,726,401)</u>	<u>\$ 1,493,622</u>
Debt service as a percentage of noncapital expenditures (2)	N/A	8.7%	7.9%	7.2%	7.7%	10.0%	12.3%	12.8%	13.3%	13.4%

Notes:

- (1) Education expenditures include the City's contribution to the School Board Component Unit.
- (2) Expenditure totals for capitalized assets included within the functional expenditure categories were not available for fiscal years prior to 2003.

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

Table 5

Fiscal Year	Real Property (1)(3)			Personal Property (1)										Total Taxable Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Tax Rate per \$100	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Mobile Homes	Tax Rate per \$100		
2001	\$ 860,660,706	\$ 590,123,200	0.72	55,354,811	0.67	\$ 153,267,558	3.5	\$ 34,012	3.5	\$ 121,068,656	12	\$ 173,462	0.65	\$ 1,780,682,405	0.98
2002	856,043,311	600,065,600	0.72	54,035,828	0.72	153,944,372	3.5	34,190	3.5	131,402,338	1.2	174,602	0.65	1,795,700,241	0.99
2003 (2)	1,118,428,884	732,552,900	0.58	52,338,544	0.72	153,763,064	3.5	19,014	3.5	135,636,858	1.2	225,300	0.72	2,192,964,564	0.99
2004	1,168,629,389	744,643,100	0.63	59,448,513	0.58	157,769,037	3.5	10,558	3.5	116,302,067	1.2	242,600	0.63	2,247,045,264	0.95
2005 (2)	1,547,000,230	846,685,200	0.63	52,812,984	0.63	163,876,921	3.5	33,411	3.5	114,813,086	1.3	236,400	0.63	2,725,458,232	0.93
2006	1,611,591,819	873,266,900	0.69	64,545,448	0.63	174,036,126	4.5	-	4.5	121,396,014	1.3	251,900	0.69	2,845,088,207	0.91
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	0.91
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	0.88
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	0.99
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	0.99
2011	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	0.88

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 2003, 2005, 2007, 2009 and 2011 tax year.
- (3) Real Property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

Source:

City of Winchester, Commissioner of the Revenue

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

Table 6

Fiscal Year	City Direct Rates (2)				Total Direct Rate
	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	
2002	0.59	0.02	0.30	0.08	0.99
2003	0.58	0.02	0.30	0.09	0.99
2004	0.61	0.02	0.25	0.07	0.94
2005	0.61	0.02	0.25	0.06	0.94
2006	0.63	0.01	0.21	0.05	0.91
2007	0.63	0.02	0.21	0.05	0.91
2008	0.65	0.01	0.17	0.04	0.87
2009	0.65	0.01	0.17	0.04	0.87
2010	0.65	0.01	0.19	0.04	0.88
2011	0.64	0.01	0.18	0.04	0.88

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, 2010			December 31, 2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
<u>Taxpayer</u>						
Mayflower Apple Blossom, LP	\$ 45,217,100	1	1.66%	\$ 32,556,800	1	2.20%
DDRM Apple Blossom Corners, LLC	25,967,200	2	0.95%	-		-
Walmart Realty CO	23,733,000	3	0.87%	13,526,100	8	0.91%
P D K Winchester, LC	21,322,200	4	0.78%	-		-
Trout Segall & Doyle Winc Prop, LLC	21,257,500	5	0.78%	-		-
National Fruit Product Co., Inc.	14,589,400	6	0.53%	13,236,800	9	0.89%
Lowe's Home Center, Inc.	12,665,400	7	0.46%	-		-
Loveless Homes X, LLC	12,596,000	8	0.46%	-		-
Pleasant Valley Market Place, LLC	12,455,000	9	0.46%	-		-
G W Development, LLC	9,615,700	10	0.35%	-		-
Rubbermaid Commerical Prod. Inc.	-		-	14,922,200	5	1.01%
Winchester Medical Center, Inc.	-		-	21,914,200	2	1.48%
Pine Motor Co., Inc. Etal.	-		-	16,226,000	3	1.10%
Dev. Diversified Realty Corp.	-		-	14,530,900	6	0.98%
Aikens Investments/HWA et. Al	-		-	15,521,700	4	1.05%
Melco, Inc.	-		-	13,767,600	7	0.93%
PolyOne Engineered Films, Inc.	-		-	12,777,600	10	0.86%
Total	\$ 199,418,500		7.30%	\$ 168,979,900		11.41%

