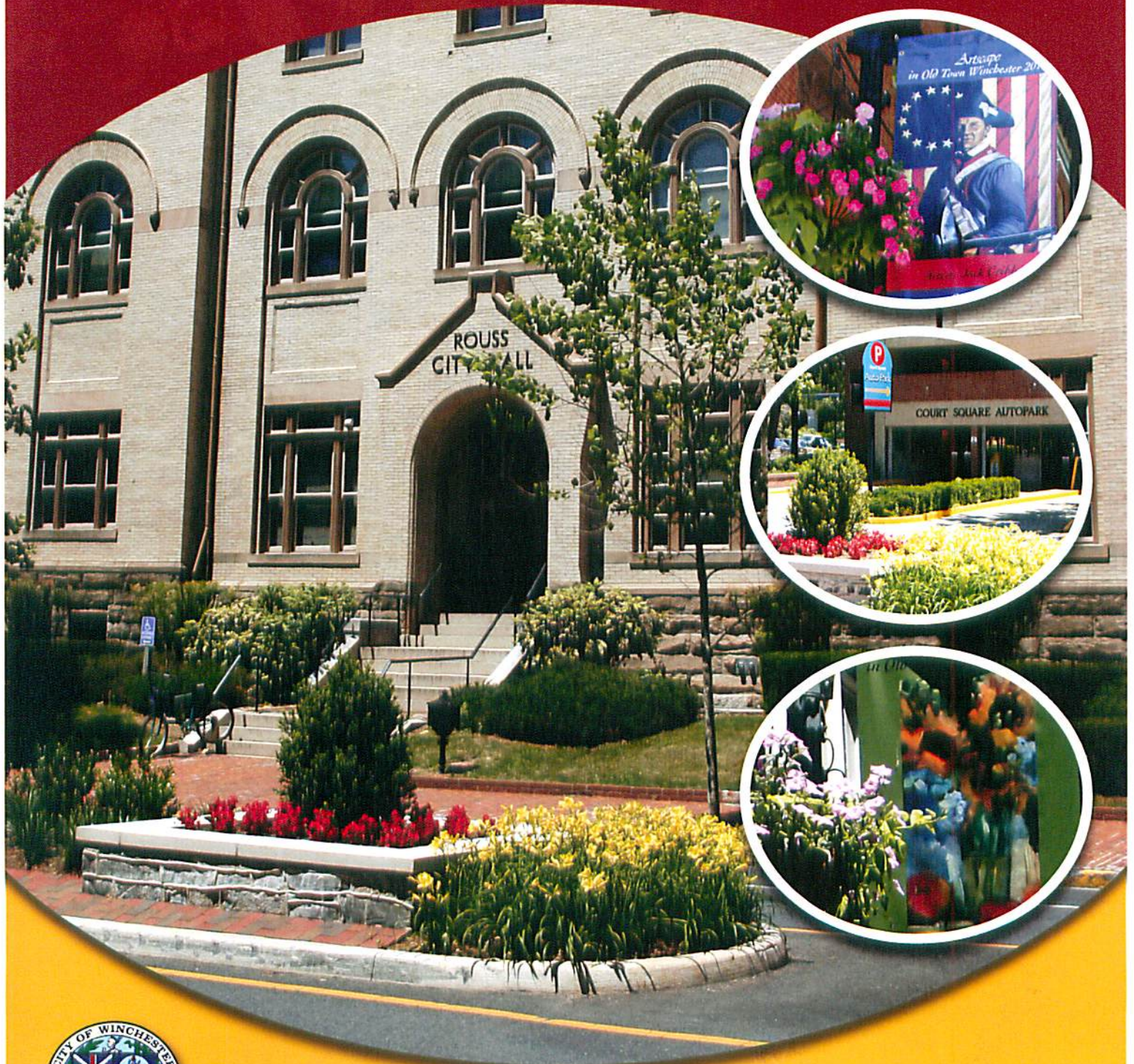


# Comprehensive Annual Financial Report



City of Winchester, Virginia  
Fiscal Year Ending June 30, 2010



CITY OF WINCHESTER, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010

Prepared by:  
City of Winchester  
Finance Department

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**CITY OF WINCHESTER, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010**

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor  
Jeffrey B. Buettner, President  
Arthur H. Major, Vice President and Finance Chair  
Michael L. Butler, Vice Mayor

Milton F. McInturff, Sr.  
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

Joshua A Didawick

William R. Rice  
John C. Knight  
James W. Deskins

Mary M. Blowe  
Frank E. Wright  
Thomas D. Lloyd

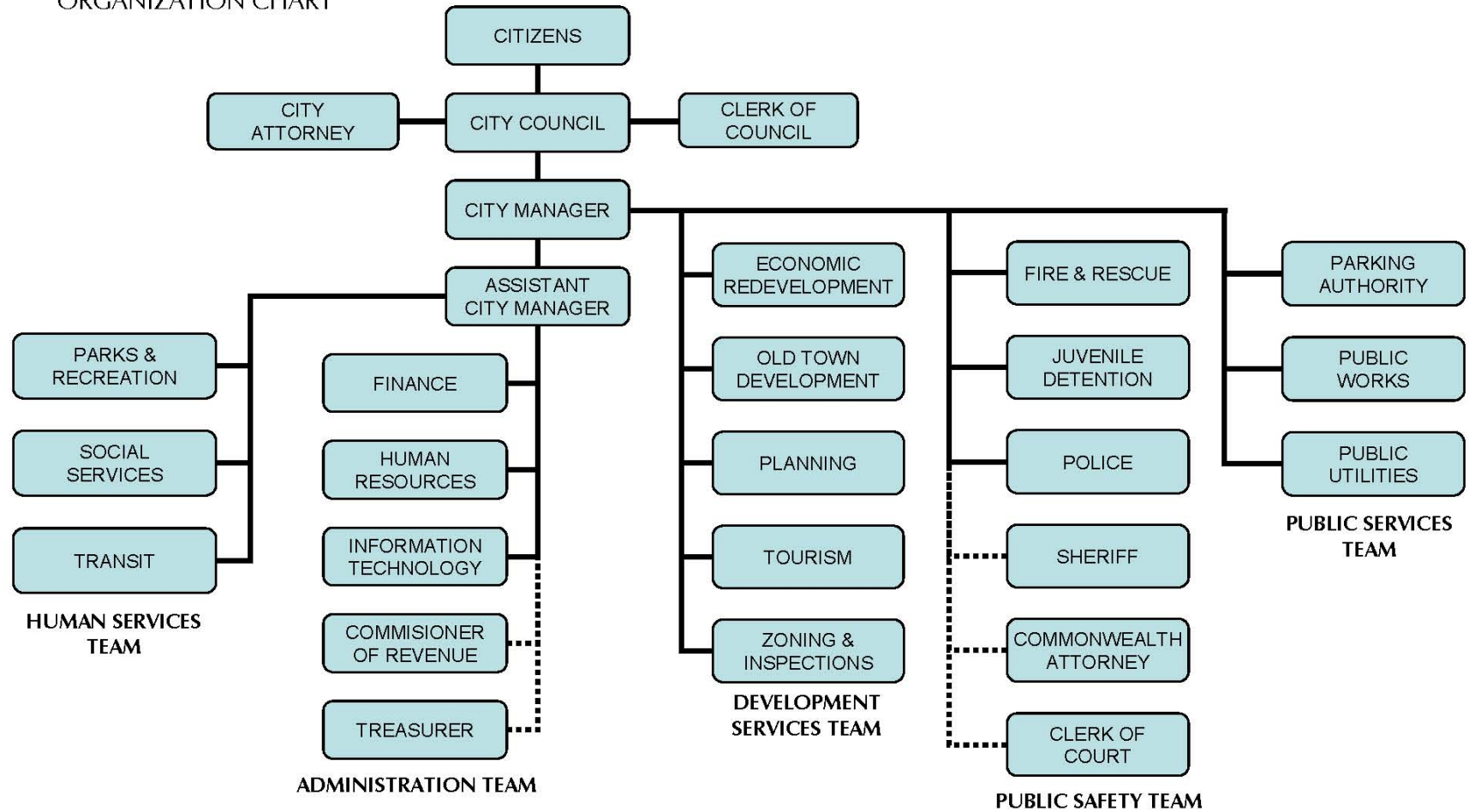
Anthony C. Williams  
Karen B. Helm

Bradley S. Veach  
Timothy A. Youmans  
Kevin L. Sanzenbacher  
Thomas E. Hoy  
Carla Taylor  
Dr. Ricky L. Leonard  
Joyce S. Braithwaite  
Anne C. Lewis

Interim Director of  
Administration  
Assessor  
Building Official  
Economic Redevelopment  
Director  
Finance Director  
Fire and Rescue Chief  
Information Technology  
Director  
City Attorney  
Old Town Development  
Director  
Parks & Recreation Director  
Planning Director  
Chief of Police  
Public Works Director  
Social Services Director  
Superintendent of Schools  
Voter Registrar  
Interim Winchester Parking  
Authority Director



# 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 24, 2010

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, 2010 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, 2010. 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 9.2 square miles and serves a population of 25,733. 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 3,400 students. These students participate in more than 80 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 Continuing Education. 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 37.1% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with 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 Border's. 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 include the recruitment and financing of Sunshine's Pride Dairy a new industry to the City that will employ 100 employees and invest \$7,500,000 in plant and equipment; facilitating the \$28,000,000 expansion of O'Sullivan Films which will create 175 new jobs; and the issuance of \$175,000,000 in hospital revenue bonds to facilitate the aforementioned Winchester Medical Center expansion. 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**

Unreserved, undesignated fund balance in the general fund (26.3% 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 \$10 to 18 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 will cost approximately \$25 million and will be completed by the summer 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). The City plans to continue with similar water and sewer replacement projects in the future to ensure that the City can provide a reliable and safe water supply to its residents and businesses.