Source:  
City of Winchester, Assessor's Office

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2002	\$ 17,395,955	\$ 1,748,509	\$ 19,144,464	\$ 16,414,575	94.36%	\$ 2,554,518	\$ 18,969,093	99.08%
2003	18,718,770	1,875,460	20,594,230	17,686,635	94.49%	2,649,089	20,335,724	98.74%
2004	19,391,170	1,802,160	21,193,330	18,547,957	95.65%	2,453,677	21,001,634	99.10%
2005	20,766,491	2,013,703	22,780,194	19,893,140	95.79%	2,648,056	22,541,196	98.95%
2006	25,705,020	2,802,593	28,507,613	24,280,467	94.46%	3,773,927	28,054,394	98.41%
2007	29,728,314	2,850,749	32,579,063	28,477,374	95.79%	2,160,600	30,637,974	94.04%
2008	32,280,468	2,877,353	35,157,821	31,240,872	96.78%	2,168,130	33,409,002	95.03%
2009	32,726,042	-	32,726,042	31,632,098	96.66%	1,093,944	32,726,042	100.00%
2010	35,759,290	-	35,759,290	34,285,769	95.88%	1,473,521	35,759,290	100.00%
2011	35,941,324	-	35,941,324	32,347,826	90.00%	-	32,347,826	90.00%

Source:

City of Winchester, Treasurer

Notes:

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

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

Table 9

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	General Obligation Bonds	Revenue Bonds	Obligations Payable			
2002	\$ 34,669,317	\$ -	\$ 20,176,978	\$ -	\$ -	\$ 54,846,295	8.11%	\$ 2,276
2003	35,936,575	-	18,771,515	-	-	54,708,090	8.09%	2,270
2004	39,747,433	-	20,835,285	-	-	60,582,718	9.08%	2,479
2005	55,393,281	-	21,751,067	-	-	77,144,348	11.66%	3,157
2006	90,474,179	-	26,662,924	-	-	117,137,103	15.49%	4,663
2007	105,263,817	-	29,886,248	-	-	135,150,065	16.78%	5,349
2008	107,244,423	-	28,497,851	-	-	135,742,274	16.08%	5,275
2009	101,700,196	-	27,022,523	23,920,000	8,163,355	160,806,074	18.04%	6,209
2010	95,870,531	-	25,444,814	36,215,000	7,232,324	164,762,669	18.41%	6,259
2011	90,109,540	-	23,779,501	47,610,000	20,221,937	181,720,978	20.34%	6,934

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.

**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)
2002	\$ 34,669,317	\$ 753,276	\$ 33,916,041	1.90%	\$ 1,407
2003	35,936,575	811,011	35,125,564	1.96%	1,457
2004	39,747,433	639,959	39,107,474	1.78%	1,601
2005	55,393,281	482,877	54,910,404	2.44%	2,247
2006	90,474,179	342,947	90,131,232	3.31%	3,588
2007	105,263,817	217,166	105,046,651	3.69%	4,158
2008	107,244,423	102,003	107,142,420	2.88%	4,164
2009	101,700,196	49,876	101,650,320	2.73%	3,925
2010	95,870,531	-	95,870,531	2.79%	3,642
2011	90,109,540	-	90,109,540	2.61%	3,439

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, 2011**

Table 11

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Winchester</u>	<u>Amount Applicable to City of Winchester</u>
City of Winchester	\$ 90,109,540	100%	\$ 90,109,540

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 151,014,474	\$ 190,332,033	\$ 197,272,100	\$ 244,649,841	\$ 254,940,417	\$ 342,079,042	\$ 342,316,836	\$ 302,560,266	\$ 314,296,963	\$ 278,558,244
Total net debt applicable to limit	<u>54,093,019</u>	<u>53,260,133</u>	<u>59,942,759</u>	<u>76,661,471</u>	<u>116,794,156</u>	<u>134,932,899</u>	<u>135,640,271</u>	<u>128,672,843</u>	<u>121,315,345</u>	<u>113,889,041</u>
Legal debt margin	<u>\$ 96,921,455</u>	<u>\$ 137,071,900</u>	<u>\$ 137,329,341</u>	<u>\$ 167,988,370</u>	<u>\$ 138,146,261</u>	<u>\$ 207,146,143</u>	<u>\$ 206,676,565</u>	<u>\$ 173,887,423</u>	<u>\$ 192,981,618</u>	<u>\$ 164,669,203</u>
Total net debt applicable to the limit as a percentage of debt limit	35.82%	27.98%	30.39%	31.34%	45.81%	39.44%	39.62%	42.53%	38.60%	40.89%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed Value of Real Property	\$ 2,785,582,441
Debt Limit - 10%	278,558,244
Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>113,889,041</u>
Legal Debt Margin	<u>\$ 164,669,203</u>