## **C. Transportation Improvements**

Making improvements to traffic flow throughout the City has been a high priority for City Council. The City has recently completed upgrades on over 40 traffic signals that has allowed for synchronized traffic flow on the City's major traffic corridors. Another major traffic enhancement that has been completed is that one-way traffic on Braddock and Cameron Streets has been converted to two-way traffic. This change makes it easier to navigate through downtown Winchester and has enhanced exposure to businesses in the downtown area.

## **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, 2009. This was the eighteenth 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,

  
James R. O'Connor  
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, 2009

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

## 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, 2010, 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, 2010, 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 24, 2010, 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 on pages 3a through 3i and 58 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 24, 2010

**City of Winchester, Virginia  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2010**

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, 2010. 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 2010 by \$49.1 million (net assets).
- The City's total net assets increased approximately \$20.1 million over the course of this year's operations. Net assets of governmental activities increased \$18.9 million, and net assets of business-type activities increased \$1.2 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 and the addition of \$14.3 million in capital assets due to the transfer of road improvements to the City from the Virginia Department of Transportation.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19.9 million, a decrease of \$3.7 million in comparison with the prior year. Approximately 99.7% of this amount, \$19.8 million, is available for spending at the government's discretion (undesignated fund balance).
- As of the close of the current fiscal year, the unreserved fund balance of the City's general fund was \$17.2 million, a decrease of \$2.9 million in comparison with the prior year. This amount represents 26.3% of total general fund expenditures.
- The City's total debt increased by \$4.2 million, or 2.6%, 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 fourteen 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 thirteen 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 enterprise funds to account for its water and sewer operations and for its bus service. 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) and the bus service fund (a nonmajor 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 four fiduciary funds: the Northern Shenandoah Valley CSA Trust Fund, 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 16-57 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 58 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 \$49.1 million at the close of fiscal year 2010.

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, 2010**  
**(in millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit School Board</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>								
Current and other assets	\$ 30.0	\$ 34.3	\$ 11.9	\$ 23.3	\$ 41.9	\$ 57.6	\$ 10.1	\$ 10.6
Capital assets	80.5	64.0	108.0	85.2	188.5	149.2	117.3	115.2
<b>Total Assets</b>	<b>110.5</b>	<b>98.3</b>	<b>119.9</b>	<b>108.5</b>	<b>230.4</b>	<b>206.8</b>	<b>127.4</b>	<b>125.8</b>
<b>Liabilities</b>								
Current and other liabilities	12.4	13.4	8.2	6.2	20.6	19.6	5.3	5.9
Long-term liabilities	93.6	99.3	67.1	58.9	160.7	158.2	1.8	3.1
<b>Total Liabilities</b>	<b>106.0</b>	<b>112.7</b>	<b>75.3</b>	<b>65.1</b>	<b>181.3</b>	<b>177.8</b>	<b>7.1</b>	<b>9.0</b>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	62.5	44.6	44.2	37.9	106.7	82.5	116.4	112.8
Restricted	-	0.1	-	-	-	0.1	-	1.8
Unrestricted net assets	(58.0)	(59.1)	0.4	5.5	(57.6)	(53.6)	3.9	2.2
<b>Total Net Assets-as restated (Note 17)</b>	<b>\$ 4.5</b>	<b>\$ (14.4)</b>	<b>\$ 44.6</b>	<b>\$ 43.4</b>	<b>\$ 49.1</b>	<b>\$ 29.0</b>	<b>\$ 120.3</b>	<b>\$ 116.8</b>

**Governmental activities.** As shown in Table 2, net assets for governmental activities increased from \$(14.4) million at the end of FY2009 to \$4.5 million at the end of FY2010. The major reason for the increase is due to the fact that the City reduced its debt liability and added \$14.3 million in road improvements transferred from the state. 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 \$83.1 million and the total net assets for the primary government would be \$127.7 million.

## Government-wide Financial Analysis (Continued)

**Table 2**  
**Changes in the City of Winchester's Net Assets**  
**Fiscal Year ended June 30, 2010**  
**(in millions)**

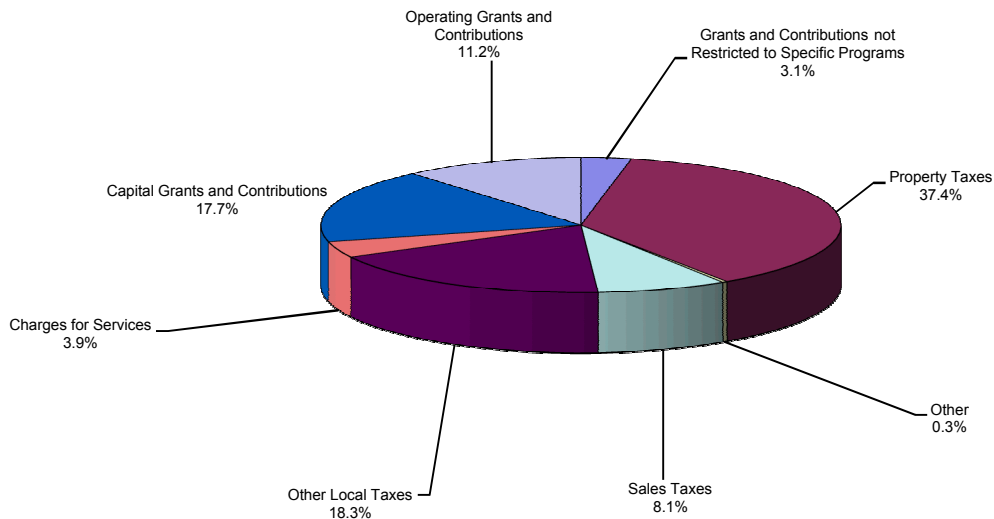
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenues</b>								
Program Revenues								
Charges for services	\$ 3.5	\$ 3.9	\$ 18.3	\$ 18.0	\$ 21.8	\$ 21.9	\$ 1.0	\$ 1.0
Operating grants and contributions	10.2	8.9	-	0.6	10.2	9.5	21.2	19.6
Capital grants and contributions	16.2	1.8	1.6	3.4	17.8	5.2	3.0	1.4
General Revenues								
Property taxes	34.1	34.2	-	-	34.1	34.2	-	-
Sales taxes	7.4	8.0	-	-	7.4	8.0	-	-
Other taxes	16.7	17.2	-	-	16.7	17.2	-	-
Grants and contributions not restricted to specific programs	2.8	3.6	-	-	2.8	3.6	-	-
Unrestricted investment earnings	0.3	0.5	0.1	0.1	0.4	0.6	0.2	0.2
Other	-	0.5	-	-	-	0.5	25.5	29.4
<b>Total revenues</b>	<b>\$ 91.2</b>	<b>\$ 78.6</b>	<b>\$ 20.0</b>	<b>\$ 22.1</b>	<b>\$ 111.2</b>	<b>\$ 100.7</b>	<b>\$ 50.9</b>	<b>\$ 51.6</b>
<b>Expenses</b>								
General government administration	4.0	4.6	-	-	4.0	4.6	-	-
Judicial administration	2.9	2.7	-	-	2.9	2.7	-	-
Public safety	17.6	18.3	-	-	17.6	18.3	-	-
Public works	7.8	7.1	-	-	7.8	7.1	-	-
Health and welfare	7.2	7.6	-	-	7.2	7.6	-	-
Education	25.4	27.9	-	-	25.4	27.9	47.3	51.4
Parks, recreation, and culture	3.4	3.4	-	-	3.4	3.4	-	-
Community development	1.7	1.9	-	-	1.7	1.9	-	-
Interest on long-term debt	4.2	4.6	-	-	4.2	4.6	-	-
Water and sewer	-	-	15.9	14.9	15.9	14.9	-	-
Bus service	-	-	1.0	0.9	1.0	0.9	-	-
<b>Total expenses</b>	<b>74.2</b>	<b>78.1</b>	<b>16.9</b>	<b>15.8</b>	<b>91.1</b>	<b>93.9</b>	<b>47.3</b>	<b>51.4</b>
<b>Increase (decrease) in net assets</b>								
<b>before transfers</b>	<b>17.0</b>	<b>0.5</b>	<b>3.1</b>	<b>6.3</b>	<b>20.1</b>	<b>6.8</b>	<b>3.6</b>	<b>0.2</b>
Transfers	1.9	1.4	(1.9)	(1.4)	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b>18.9</b>	<b>1.9</b>	<b>1.2</b>	<b>4.9</b>	<b>20.1</b>	<b>6.8</b>	<b>3.6</b>	<b>0.2</b>
<b>Net Assets - beginning</b>								
<b>as restated (Note 17)</b>	<b>(14.4)</b>	<b>(16.3)</b>	<b>43.4</b>	<b>38.5</b>	<b>29.0</b>	<b>22.2</b>	<b>116.7</b>	<b>116.5</b>
<b>Net Assets - ending</b>	<b>\$ 4.5</b>	<b>\$ (14.4)</b>	<b>\$ 44.6</b>	<b>\$ 43.4</b>	<b>\$ 49.1</b>	<b>\$ 29.0</b>	<b>\$ 120.3</b>	<b>\$ 116.7</b>

As shown in Table 2, the City's revenues from governmental activities totaled \$91.2 million for FY2010, an increase of \$12.6 million from FY2009. As shown in Figure A, the City received 63.8% of its revenue from taxes. The major source of revenue for the City was property taxes (\$37.1 million or 37.4%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2010 remained comparable from the prior year. While tax revenues (property, sales, and other taxes) decreased \$1.2 million from the prior year, operating and capital grant revenues increased by \$15.7 million mainly due to the donation of capital assets in the form of road improvements from the state.

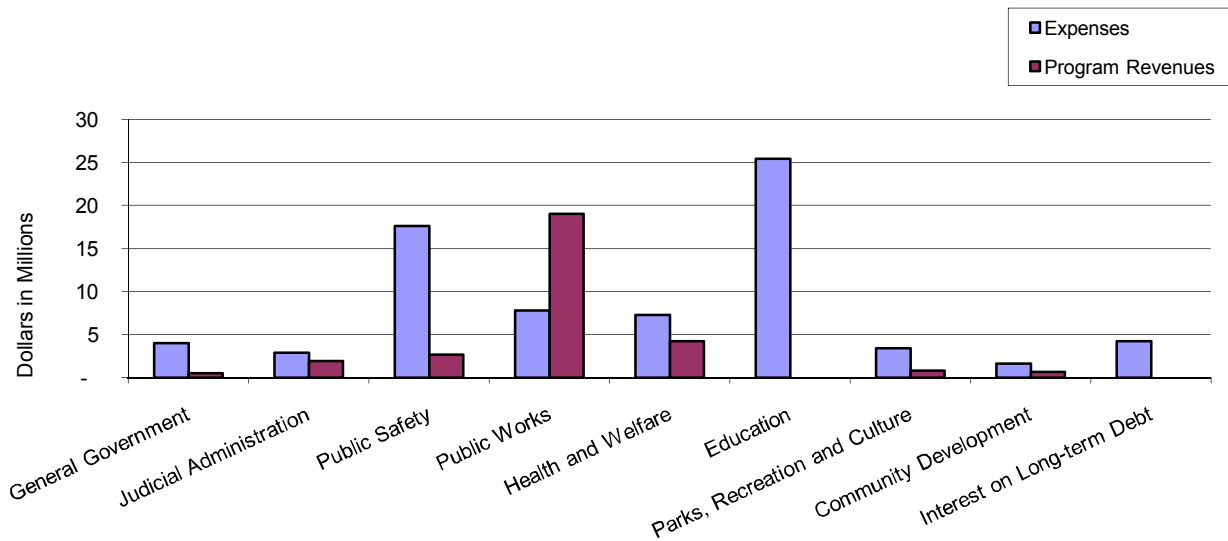
## **Government-wide Financial Analysis (Continued)**

The City's expenses from governmental activities totaled \$74.2 million (Table 2) for the fiscal year ended June 30, 2010, a decrease of \$3.9 million from the prior year. As shown in Figure B, education was the largest expense at \$25.4 million or 34.2%, a decrease of \$2.5 million from FY2009. This decrease in education expense is due to a decrease in the City's operating transfer to the School Board. Public safety was the second largest expense at \$17.6 million or 23.7%.

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



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

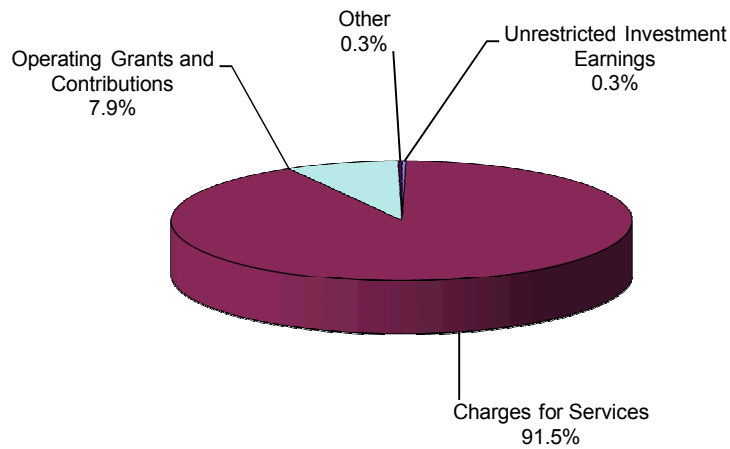




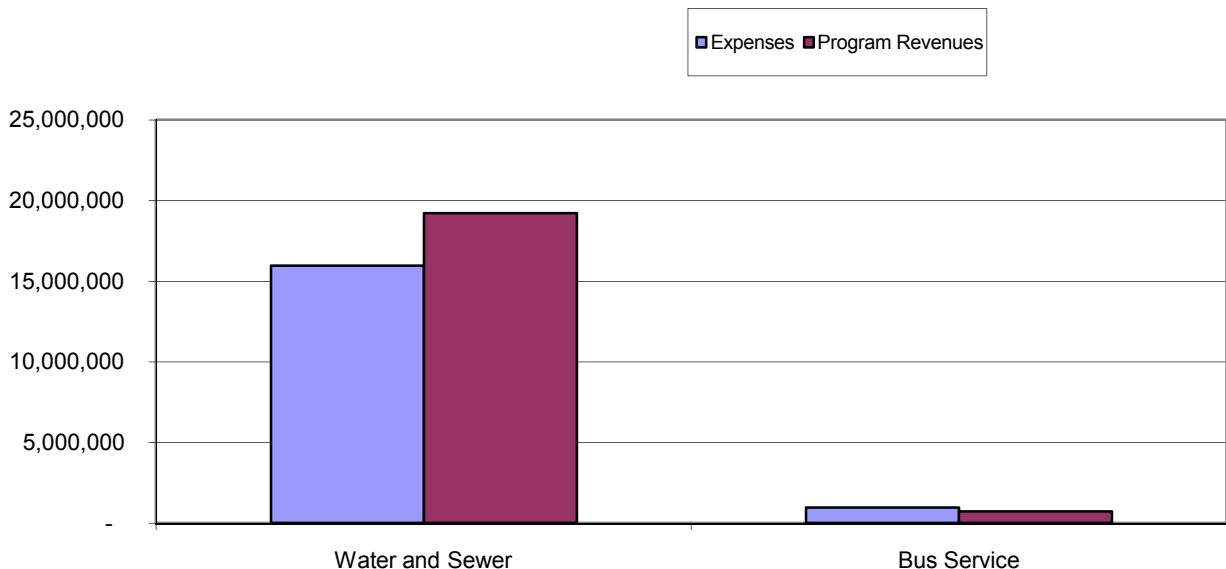
## **Government-wide Financial Analysis (Continued)**

**Business-type activities.** The City's business-type activities include the water and sewer fund and the bus service fund. The net assets of these business-type activities totaled \$44.6 million (Table 2) an increase of \$1.2 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 and transit fees, which totaled \$18.3 million or 91.5% of the total revenues for business-type activities. Capital grants and contributions decreased 1.8 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 \$16.9 million (Table 2) an increase of \$1.1 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the fiscal year ended June 30, 2010, the City's governmental funds reported combined fund balances of \$19.9 million, a decrease of \$3.7 million in comparison with the prior year. Approximately \$19.8 million of the combined total fund balances constitutes unreserved 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, 2010, the unreserved, undesignated fund balance of the general fund was \$20.1 million, while total fund balance reached \$17.2 million. Unreserved, undesignated fund balance represents 26.3% of total general fund expenditures, as a measure of the general fund's liquidity.

The fund balance of the City's general fund decreased by \$3.3 million during the current fiscal year. The key factor for the decrease was the allocation of reserves for capital improvement projects, including replacing traffic lights to improve traffic flow downtown.

**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, 2010, amounted to \$0.4 million, a decrease of \$5.1 million from the prior year. The decrease in the water and sewer can be attributed to the construction projects. Unrestricted net assets of the City's bus service fund amounted to \$0.2 million, the same as the prior year. The total decrease in unrestricted net assets for both funds was \$5.1 million.

## **General Fund Budgetary Highlights**

This was the City's first 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 for the general fund was an increase of \$1.6 million for the completion of capital projects from FY2009.

Actual revenues fell short of final budget amounts by \$2.0 million, while actual expenditures were \$1.0 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes fell short of estimated revenues by \$0.8 million, mainly due to the decreases in sales, communications, and meals tax revenue. This decrease is the result of the slowing economy and the growth in retail in the surrounding areas.
- Revenues from other revenues, including general property taxes were comparable with the budget amounts.
- Miscellaneous revenues appear to be \$1.1 million short of budget; however, this represents an authorized use of fund balance during the fiscal year for one-time expenditures.
- Actual combined general government, public safety, public works, health and welfare, and parks, recreation, and cultural expenditures were \$1.0 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.

## **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, 2010, amounts to \$188.6 million net of depreciation, which represents an increase of \$39.3 million, or 26.4% 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:

- The replacement or upgrade of traffic signals in the downtown area totaled \$5.9 million.
- Completion of the Papermill Road and South Loudoun Street improvements totaled \$14.2 million.
- Completion of Phases I & II of the Green Circle Trail totaled \$1.6 million.
- Water and sewer line replacements totaled \$20.5 million.
- Renovation of the Percy D. Miller Water Treatment Plant; construction in progress at June 30, 2010 totaled \$19.0 million.

Table 3 summarizes the City's capital assets as of June 30, 2009 and 2010.

**Table 3**  
**City of Winchester's Capital Assets**  
**(net of depreciation)**  
**Fiscal Year ended June 30, 2010**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 4,102,510	\$ 4,102,510	\$ 1,201,485	\$ 1,201,485	\$ 5,303,995	\$ 5,303,995
Construction in progress	26,514	3,763,872	25,627,676	21,025,812	25,654,190	24,789,684
Buildings	21,205,809	21,788,511	2,740,692	2,751,776	23,946,501	24,540,287
Improvements other than buildings	3,505,029	1,931,948	5,896	6,351	3,510,925	1,938,299
Infrastructure	48,048,923	28,220,168	68,380,101	49,616,023	116,429,024	77,836,191
Machinery and Equipment	3,670,410	4,213,635	2,148,365	2,034,377	5,818,775	6,248,012
FWSA purchased capacity	-	-	7,968,846	8,581,834	7,968,846	8,581,834
<b>Total Capital Assets - as restated (Note 17)</b>	<b>\$ 80,559,195</b>	<b>\$ 64,020,644</b>	<b>\$ 108,073,061</b>	<b>\$ 85,217,658</b>	<b>\$ 188,632,256</b>	<b>\$ 149,238,302</b>

**Long-term debt.** As shown in Table 4, the City of Winchester had total bonded debt outstanding of \$167.7 million for the fiscal year ended June 30, 2010, an increase of \$4.2 million from the fiscal year ended June 30, 2009. This entire amount is backed by the full faith and credit of the City, with \$70.5 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2010, the City retired \$7.4 million of outstanding principal and issued \$12.3 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, 2010**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 97,260,812	\$ 103,190,415	\$ 70,516,774	\$ 60,366,469	\$ 167,777,586	\$ 163,556,884
<b>Total Outstanding Debt - as restated (Note 17)</b>	<b>\$ 97,260,812</b>	<b>\$ 103,190,415</b>	<b>\$ 70,516,774</b>	<b>\$ 60,366,469</b>	<b>\$ 167,777,586</b>	<b>\$ 163,556,884</b>

The City's General Obligation Bonds in prior bond issues have been rated AA+ by Standard and 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 \$314.2 million. As of June 30, 2010, the City's total debt applicable to the limitation totaled \$121.3 million, leaving a legal debt margin of \$192.9 million.