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed real property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**CITY OF WINCHESTER, VIRGINIA**  
**PLEDGED-REVENUE COVERAGE**  
**Last Fiscal Year**

Table 13

Water and Sewer Revenue Bonds							
Fiscal Year	Water and Sewer		Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
	Charges and Other				Principal	Interest	
2009	\$ 17,632,035	\$	12,955,277	\$ 4,676,758	\$ -	\$ 230,006	20.33
2010	\$ 18,282,412	\$	11,301,236	\$ 6,981,176	\$ -	\$ 1,093,351	6.39
2011	\$ 19,681,986	\$	11,662,219	\$ 8,019,767	\$ 770,000	\$ 1,779,020	4.51

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)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
2002	24,100	\$ 676,318	\$ 28,063	35.2	75.4%	23.7%	3,466	3.30%
2003	24,100	676,318	28,063	35.2	75.4%	23.7%	3,517	3.30%
2004	24,434	667,244	27,308	35.2	75.4%	23.7%	3,567	2.90%
2005	24,434	661,770	27,084	35.2	75.4%	23.7%	3,631	3.30%
2006	25,119	756,182	30,104	35.2	75.4%	23.7%	3,756	2.80%
2007	25,265	805,625	31,887	35.2	75.4%	23.7%	3,708	3.10%
2008	25,733	844,325	32,811	36.0	75.4%	23.7%	3,652	4.60%
2009	25,897	891,297	34,417	35.7	75.4%	23.7%	3,714	8.70%
2010	26,322	894,790	33,994	35.2	75.4%	23.7%	3,745	7.20%
2011	26,203	893,365	34,094	37.4	78.1%	28.1%	3,829	7.30%

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; 2000 census is latest available data.
- (5) City of Winchester School Board.



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

Table 15

<u>Employer</u>	<u>December 31, 2010</u>			<u>December 31, 2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Valley Health System	1,000 and over	1	7.47%	500 - 999	3	3.97%
Shenandoah University	500 - 999	2	3.74%	500 - 999	8	3.97%
Rubbermaid Commercial Products	500 - 999	3	3.74%	1,000 and over	2	7.95%
Winchester City Public Schools	500 - 999	4	3.74%	500 - 999	4	3.97%
Wal Mart	500 - 999	5	3.74%	500 - 999	9	3.97%
U.S. Department of Defense	500 - 999	6	3.74%	-	-	-
City of Winchester	500 - 999	7	3.74%	-	-	-
Osullivan Films Inc.	250 - 499	8	1.87%	-	-	-
Martins Food Market	250 - 499	9	1.87%	-	-	-
Trex Company, Inc.	250 - 499	10	1.87%	-	-	-
Winchester Medical Center	-	-	-	1,000 and over	1	7.95%
Lear Operations Corporation	-	-	-	500 - 999	6	3.97%
Kohl's Department Stores	-	-	-	500 - 999	5	3.97%
Federal Mogul Products	-	-	-	500 - 999	7	3.97%
Polyone Engineered Films	-	-	-	500 - 999	10	3.97%
Total	<u>4,750</u>		<u>35.52%</u>	<u>6,000</u>		<u>47.66%</u>

Source: Virginia Employment Commission

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

**CITY OF WINCHESTER, VIRGINIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Six Fiscal Years (1)**

Table 16

	Full-Time Equivalent Employees as of June 30					
	2006	2007	2008	2009	2010	2011
<b><u>Function/Program</u></b>						
General government administration	45	46	46	43	41	37
Judicial administration	38	38	38	42	41	46
Public safety	228	243	234	200	204	219
Public works	39	59	60	58	59	61
Health and welfare	45	41	43	43	44	46
Parks, recreation, and culture	50	40	50	53	52	58
Community development	13	20	19	14	13	13
Water and sewer	60	64	67	61	58	66
Bus service	15	13	13	13	13	14
Parking authority	12	10	8	8	8	8
Schools	685	685	687	687	683	665
Total	1,230	1,259	1,265	1,222	1,216	1,233

**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.

**Notes:**

(1) Information is only available since 2006. Data will be added until a 10 year comparison is achieved.