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

- The City of Winchester is currently preparing an Economic Development Master Plan and is in the process of updating the current 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 continues to upgrade our current infrastructure to assure our capacity for growth and to improve our transportation networks. The City recently replaced a significant portion of the water and sewer system in the downtown area and simultaneously converted one way traffic to two way on Braddock and Cameron streets. These changes in traffic patterns have enhanced the traffic flow into our core downtown area, and water and sewer upgrades will allow for more intense use of the real property located there.
- The City will continue with additional water and sewer replacement projects in other areas of the City during the coming years and will be implementing water and sewer rate increases each year during the next three years to finance the additional debt service for these projects. The rate increases are planned to go into effect June 1 of each year. The rate increase that will go into effect on June 1, 2011 is 9.0%.
- For the month of June 2010, the City's unemployment rate was 7.2%, compared to the State's 7.1% and Federal rate of 9.6%.

## **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, 2010**

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
<b>ASSETS</b>					
Cash	\$ 13,069,215	\$ 1,200,443	\$ 14,269,658	\$ 3,752,496	\$ 658,469
Investments	8,978,074	6,967,704	15,945,778	2,660,712	958,781
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	2,357,471	-	2,357,471	-	-
Accounts	353,766	2,910,851	3,264,617	25,687	1,949
Promises to give	-	-	-	1,704,073	-
Due from other governments	4,164,816	389,794	4,554,610	1,881,036	-
Internal balances	330,350	(330,350)	-	-	-
Prepays	53,000	-	53,000	105,883	-
Inventories	82,676	125,011	207,687	15,613	-
Deferred charges	582,614	606,323	1,188,937	-	196,958
Capital assets not being depreciated:					
Land	4,102,510	1,201,485	5,303,995	2,307,970	11,685
Construction in progress	26,514	25,627,676	25,654,190	90,407	-
Capital assets, net of accumulated depreciation:					
Buildings and systems	21,205,809	2,740,692	23,946,501	112,592,715	8,665,296
Improvements other than buildings	3,505,029	5,896	3,510,925	274,464	827
Machinery and equipment	3,670,410	2,148,365	5,818,775	2,062,451	38,040
Infrastructure	48,048,923	68,380,101	116,429,024	-	-
FWSA - Purchased capacity	-	7,968,846	7,968,846	-	-
Total assets	<u>110,531,177</u>	<u>119,942,837</u>	<u>230,474,014</u>	<u>127,473,507</u>	<u>10,532,005</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	3,270,278	3,964,616	7,234,894	4,927,005	34,161
Accrued interest payable	1,018,514	573,639	1,592,153	-	179,202
Unearned revenue	2,240,504	-	2,240,504	-	-
Noncurrent liabilities:					
Due within one year	5,941,497	3,587,447	9,528,944	363,976	171,308
Due in more than one year	93,578,826	67,158,127	160,736,953	1,841,197	8,871,864
Total liabilities	<u>106,049,619</u>	<u>75,283,829</u>	<u>181,333,448</u>	<u>7,132,178</u>	<u>9,256,535</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	62,512,145	44,278,901	106,791,046	116,460,222	874,173
Unrestricted	(58,030,587)	380,107	(57,650,480)	3,881,107	401,297
Total net assets	<u>\$ 4,481,558</u>	<u>\$ 44,659,008</u>	<u>\$ 49,140,566</u>	<u>\$ 120,341,329</u>	<u>\$ 1,275,470</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 4,023,701	\$ 254,535	\$ 264,809	\$ -	\$ (3,504,357)		\$ (3,504,357)		
Judicial administration	2,884,754	630,433	1,331,358	-	(922,963)		(922,963)		
Public safety	17,585,438	992,875	1,687,518	-	(14,905,045)		(14,905,045)		
Public works	7,766,233	341,284	2,500,571	16,184,324	11,259,946		11,259,946		
Health and welfare	7,246,742	75,357	4,192,506	-	(2,978,879)		(2,978,879)		
Education	25,416,114	-	-	-	(25,416,114)		(25,416,114)		
Parks, recreation, and culture	3,413,062	781,612	16,134	-	(2,615,316)		(2,615,316)		
Community development	1,653,859	441,569	232,718	-	(979,572)		(979,572)		
Interest on long-term debt	4,249,316	-	-	-	(4,249,316)		(4,249,316)		
Total governmental activities	<u>74,239,219</u>	<u>3,517,665</u>	<u>10,225,614</u>	<u>16,184,324</u>	<u>(44,311,616)</u>		<u>(44,311,616)</u>		
Business-type activities:									
Water and sewer	15,973,606	18,236,410	-	959,824	-	\$ 3,222,628	3,222,628		
Bus service	964,912	89,482	-	623,280	-	(252,150)	(252,150)		
Total business-type activities	<u>16,938,518</u>	<u>18,325,892</u>	<u>-</u>	<u>1,583,104</u>	<u>-</u>	<u>2,970,478</u>	<u>2,970,478</u>		
Total primary government	<u>\$ 91,177,737</u>	<u>\$ 21,843,557</u>	<u>\$ 10,225,614</u>	<u>\$ 17,767,428</u>	<u>(44,311,616)</u>	<u>2,970,478</u>	<u>(41,341,138)</u>		
<b>Component units:</b>									
School board	\$ 47,296,567	\$ 880,847	\$ 21,252,219	\$ 3,031,845				\$ (22,131,656)	\$ -
Parking authority	1,202,601	715,670	-	-				-	(486,931)
Total component unit	<u>\$ 48,499,168</u>	<u>\$ 1,596,517</u>	<u>\$ 21,252,219</u>	<u>\$ 3,031,845</u>				<u>(22,131,656)</u>	<u>(486,931)</u>
General revenues:									
Taxes:									
Property taxes					34,168,510	-	34,168,510	-	-
Sales taxes					7,389,558	-	7,389,558	-	-
Utility taxes					1,915,234	-	1,915,234	-	-
Business license taxes					5,236,568	-	5,236,568	-	-
Franchise taxes					329,097	-	329,097	-	-
Hotel and meals taxes					5,375,860	-	5,375,860	-	-
Communication taxes					2,207,059	-	2,207,059	-	-
Other local taxes					1,598,674	-	1,598,674	-	-
Miscellaneous					-	53,060	53,060	145,137	672
Payment from City of Winchester					-	-	-	25,386,902	-
Grants and contributions not restricted to specific programs					2,831,277	-	2,831,277	-	-
Unrestricted investment earnings					281,219	56,010	337,229	165,518	15,429
Transfers					1,864,000	(1,864,000)	-	-	-
Total revenues and transfers					<u>63,197,056</u>	<u>(1,754,930)</u>	<u>61,442,126</u>	<u>25,697,557</u>	<u>16,101</u>
Change in net assets					18,885,440	1,215,548	20,100,988	3,565,901	(470,830)
Net assets - beginning, as adjusted (See Note 17)					<u>(14,403,882)</u>	<u>43,443,460</u>	<u>29,039,578</u>	<u>116,775,428</u>	<u>1,746,300</u>
Net assets - ending					<u>\$ 4,481,558</u>	<u>\$ 44,659,008</u>	<u>\$ 49,140,566</u>	<u>\$ 120,341,329</u>	<u>\$ 1,275,470</u>

The notes to the financial statements  
are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 10,090,277	\$ 1,373,259	\$ 11,463,536
Investments	7,155,530	974,118	8,129,648
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	2,357,471	-	2,357,471
Accounts	93,252	240,022	333,274
Prepays	-	40,000	40,000
Inventories	13,465	-	13,465
Due from other funds	491,500	-	491,500
Due from other governments	<u>2,780,702</u>	<u>1,384,114</u>	<u>4,164,816</u>
Total assets	<u>\$ 22,982,197</u>	<u>\$ 4,011,513</u>	<u>\$ 26,993,710</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 466,574	\$ 610,530	\$ 1,077,104
Deposits payable	78,612	-	78,612
Accrued payroll	633,356	153,495	786,851
Due to other funds	-	366,500	366,500
Deferred revenues	<u>4,536,498</u>	<u>204,788</u>	<u>4,741,286</u>
Total liabilities	<u>5,715,040</u>	<u>1,335,313</u>	<u>7,050,353</u>
Fund balances:			
Reserved for:			
Prepays	-	40,000	40,000
Inventories	13,465	-	13,465
Unreserved, undesignated reported in:			
General fund	17,253,692	-	17,253,692
Special revenue funds	-	1,811,642	1,811,642
Capital projects funds	<u>-</u>	<u>824,558</u>	<u>824,558</u>
Total fund balances	<u>17,267,157</u>	<u>2,676,200</u>	<u>19,943,357</u>
Total liabilities and fund balances	<u>\$ 22,982,197</u>	<u>\$ 4,011,513</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.			80,536,644
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			2,500,782
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.			1,044,073
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			<u>(99,543,298)</u>
Net assets of governmental activities			<u>\$ 4,481,558</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2010**

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 33,821,252	\$ -	\$ 33,821,252
Other local taxes	24,052,050	-	24,052,050
Permits, privilege fees, and regulatory licenses	392,290	-	392,290
Fines and forfeitures	147,721	-	147,721
Revenues from use of money and property	410,518	29,003	439,521
Charges for services	839,867	866,192	1,706,059
Miscellaneous	200,521	253,100	453,621
Recovered costs	969,904	9,865	979,769
Intergovernmental:			
Commonwealth	5,601,292	5,539,693	11,140,985
Federal	19,578	3,594,127	3,613,705
Total revenues	<u>66,454,993</u>	<u>10,291,980</u>	<u>76,746,973</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	3,803,786	-	3,803,786
Judicial administration	2,390,806	300,021	2,690,827
Public safety	15,786,849	1,177,131	16,963,980
Public works	2,727,921	7,798,620	10,526,541
Health and welfare	1,135,309	6,069,826	7,205,135
Education	25,416,114	-	25,416,114
Parks, recreation, and culture	3,009,890	867,919	3,877,809
Community development	1,103,741	470,635	1,574,376
Debt service:			
Principal retirement	5,788,793	40,872	5,829,665
Interest and fiscal charges	4,334,588	9,307	4,343,895
Total expenditures	<u>65,497,797</u>	<u>16,734,331</u>	<u>82,232,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>957,196</u>	<u>(6,442,351)</u>	<u>(5,485,155)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries - capital asset	114,754	-	114,754
Transfers in	1,600,000	6,380,231	7,980,231
Transfers out	(5,982,694)	(353,537)	(6,336,231)
Total other financing sources and uses	<u>(4,267,940)</u>	<u>6,026,694</u>	<u>1,758,754</u>
Net change in fund balances	(3,310,744)	(415,657)	(3,726,401)
Fund balance - beginning	<u>20,577,901</u>	<u>3,091,857</u>	<u>23,669,758</u>
Fund balance - ending	<u>\$ 17,267,157</u>	<u>\$ 2,676,200</u>	<u>\$ 19,943,357</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, 2010**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (3,726,401)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$(5,639,706) exceeded depreciation \$(3,183,335) in the current period.	2,456,371
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.	(199,256)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	250,686
The donation of capital assets do not provide current financial resources and are not reported as revenue in the funds. In the current year, road modifications by VDOT were transferred to the City.	14,263,000
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.	5,829,665
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.	61,102
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.	(49,727)
Change in net assets of governmental activities	<u>\$ 18,885,440</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, 2010**

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 33,823,500	\$ 33,823,500	\$ 33,821,252	\$ (2,248)
Other local taxes	24,872,000	24,872,000	24,052,050	(819,950)
Permits, privilege fees, and regulatory licenses	292,600	292,600	392,290	99,690
Fines and forfeitures	150,000	150,000	147,721	(2,279)
Revenues from use of money and property	378,000	378,000	410,518	32,518
Charges for services	829,500	829,500	839,867	10,367
Miscellaneous	112,500	1,390,290	200,521	(1,189,769)
Recovered costs	764,900	810,562	969,904	159,342
Intergovernmental:				
Commonwealth	5,786,000	5,918,500	5,601,292	(317,208)
Federal	-	-	19,578	19,578
Total revenues	<u>67,009,000</u>	<u>68,464,952</u>	<u>66,454,993</u>	<u>(2,009,959)</u>
<b>EXPENDITURES</b>				
Current:				
General Government Administration:				
Legislative	121,529	136,529	129,025	7,504
General and Financial Administration	3,746,209	3,852,959	3,541,188	311,771
Board of Elections	159,521	159,521	133,573	25,948
Total General Government Administration	<u>4,027,259</u>	<u>4,149,009</u>	<u>3,803,786</u>	<u>345,223</u>
Judicial Administration:				
Courts	1,513,180	1,539,580	1,481,739	57,841
Commonwealth Attorney	920,492	920,492	909,067	11,425
Total Judicial Administration	<u>2,433,672</u>	<u>2,460,072</u>	<u>2,390,806</u>	<u>69,266</u>
Public Safety:				
Law Enforcement and Traffic Control	6,704,921	6,660,121	6,580,419	79,702
Fire and Rescue Services	4,211,333	4,226,333	4,121,996	104,337
Correction and Detention	3,639,108	3,639,108	3,638,578	530
Inspections	436,856	436,856	436,050	806
Other Protection	1,136,206	1,136,206	1,009,806	126,400
Total Public Safety	<u>16,128,424</u>	<u>16,098,624</u>	<u>15,786,849</u>	<u>311,775</u>
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks	56,400	105,220	31,954	73,266
Sanitation and Waste Removal	1,127,022	1,127,022	1,102,205	24,817
Maintenance of Buildings and Grounds	1,620,764	1,736,264	1,593,762	142,502
Total Public Works	<u>2,804,186</u>	<u>2,968,506</u>	<u>2,727,921</u>	<u>240,585</u>
Health and Welfare:				
Health	271,676	271,676	271,676	-
Chapter X Board	183,307	183,307	183,307	-
Welfare/Social Services	715,760	715,760	680,326	35,434
Total Health and Welfare	<u>1,170,743</u>	<u>1,170,743</u>	<u>1,135,309</u>	<u>35,434</u>
Education:				
Contributions to Community College	29,212	29,212	29,212	-
Contributions to City School Board	25,051,902	25,381,902	25,386,902	(5,000)
Total Education	<u>25,081,114</u>	<u>25,411,114</u>	<u>25,416,114</u>	<u>(5,000)</u>
Parks, Recreation, and Cultural:				
Parks and Recreation	2,309,925	2,517,130	2,483,373	33,757
Cultural Enrichment	133,935	143,935	141,491	2,444
Contribution to Regional Library	385,026	385,026	385,026	-
Total Parks, Recreation, and Cultural	<u>2,828,886</u>	<u>3,046,091</u>	<u>3,009,890</u>	<u>36,201</u>

cont'd



**For the Year Ended June 30, 2010**

\$ 806,774

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

Exhibit 7

	Business-type Activities- Enterprise Funds			Governmental Activities
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,200,191	\$ 252	\$ 1,200,443	\$ 1,605,679
Investments	6,967,647	57	6,967,704	848,426
Accounts receivable (net of allowance for uncollectibles)	2,909,147	1,704	2,910,851	20,492
Prepays	-	-	-	13,000
Due from other governments	-	389,794	389,794	-
Inventories	125,011	-	125,011	69,211
Total current assets	<u>11,201,996</u>	<u>391,807</u>	<u>11,593,803</u>	<u>2,556,808</u>
Noncurrent assets:				
Deferred charges	606,323	-	606,323	-
Capital assets:				
Land	1,201,485	-	1,201,485	-
Construction in progress	25,600,736	26,940	25,627,676	-
Buildings and systems	3,718,119	1,343,644	5,061,763	-
Improvements other than buildings	118,837	-	118,837	-
Infrastructure	87,791,495	-	87,791,495	-
Machinery and equipment	2,602,750	943,127	3,545,877	101,836
FWSA - Purchased capacity	12,259,762	-	12,259,762	-
Less accumulated depreciation	(26,729,832)	(804,002)	(27,533,834)	(79,285)
Total capital assets (net of accumulated depreciation)	<u>106,563,352</u>	<u>1,509,709</u>	<u>108,073,061</u>	<u>22,551</u>
Total noncurrent assets	<u>107,169,675</u>	<u>1,509,709</u>	<u>108,679,384</u>	<u>22,551</u>
Total assets	<u>118,371,671</u>	<u>1,901,516</u>	<u>120,273,187</u>	<u>2,579,359</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	3,583,936	4,785	3,588,721	1,317,650
Customer deposits payable	245,011	-	245,011	-
Accrued payroll	112,796	18,088	130,884	10,061
Accrued interest payable	573,639	-	573,639	-
Due to other funds	-	125,000	125,000	-
Compensated absences	12,000	3,000	15,000	-
Bonds payable and other obligations - current	3,572,447	-	3,572,447	-
Total current liabilities	<u>8,099,829</u>	<u>150,873</u>	<u>8,250,702</u>	<u>1,327,711</u>
Noncurrent liabilities:				
Compensated absences	184,905	28,894	213,799	15,925
Net OPEB obligation	-	-	-	397,000
Bonds payable and other obligations (net of unamortized premiums and deferred amount on refunding)	66,944,328	-	66,944,328	-
Total noncurrent liabilities	<u>67,129,233</u>	<u>28,894</u>	<u>67,158,127</u>	<u>412,925</u>
Total liabilities	<u>75,229,062</u>	<u>179,767</u>	<u>75,408,829</u>	<u>1,740,636</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	42,769,192	1,509,709	44,278,901	22,551
Unrestricted	373,417	212,040	585,457	816,172
Total net assets	<u>\$ 43,142,609</u>	<u>\$ 1,721,749</u>	<u>44,864,358</u>	<u>\$ 838,723</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(205,350)	
Net assets of business-type activities			<u>\$ 44,659,008</u>	