**CITY OF WINCHESTER, VIRGINIA**  
**OPERATING INDICATORS BY FUNCTION**  
**Last Six Fiscal Years (1)**

Table 17

Function	Fiscal Year					
	2006	2007	2008	2009	2010	2011
General Government						
Building permits issued	780	762	600	486	470	942
Building inspections conducted (commercial and residential)	11,904	11,858	10,074	8,154	8,186	7,342
Police						
Physical arrests	4,855	3,567	2,701	3,231	2,611	2,854
Parking violations	8,524	8,048	7,647	7,429	6,634	7,128
Traffic violations	5,168	4,531	4,087	4,524	3,709	4,070
Fire						
Emergency responses	5,560	5,623	5,498	5,470	5,377	5,549
Structure fires	70	56	54	60	45	87
On-site fire inspections	378	97	143	334	361	388
Fire suppression inspection tests (2)	112	167	106	152	112	45
Refuse Collection						
Refuse collected (tons per year -- residential and non-residential)	8,696.24	7,578.50	7,117.36	6,649.11	6,537	6,430
Recyclables collected (tons per year -- does not include cardboard or yard waste)	1,922.52	2,014.29	2,031.84	2,116.81	2,908	2,931
Recyclable scrap	-	10.72	19.18	8.88	21	20
Other Public Works						
Street resurfacing (miles)	2	5	3	7.4	7	1.1
Parks and Recreation						
Shelter permits issued	493	448	681	472	821	839
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	34,457	30,126	38,061	43,154	48,108	49,774
Racquetball court users	2,774	1,341	1,345	1,196	2,474	2,407
Indoor fitness room users	7,280	6,077	8,136	5,167	13,487	9,901
Water						
Average daily production	7.3 mgd	7.9 mgd	7.9 mgd	6.85 mgd	6.34 mgd	6.43 mgd
New connections (3)	179	38	55	32	42	40
Total connections (3)	10,930	10,824	10,879	10,911	10,953	10,993
Water main breaks (3)	58	55	60	56	30	55
Average daily consumption	5.8 mgd	5.9 mgd	6.1 mgd	5.25 mgd	4.8 mgd	4.9 mgd
Wastewater						
Average daily flow (12 month period)	4.4 mgd	4.9 mgd	4.8 mgd	4.6 mgd	5.37 mgd	4.8 mgd
Peak Flow (12 month period)	9.8 mgd	9.7 mgd	9.8 mgd	9.8 mgd	8.45 mgd	9.8 mgd
Transit						
Passenger trips	149,796	148,169	139,672	130,494	120,656	128,876
Schools						
Number of teachers, Elementary (K-4)	142	132	121	121	131	143
Number of teachers, Middle 5-8)	85	99	99	99	94	90
Number of teachers, Secondary (9-12)	94	100	102	102	99	96
Number of students, Elementary (K-4)	1,712	1,417	1,447	1,529	1,605	1,649
Number of students, Middle (5-8)	817	1,101	1,063	1,073	1,074	1,084
Number of students, Secondary (9-12)	1,113	1,190	1,142	1,112	1,066	1,096

Source: Various Departments in the City

Notes:

- (1) Information is only available for last six fiscal years. Data will be added until a 10 year comparison is achieved.
- (2) One reported test may include multiple inspections.
- (3) FY07 numbers exclude monthly pass users, due to loss of daily computer records.
- (4) In FY07, 5th grade was moved from Elementary totals to the Middle School totals.