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

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	14,862,019	89,482	14,951,501	4,325,269
Miscellaneous	42,152	7,058	49,210	-
Recovered costs	3,374,391	-	3,374,391	-
Total operating revenues	<u>18,282,412</u>	<u>96,540</u>	<u>18,378,952</u>	<u>4,325,269</u>
<b>OPERATING EXPENSES</b>				
Personal services	3,515,696	544,552	4,060,248	522,385
Contractual services	4,311,522	36,847	4,348,369	94,034
Other supplies and expenses	3,474,018	232,575	3,706,593	679,448
Insurance claims and expenses	-	-	-	3,377,543
Depreciation	1,929,967	134,052	2,064,019	995
Total operating expenses	<u>13,231,203</u>	<u>948,026</u>	<u>14,179,229</u>	<u>4,674,405</u>
Operating income (loss)	<u>5,051,209</u>	<u>(851,486)</u>	<u>4,199,723</u>	<u>(349,136)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental:				
Commonwealth	-	143,337	143,337	-
Federal	65,254	479,943	545,197	-
Investment earnings	55,950	60	56,010	25,475
Interest and fiscal charges	(1,948,078)	-	(1,948,078)	-
Loss on disposal of capital assets	(753,840)	-	(753,840)	(3,437)
Total nonoperating revenues (expenses)	<u>(2,580,714)</u>	<u>623,340</u>	<u>(1,957,374)</u>	<u>22,038</u>
Income before contributions and transfers	2,470,495	(228,146)	2,242,349	(327,098)
Capital contributions	894,570	-	894,570	-
Transfers in	-	225,000	225,000	220,000
Transfers out	<u>(2,089,000)</u>	<u>-</u>	<u>(2,089,000)</u>	<u>-</u>
Change in net assets	1,276,065	(3,146)	1,272,919	(107,098)
Total net assets - beginning, as adjusted (See Note 17)	<u>41,866,544</u>	<u>1,724,895</u>		<u>945,821</u>
Total net assets - ending	<u>\$ 43,142,609</u>	<u>\$ 1,721,749</u>		<u>\$ 838,723</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(57,371)</u>	
Change in net assets of business-type activities			<u>\$ 1,215,548</u>	

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

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	\$ 15,293,228	\$ 95,773	\$ 15,389,001	\$ 4,318,771
Cash paid to suppliers	(7,808,645)	(273,327)	(8,081,972)	(768,174)
Cash paid to employees	(3,515,939)	(537,541)	(4,053,480)	(319,092)
Premiums paid	-	-	-	(3,286,350)
Other receipts (payments)	3,420,393	-	3,420,393	-
Net cash provided (used) by operating activities	7,389,037	(715,095)	6,673,942	(54,845)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Subsidy from grants	65,254	634,480	699,734	-
Interfund borrowing	-	(28,500)	(28,500)	(135,500)
Transfer from other funds	-	225,000	225,000	220,000
Transfer to other funds	(2,089,000)	-	(2,089,000)	-
Net cash provided (used) by noncapital financing activities	(2,023,746)	830,980	(1,192,766)	84,500
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	12,744,081	-	12,744,081	-
Acquisition and construction of capital assets	(23,205,515)	(116,042)	(23,321,557)	(22,869)
Principal paid on capital debt	(2,508,740)	-	(2,508,740)	-
Interest paid on capital debt	(3,381,125)	-	(3,381,125)	-
Bond issue costs	(174,604)	-	(174,604)	-
Net cash used by capital and related financing activities	(16,525,903)	(116,042)	(16,641,945)	(22,869)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	68,611	61	68,672	33,268
Net cash provided by investing activities	68,611	61	68,672	33,268
Net increase (decrease) in cash and cash equivalents	(11,092,001)	(96)	(11,092,097)	40,054
Cash and cash equivalents - beginning of year	19,259,839	405	19,260,244	2,414,051
Cash and cash equivalents - end of year	\$ 8,167,838	\$ 309	\$ 8,168,147	\$ 2,454,105
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 1,200,191	\$ 252	\$ 1,200,443	\$ 1,605,679
Cash equivalents - investments	6,967,647	57	6,967,704	848,426
Total	\$ 8,167,838	\$ 309	\$ 8,168,147	\$ 2,454,105

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

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 operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 5,051,209	\$ (851,486)	\$ 4,199,723	\$ (349,136)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,929,967	134,052	2,064,019	995
(Increase) decrease in accounts receivable	402,702	(767)	401,935	(6,498)
(Increase) decrease in prepaids	-	-	-	(13,000)
(Increase) decrease in inventories	26,790	-	26,790	11,870
Increase (decrease) in accounts payable	(49,895)	(3,905)	(53,800)	97,631
Increase (decrease) in accrued payroll	3,182	1,149	4,331	(90)
Increase (decrease) in net OPEB obligation	-	-	-	199,000
Increase (decrease) in compensated absences	28,507	5,862	34,369	4,383
Increase (decrease) in customer deposits payable	(3,425)	-	(3,425)	-
Total adjustments	2,337,828	136,391	2,474,219	294,291
Net cash provided (used) by operating activities	\$ 7,389,037	\$ (715,095)	\$ 6,673,942	\$ (54,845)
<b>Noncash investing, capital, and financing activities:</b>				
Capital contributions of water and sewer lines from developers	\$ 894,570	\$ -	\$ 894,570	\$ -
Capital asset purchases included in accounts payable at year end	\$ 2,860,412	\$ -	\$ 2,860,412	\$ -
Capitalized interest	\$ 1,525,791	\$ -	\$ 1,525,791	\$ -

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2010**

		Exhibit 10
		Total Agency Funds
<hr/>		
<b>ASSETS</b>		
Cash	\$	1,160,914
Investments		918,654
Accounts receivable		285,052
Due from other governments		5,747
Total assets	\$	<u>2,370,367</u>
<b>LIABILITIES</b>		
Accounts payable	\$	76,769
Accrued payroll		68,231
Amounts held for social service clients		8,383
Amounts held for NRJA		569,604
Amounts held for NRJDC		1,647,380
Total liabilities	\$	<u>2,370,367</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 (see note below for description) to emphasize that it is legally separate from the government.

*Blended Component Units:*

The City of Winchester has no blended component units.

*Discretely Presented Component Units:*

The component unit columns in the financial statements include the financial data of the City’s discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City.

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 of Winchester 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.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Reporting Entity (Continued)**

*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 Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility as provided by Chapter 3, Title 5.136 *Code of Virginia (1950)*, as amended. 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 fiscal year 2010, the City provided total support of \$24,496.

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 normally must subsidize operations and capital needs. During fiscal year 2010, the City provided total support of \$347,458.

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 as provided in Chapter 2, Title 42.1-34 and 42.1-137 *Code of Virginia (1950)*, as amended. 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 fiscal year 2010.



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 fiscal 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, 2010**

**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 Social Service 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 and Asset Forfeiture Fund.

*Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Debt service funds consist of the School Bond Debt Service Fund.

*Capital project funds* 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, 2010**

**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 and the Bus Service 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 social service 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, 2010**

**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, 2010**

**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*

**Real Estate and Personal Property Used in Business**

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

Levy Date	January 1
Lien Date	January 1
Due Date	June 5/December 5
Delinquent Date	June 6/December 6

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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
Lien Date	Date on which legal situs is attained
Due Date	Thirty days after assessment
Delinquent Date	Thirty-one 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 amounted at June 30, 2010 consisted of the following:

General fund (property taxes, penalties, and interest)	\$ 1,953,153
Emergency medical service fund	73,494
Water and sewer fund	148,464
	<hr/>
	<u>\$ 2,175,111</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, 2010**

**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. \$1,525,791 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 Government Accounting Standards Board Statement 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 Discretely Presented Component Unit 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, 2010**

**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 Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*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.



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 discretely presented component unit-school board, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Bonds payable	\$ 95,870,531	\$ -
Less: Unamortized bond issue costs	(582,614)	-
Less: Deferred charge on refunding	(424,109)	-
Plus: Issuance premium	1,814,390	-
Capital leases payable	-	867,785
Accrued interest payable	1,018,514	-
Compensated absences	1,846,586	1,337,388
Net adjustment to reduce fund balance total governmental funds to arrive at net assets governmental activities	<u>\$ 99,543,298</u>	<u>\$ 2,205,173</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	\$ 838,722
Add: Internal receivable representing costs in excess of charges to business-type activities – prior years	147,979
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	57,371
Net adjustments to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 1,044,072</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 discretely presented component unit-school board are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Debt issued or incurred:		
Capital lease financing	\$ -	\$ (154,948)
Issuance of loan payable	-	(1,280,000)
Principal repayments:		
Capital lease	-	1,475,207
Loan payable	-	1,500,000
General obligation debt	5,829,665	-
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 5,829,665</u>	<u>\$ 1,540,259</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, discretely presented component unit-school board, respectively, is as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Compensated absences	\$ (33,477)	\$ (2,823)
Accrued interest	68,000	-
Amortization of debt issue costs	(73,359)	-
Amortization of issuance premium	208,796	-
Amortization of deferred charge on refunding	<u>(108,858)</u>	<u>-</u>
Net adjustment to increase (decrease) net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 61,102</u>	<u>\$ (2,823)</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	\$ (107,098)
Add: Loss from costs in excess of charges to business-type activities	<u>57,371</u>
	<u>\$ (49,727)</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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	\$ (147,979)
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>(57,371)</u>
Net adjustment to decrease net assets – total enterprise funds to arrive at net assets – business-type activities	<u><u>\$ (205,350)</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 component unit - 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, 2010**

**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 \$97,518 in the General Fund, \$310,676 in the Highway Maintenance Fund, \$19,700 in the Asset Forfeiture Fund, \$9,515 in the School Operating Fund, and \$34,253 in the School Textbook Fund.

**Note 4. Deposits and Investments**

**Deposits**

All cash of the City and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

**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 and the State Treasurer's Local Government Investment Pool (LGIP). The City has no investment policy that would further limit its investment choices.