**CITY OF WINCHESTER, VIRGINIA**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**Last Six Fiscal Years (1)**

Table 18

<b>Function</b>	<b>Fiscal Year</b>					
	2006	2007	2008	2009	2010	2011
Police						
Stations	1	1	1	1	1	1
SubStations	1	1	1	1	1	1
Patrol cars	67	74	76	77	76	76
Fire						
Fire Stations	4	4	4	4	4	4
Refuse Collection						
Collection Trucks	8	8	7	7	7	7
Other Public Works						
Streets (miles)	284	205	205	219	221	221
Streetlights	72	72	72	63	63	63
Traffic signals	62	64	63	60	56	56
Parks and Recreation						
Number of parks	15	15	15	15	14	14
Acreage	240.65	248.19	248.19	248.19	247.83	247.83
Playgrounds	11	10	10	10	9	9
Community centers	1	1	1	1	1	1
Baseball/softball diamonds	8	9	8	9	9	9
Soccer/football fields	5	5	5	6	6	6
Basketball courts	7	7	7	7	7	7
Tennis courts	7	7	7	7	7	7
Volleyball court	1	1	1	1	1	-
Horseshoe courts	26	24	24	24	24	24
Water						
Miles of water mains	171.98	125.00	125.00	125.00	125.00	126.00
Fire hydrants	1,082	1,082	1,082	1,082	1,085	1,085
Water storage capacity	11.1 mg	11 mg	11 mg	11 mg	11mg	12mg
Wastewater						
Miles of storm sewers	79.60	79.60	79.60	81.00	82.00	82.00
Miles of sanitary sewers	121.69	121.69	121.69	121.69	121.69	121.69
Opequon wastewater treatment capacity (2)	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	7.1 mgd
Transit						
Minibuses	9	8	8	7	7	7
Trolleys	2	2	2	2	2	2
Vans	2	2	2	2	2	2
Schools						
Attendance Centers, Elementary	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1
Number of classrooms, Elementary	164	164	123	123	123	123
Number of classrooms, Middle	85	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95

Source: Various Departments in the City

Notes:

- (1) Information is only available for last six fiscal years. Data will be added until a 10 year comparison is achieved.
- (2) Operated by Frederick Winchester Service Authority

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**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 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, as of and for the year ended June 30, 2011 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2011. We conducted our audit 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 *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, these can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. **However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.**

*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. **We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 10-1 to be a material weakness.**

## 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* which is further described in the accompanying schedule of findings and questioned costs as item 11-1.**

We noted certain matters that we reported to management of the City in a separate letter dated November 21, 2011.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on it.

\*\*\*\*\*

This report is intended solely for the information and use of the audit committee, management, others within the City, state and federal awarding agencies, pass-through entities, and City Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 21, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

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

**Compliance**

We have audited the City of Winchester, Virginia's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

**In our opinion, the City complied, in all material respects, with the 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, 2011.**



### **Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. **Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.**

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

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

This report is intended solely for the information and use of the audit committee, management, others within the City, federal awarding agencies and pass-through entities, and City Council and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 21, 2011

**CITY OF WINCHESTER, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2011**

As more fully described in the 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, 2011**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported in the 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*. Item 10-1 was determined to be a material weakness.
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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion** on all major federal programs.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

<u>Name of Program</u>	<u>CFDA #</u>
ARRA – State Fiscal Stabilization Fund – Education State Grants	84.394
Title IV-B – Special Education – Grants to States	84.027
Title IV-B – Special Education – Preschool Grants	84.173
ARRA – Special Education – Grants to States	84.391
ARRA – Special Education – Preschool Grants	84.392
Title I – Educationally Deprived Children – Local Education Agencies	84.010
ARRA – Title I Grants to Local Education Agencies	84.389
21 <sup>ST</sup> Century Community Learning Centers Grant	84.287
Education Job Funds Grant	84.410
National School Lunch Program	10.555
School Breakfast Program	10.553

8. The **threshold for** distinguishing Type A and B programs was **\$300,000**.
9. The City of Winchester was **not determined to be a low-risk auditee**.

**CITY OF WINCHESTER, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**10-1: Auditor Adjustments – Non-Recurring and Unusual Transactions (Material Weakness)**

*Condition:*

We noted that there were errors related to items that are non-recurring and unusual in nature which required adjustments to current year and prior period financial statements.

*Recommendation:*

We recommend that the City implement a system for identifying these types of transactions and complete a more detailed review and analysis of transactions that are unusual and infrequent in nature.

*Management's Response:*

The auditee concurs with this recommendation.

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

None noted

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**11-1: Commonwealth of Virginia Disclosure Statements**

*Condition:*

Five out of forty-two members of City appointed governing bodies did not file statements of economic interest by the January 18<sup>th</sup> deadline as set forth by the *Code of Virginia*.