As of June 30, 2010, the City's investments consisted of the following:

Investment Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
Federal Agency Bonds and Notes	\$ 13,047,021	AAA	2.68
Mutual Funds	368,536	AA- to AA	N/A
Local Government Investment Pool (LGIP)	314,545	AAAm	N/A
VA State Non-Arbitrage Program (SNAP)	7,178,555	AAAm	N/A
Total investments	<u>\$ 20,908,657</u>		

\* - Average Maturity in Years

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 4. Deposits and Investments**

**Investments (Continued)**

Concentration of Credit Risk:

The City had the following investments at June 30, 2010, 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>
VA State Non-Arbitrage Program (SNAP)	34.33%
Federal Home Loan Bank Notes	23.97%
Fannie Mae	9.61%
Federal Home Loan Mortgage Corporation	9.57%

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	\$ 2,995	\$ -	\$ -
Deposits	15,427,577	4,018,180	658,469
Investments	16,864,432	3,085,444	958,781
	<u>\$ 32,295,004</u>	<u>7,013,624</u>	<u>\$ 1,617,250</u>
Statement of net assets:			
Cash and cash equivalents	\$ 14,269,658	\$ 3,752,496	\$ 658,469
Investments	15,945,778	2,660,712	958,781
Fiduciary:			
Cash and cash equivalents	1,160,914	265,684	-
Investments	918,654	424,732	-
	<u>\$ 32,295,004</u>	<u>\$ 7,103,624</u>	<u>\$ 1,617,250</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 5. Due from Other Governments**

The following amounts represent receivables from other governments at year-end:

	<b>Primary Government</b>	<b>Component Unit – School Board</b>
Commonwealth of Virginia:		
IDEA 611 – flow through	\$ -	\$ 362,997
State sales tax	-	262,002
Special Education	-	228,827
Technology grant	-	206,000
Title I	-	204,296
ARRA – IDEA Part B	-	197,918
Other state school funds	-	419,266
Local sales tax	1,225,445	-
Highway planning and construction grants	633,853	-
Transit grants	389,794	-
Welfare grants	293,320	-
Comprehensive Service Act funds	216,182	-
Communication tax	190,623	-
Shared expenses	133,948	-
Community development block grant	54,339	-
Other state funds	932,873	-
Total due from the Commonwealth	<u>4,070,377</u>	<u>1,881,306</u>
Frederick County:		
Joint Judicial Center – debt service	317,071	-
Joint Judicial Center – operating expenses	167,162	-
Total due from other governments	<u>\$ 4,554,610</u>	<u>\$ 1,881,306</u>

**Note 6. Promise to Give**

Unconditional promises to give reported by the Component Unit School Board for the Handley Capital Project at June 30, 2010, are as follows:

Receivable in less than one year	\$ 283,305
Receivable in one to five years	917,987
Receivable in five to ten years	584,973
Receivable in ten to fifteen years	448,021
Receivable in fifteen to twenty years	16,000
Receivable in twenty to twenty-five years	2,000
Total unconditional promises to give	2,252,286
Less discounts to present value	(548,213)
Net unconditional promises to give	<u>\$ 1,704,073</u>

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

Inter-fund balances at June 30, 2010 consisted of the following:

**Primary Government**

Due to general fund from:

Non-major enterprise fund – bus service	\$ 125,000
Non-major governmental funds	<u>366,500</u>

Total due to general fund from other funds for cash advances	<u>\$ 491,500</u>
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**Component Unit – School Board**

Due to school operating fund from:

Federal grants fund	\$ 670,395
School fundraising fund	<u>500,000</u>

Total due to school operating fund from other funds for cash advances	<u>\$ 1,170,395</u>
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Inter-fund transfers for the year ended June 30, 2010 consisted of the following:

**Primary Government**

Transfers to general fund from:

Water and sewer fund	<u>\$ 1,600,000</u>
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Transfers to non-major governmental funds from:

General fund	\$ 5,757,694
Water and sewer fund	489,000
Non-major governmental funds	<u>133,537</u>

Total transfers to non-major governmental funds	<u>\$ 6,380,231</u>
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Transfers to non-major enterprise fund from:

General fund	<u>\$ 225,000</u>
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Transfers to non-major internal service funds from:

Non-major governmental funds	<u>\$ 220,000</u>
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**Component Unit – School Board**

Transfers to school operating fund from:

School fundraising fund	<u>\$ 11,200</u>
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Transfers to school capital improvement fund from:

School operating fund	<u>\$ 1,705,241</u>
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Transfers to non-major governmental funds from:

School operating fund	<u>\$ 500,000</u>
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**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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.

**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	\$ -	\$ -	\$ 4,102,510
Construction in progress	3,763,872	26,514	(3,763,872)	26,514
Total capital assets not being depreciated	7,866,382	26,514	(3,763,872)	4,129,024
Capital assets, being depreciated:				
Buildings	28,657,689	-	-	28,657,689
Improvements other than buildings	4,620,497	1,715,332	-	6,335,829
Infrastructure	40,696,417	21,565,660	(1,242,268)	61,019,809
Equipment	10,219,640	381,940	(118,204)	10,483,376
Total capital assets being depreciated	84,194,243	23,662,932	(1,360,472)	106,496,703
Less accumulated depreciation for:				
Buildings	(6,869,178)	(582,702)	-	(7,451,880)
Improvements other than buildings	(2,688,549)	(142,251)	-	(2,830,800)
Infrastructure	(12,476,249)	(1,560,576)	1,065,939	(12,970,886)
Equipment	(6,006,005)	(898,801)	91,840	(6,812,966)
Total accumulated depreciation	(28,039,981)	(3,184,330)	1,157,779	(30,066,532)
Total capital assets being depreciated, net	56,154,262	20,478,602	(202,693)	76,430,171
Governmental activities capital assets, net	\$ 64,020,644	\$ 20,505,116	\$ (3,966,565)	\$ 80,559,195

\*Beginning balance, as restated (see Note 17)

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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	\$ 167,608
Judicial administration	174,351
Public safety	510,903
Public works	1,871,619
Health and welfare	14,388
Parks, recreation, and cultural	364,434
Community development	<u>81,027</u>
Total depreciation expense – governmental activities	<u>\$ 3,184,330</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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	21,025,812	12,834,054	(8,232,190)	25,627,676
Total capital assets not being depreciated	<u>22,227,297</u>	<u>12,834,054</u>	<u>(8,232,190)</u>	<u>26,829,161</u>
Capital assets, being depreciated:				
Buildings	4,972,661	89,102	-	5,061,763
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	68,441,959	20,576,923	(1,227,387)	87,791,495
Equipment	3,140,504	405,373	-	3,545,877
FWSA purchased capacity	12,259,762	-	-	12,259,762
Total capital assets being depreciated	<u>88,933,723</u>	<u>21,071,398</u>	<u>(1,227,387)</u>	<u>108,777,734</u>
Less accumulated depreciation for:				
Buildings	(2,220,885)	(100,186)	-	(2,321,071)
Improvements other than buildings	(112,486)	(455)	-	(112,941)
Infrastructure	(18,825,936)	(1,059,005)	473,547	(19,411,394)
Equipment	(1,106,127)	(291,385)	-	(1,397,512)
FWSA purchased capacity	(3,677,928)	(612,988)	-	(4,290,916)
Total accumulated depreciation	<u>(25,943,362)</u>	<u>(2,064,019)</u>	<u>473,547</u>	<u>(27,533,834)</u>
Total capital assets being depreciated, net	<u>62,990,361</u>	<u>19,007,379</u>	<u>(753,840)</u>	<u>81,243,900</u>
Business-type activities capital assets, net	<u>\$ 85,217,658</u>	<u>\$ 31,841,433</u>	<u>\$ (8,986,030)</u>	<u>\$ 108,073,061</u>

\*Beginning balance, as restated (see Note 17)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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	\$ 1,929,967
Bus service fund	<u>134,052</u>
Total depreciation expense – business-type activities	<u><u>\$ 2,064,019</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 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:

	<u><b>Total Contracts</b></u>	<u><b>Total Payments</b></u>	<u><b>Amounts to be Expended</b></u>
General Fund:			
Traffic signals	\$ 4,820,462	\$ 4,368,394	\$ 452,068
Water and Sewer Fund:			
Water and sewer main replacement	12,345,679	12,004,048	341,631
Water treatment plant	<u>19,977,000</u>	<u>4,650,542</u>	<u>15,326,458</u>
	<u><u>\$ 37,143,141</u></u>	<u><u>\$ 21,022,984</u></u>	<u><u>\$ 16,120,157</u></u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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	21,454,723	4,136,787	(25,501,103)	90,407
Total capital assets not being depreciated	<u>23,762,693</u>	<u>4,136,787</u>	<u>(25,501,103)</u>	<u>2,398,377</u>
Capital assets, being depreciated:				
Buildings	103,220,360	25,501,103	-	128,721,463
Improvements other than buildings	1,945,250	67,000	(10,700)	2,001,550
Equipment	5,656,602	323,106	(114,257)	5,865,451
Total capital assets being depreciated	<u>110,822,212</u>	<u>25,891,209</u>	<u>(124,957)</u>	<u>136,588,464</u>
Less accumulated depreciation for:				
Buildings	(14,112,702)	(2,016,046)	-	(16,128,748)
Improvements other than buildings	(1,707,868)	(22,673)	3,455	(1,727,086)
Equipment	(3,521,852)	(395,405)	114,257	(3,803,000)
Total accumulated depreciation	<u>(19,342,422)</u>	<u>(2,434,124)</u>	<u>117,712</u>	<u>(21,658,834)</u>
Total capital assets being depreciated, net	<u>91,479,790</u>	<u>23,457,085</u>	<u>(7,245)</u>	<u>114,929,630</u>
School board capital assets, net	<u>\$ 115,242,483</u>	<u>\$ 27,593,872</u>	<u>\$ (25,508,348)</u>	<u>\$ 117,328,007</u>

\*Beginning balance, as restated (see Note 17)

The School Board Component Unit has entered into lease agreements as lessee for financing the acquisition of various school equipment, sixteen buses, and capital projects. The assets acquired through capital leases are as follows:

	<b><u>Amount</u></b>
Equipment, buses, capital projects	<u>\$ 2,861,498</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Component Unit – Parking Authority**