*Recommendation:*

Steps should be taken to ensure that these statements are filed and 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, 2011**

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Pass-through payments:		
Department of Social Services:		
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 329,494
Department of Forestry:		
Cooperative Forestry Assistance	10.664	1,005
Department of Corrections:		
National School Lunch Program	10.555	23,515
Commonwealth of Virginia Department of Agriculture and Consumer Services		
National School Lunch Program	10.555	929,948
National School Lunch Program - Commodities	10.555	114,894
School Breakfast Program	10.553	265,831
Total U.S. Department of Agriculture		1,664,687
<b>U.S. Department of Homeland Security</b>		
Pass-through payments:		
Department of Emergency Management:		
State Homeland Security Grant Program	97.073	59,332
Emergency Management Performance Grants	97.042	8,905
Total U.S. Department of Homeland Security		68,237
<b>U.S. Department of Housing and Urban Development</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	183,775
Recovery Act - Community Development Block Grants/Entitlement Grants	14.253	13,219
Total U.S. Department of Housing and Urban Development		196,994
<b>U.S. Department of Justice</b>		
Direct payments:		
NVRDTF Gang Grant	16.580	79,958
COPS Hiring Recovery Program (CHRP) Grant	16.710	210,891
COPS Methamphetamine Initiative	16.710	1,267
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	73,560
Violence Against Women Formula Grant	16.588	26,072
Sexual Assault Services Grant	16.017	6,399
Edward Byrne Memorial Justice Assistance Grant Program:		
Safe Streets Initiative	16.738	6,630
Byrne JAG Program	16.738	17,567
Law Enforcement Fitness Program	16.738	42,129
VEST Reimbursement Program	16.607	8,837
Internet Crimes Against Children	16.800	4,155
Total U.S. Department of Justice		477,465
<b>National Endowment for the Arts</b>		
Pass-through payments:		
Virginia Commission for the Arts		
Promotion of the Arts Partnership Agreements	45.025	5,000
Total National Endowment for the Arts		5,000
<b>U.S. Department of Transportation</b>		
Direct payments:		
Federal Transit - Capital Investment Grants	20.500	26,727
Federal Transit - Formula Grants	20.507	406,300
Pass-through payments:		
Virginia Department of Motor Vehicles		
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	37,166
Virginia Department of Transportation		
Highway Planning and Construction	20.600	22,564
State and Community Highway Safety	20.607	18,385
Total U.S. Department of Transportation		511,142

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**For the Year Ended June 30, 2011**

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>		
Direct payments:		
McKinney-Vento Education for Homeless Children & Youth	84.387	\$ 11,172
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I - Grants to Local Educational Agencies	84.010	782,791
Special Education - Grants to States	84.027	997,801
Special Education - Preschool Grants	84.173	30,501
Safe and Drug-free Schools and Communities - State Grants	84.186	10,340
21st Century Community Learning Centers	84.287	247,776
English Language Acquisition Grants	84.365	70,325
Improving Teacher Quality State Grants	84.367	179,896
Education Technology State Grants	84.318	5,980
Vocational Education - Basic Grants to States	84.048	68,105
Education Jobs Fund Grant	84.410	514,018
Recovery Act - State Fiscal Stabilization Fund (SFSF) - Education, State Grant:	84.394	302,138
Recovery Act - Special Education Grants to States	84.391	298,677
Recovery Act - Preschool Grants	84.392	30,839
Recovery Act - Education Technology Grant	84.386	6,000
Recovery Act - Title I - Grants to States	84.389	29,338
Department of Behavioral Health and Developmental Services		
Part C Funds	84.181	160,005
Total U.S. Department of Education		3,745,702
<b>Department of Health and Human Services:</b>		
Pass-through Payments:		
Department of Human Services:		
Promoting Safe and Stable Families	93.556	17,061
Temporary Assistance to Needy Families	93.558	302,676
Refugee and Entrant Assistance	93.566	603
Low Income Home Energy Assistance	93.568	15,377
Child Care and Development Block Grant	93.575	147,071
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	195,896
Chafee Education and Training Vouchers Program	93.599	3,336
Child Welfare Services	93.645	1,283
Foster Care - Title IV-E	93.658	162,868
Adoption Assistance	93.659	92,685
Social Service Block Grant	93.667	175,178
Chafee Foster Care Independence Program	93.674	11,295
Medical Assistance Program	93.778	186,276
State Children's Insurance Program	93.767	6,225
Total U.S. Department of Health and Human Services		1,317,830
Total Expenditures of Federal Awards		\$ 7,987,057

**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 \$114,894 from the National School Lunch Program.

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2011**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**10-2: Transit Program – CFDA 20.500 and 20.507**

*Condition:*

We noted one of eighteen reimbursement requests that were filed prior to payment of the invoice.

*Recommendation:*

Reimbursement requests should only be submitted after the qualifying expenses have been paid.

*Current Status:*

We did not detect a similar finding in the current year.