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Total capital assets not being depreciated	<u>11,685</u>	<u>-</u>	<u>-</u>	<u>11,685</u>
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	166,661	16,425	(13,644)	169,442
Total capital assets being depreciated	<u>9,974,239</u>	<u>16,425</u>	<u>(13,644)</u>	<u>9,977,020</u>
Less accumulated depreciation for:				
Buildings	(891,254)	(194,849)	-	(1,086,103)
Improvements other than buildings	(54,816)	(536)	-	(55,352)
Equipment	(138,215)	(6,831)	13,644	(131,402)
Total accumulated depreciation	<u>(1,084,285)</u>	<u>(202,216)</u>	<u>13,644</u>	<u>(1,272,857)</u>
Total capital assets being depreciated, net	<u>8,889,954</u>	<u>(185,791)</u>	<u>-</u>	<u>8,704,163</u>
Parking Authority capital assets, net	<u><u>\$ 8,901,639</u></u>	<u><u>\$ (185,791)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,715,848</u></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 \$ 2,434,124

Business-type activities:

Parking Authority – Public works \$ 202,216

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 at June 30, 2010 (General Fund)	\$ 1,978,923	\$ -	\$ 1,978,923
Deferred joint judicial commission, representing uncollected debt service billings at June 30, 2010 (General Fund)	317,071	-	317,071
Deferred EMS transportation charges, representing uncollected EMS billings at June 30, 2010 (Special Revenue Fund)	204,788	-	204,788
Property taxes paid in advance, representing property taxes not yet due but paid by June 30, 2010 (General Fund)	<u>-</u>	<u>2,240,504</u>	<u>2,240,504</u>
Total deferred revenue for governmental funds	<u>\$ 2,500,782</u>	<u>\$ 2,240,504</u>	<u>\$ 4,741,286</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 Bonds</b>			
	<b>Principal</b>	<b>Interest</b>	
2011	\$ 5,760,990	\$	4,106,282
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
2016-2020	28,674,404		12,216,207
2021-2025	30,647,417		5,358,181
2026-2030	7,270,000		319,775
	<u>\$ 95,870,531</u>	<u>\$</u>	<u>36,177,285</u>

<b>Business-type Activities</b>						
<b>General Obligation Bonds</b>		<b>Revenue Bonds</b>		<b>Obligations Payable FWSA</b>		
<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2011	\$ 1,665,313	\$ 1,094,869	\$ 770,000	\$ 1,779,020	\$ 961,867	\$ 259,002
2012	1,757,124	1,028,794	1,245,000	1,731,911	988,823	226,383
2013	1,824,893	959,579	1,300,000	1,673,845	1,024,208	191,731
2014	1,900,293	884,781	1,360,000	1,620,495	1,059,828	151,555
2015	1,823,606	805,650	1,415,000	1,565,423	1,103,893	108,910
2016-2020	9,751,001	2,742,576	8,130,000	6,737,155	2,093,705	138,421
2021-2025	5,622,584	855,187	10,205,000	4,487,621	-	-
2026-2030	1,100,000	41,775	11,790,000	1,532,204	-	-
<u>\$ 25,444,814</u>	<u>\$ 8,413,211</u>	<u>\$ 36,215,000</u>	<u>\$ 21,127,674</u>	<u>\$ 7,232,324</u>	<u>\$ 1,076,002</u>	



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010:

	<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	\$ 101,700,196	\$ -	\$ 5,829,665	\$ 95,870,531	\$ 5,760,990
Unamortized bond premium	2,023,186	-	208,796	1,814,390	201,385
Unamortized deferred amounts on refunding	(532,967)	-	(108,858)	(424,109)	(97,878)
Compensated absences	1,824,651	114,860	77,000	1,862,511	77,000
Net OPEB Obligation	198,000	199,000	-	397,000	-
Governmental activities long-term liabilities	<u>\$ 105,213,066</u>	<u>\$ 313,860</u>	<u>\$ 6,006,603</u>	<u>\$ 99,520,323</u>	<u>\$ 5,941,497</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	\$ 27,022,523	\$ -	\$ 1,577,709	\$ 25,444,814	\$ 1,665,313
Revenue bonds	23,920,000	12,295,000	-	36,215,000	770,000
Obligations payable - Unamortized bond premium	8,163,355	-	931,031	7,232,324	961,867
Unamortized deferred amounts on refunding	1,619,560	449,081	149,754	1,918,887	235,442
Compensated absences	(358,969)	-	(64,718)	(294,251)	(60,175)
	226,362	17,438	15,000	228,800	15,000
Business-type activities long-term liabilities	<u>\$ 60,592,831</u>	<u>\$ 12,761,519</u>	<u>\$ 2,608,776</u>	<u>\$ 70,745,574</u>	<u>\$ 3,587,447</u>

\*Beginning balance, as restated (see Note 17)

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, 2010, \$15,295 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, 2010**

**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:		
\$8,275,000 General Obligation Public Improvement and Refunding Bonds, Series of 1997, issued December 30, 1997, maturing annually beginning March 1, 1998 through 2011, interest payable semi-annually at rates of 3.6% to 4.7% Purpose: General, Utilities, and School capital projects	\$ 426,587	\$ 33,412
\$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	2,830,172	2,830,172
\$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	2,882,300	4,147,000
\$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	2,665,000	-
\$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	2,380,000	595,000
\$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	5,192,519	2,232,481

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Primary Government (Continued)**

Changes in Long-Term Debt (Continued)

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
\$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	\$ 20,088,953	\$ 6,086,049
\$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	35,475,000	5,595,000
\$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	17,215,000	3,925,000
\$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	6,715,000	-
Total General Obligation Bonds	<u>\$ 95,870,531</u>	<u>\$ 25,441,814</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Primary Government (Continued)**

Changes in Long-Term Debt (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
Revenue Bonds:		
\$12,100,000 Virginia Resources Authority Revenue Bond, Series of 2008, issued November 21, 2008, maturing annually beginning October 1, 2010 through October 1, 2028 interest payable semi-annually at rates of 3.125-5.375%. Purpose: Utilities capital projects	\$ -	\$ 12,100,000
\$11,820,000 Virginia Resources Authority Revenue Bond, Series of 2009A, issued June 1, 2009, maturing annually beginning October 1, 2010 through October 1, 2029 interest payable semi-annually at rates of 4.125-5.125% Purpose: Utilities capital projects	-	11,820,000
\$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
Total Revenue Bonds	<u>\$ -</u>	<u>\$ 36,215,000</u>

Obligations Payable – FWSA:

\$12,259,762 FWSA Opequen Water Facility obligations, commencing April 1, 2004, maturing annually through May 1, 2020 interest payable monthly at rate of 3.5%. Purpose: Utilities capital projects	<u>\$ -</u>	<u>\$ 7,232,324</u>
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Frederick-Winchester Service Authority – Future Commitments

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. Similar to the FWSA debt described above, upon completion of the project, the City will be responsible for a total principal amount of \$10,263,283 and related interest of \$8,391,574. Currently, the FWSA is billing the Authority for debt payments; however, the City's obligation for the liability does not commence until the plant is completed. These amounts are being capitalized as part of construction in progress.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Component Unit School Board**

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

Year Ending <u>June 30</u>	<u>Component Unit School Board</u> <u>Capital Lease Agreements</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 131,976	\$ 47,738
2012	136,582	43,132
2013	141,349	38,365
2014	146,282	33,432
2015	151,387	28,327
2016-2020	<u>160,209</u>	<u>23,043</u>
	<u>\$ 867,785</u>	<u>\$ 214,037</u>

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities - Component Unit School Board</b>					
Loan payable	\$ 220,000	\$ 1,280,000	\$ 1,500,000	\$ -	\$ -
Capital leases	2,188,044	154,948	1,475,207	867,785	131,976
Compensated absences	<u>1,334,565</u>	<u>234,823</u>	<u>232,000</u>	<u>1,337,388</u>	<u>232,000</u>
School board long-term liabilities	<u>\$ 3,742,609</u>	<u>\$ 1,669,771</u>	<u>\$ 3,207,207</u>	<u>\$ 2,205,173</u>	<u>\$ 363,976</u>

**Details of Long-Term Indebtedness**

**Capital Lease Obligations:**

\$1,500,000 School Capital lease for financing capital projects related to facilities at John Handley High School issued February 12, 2009, maturing January 5, 2019, due in annual installments, including principal and interest at a rate of 3.49% per annum.

\$ 867,785

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Component Unit Parking Authority**

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

Year Ending June 30	<u>Component Unit Parking Authority</u> <u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 155,000	\$ 428,988
2012	160,000	421,900
2013	165,000	414,588
2014	175,000	406,938
2015	180,000	398,500
2016-2020	1,050,000	1,843,750
2021-2025	1,345,000	1,545,625
2026-2030	1,710,000	1,165,750
2031-2035	2,185,000	681,375
2036-2038	<u>1,590,000</u>	<u>121,750</u>
	<u>\$ 8,715,000</u>	<u>\$ 7,429,164</u>

**Changes in Long-Term Debt**

The following is a summary of long-term debt transactions for the Component Unit Parking Authority for the year ended June 30, 2010:

	<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	\$ 8,860,000	\$ -	\$ 145,000	\$ 8,715,000	\$ 155,000
Unamortized bond premium	298,971	-	16,557	282,414	16,308
Compensated absences	<u>33,799</u>	<u>13,959</u>	<u>2,000</u>	<u>45,758</u>	<u>-</u>
Parking authority long-term liabilities	<u>\$ 9,192,770</u>	<u>\$ 13,959</u>	<u>\$ 163,557</u>	<u>\$ 9,043,172</u>	<u>\$ 171,308</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

\$ 8,715,000

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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. Employee Retirement Systems**

**Virginia Retirement System**

Plan Description

The City of Winchester contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the City of Winchester School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at <http://www.varetire.org> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Virginia Retirement System (Continued)**

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5.00% 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 the fiscal year ended 2010 was 9.37% of annual covered payroll. The City School Board contribution rate for the fiscal year ended 2010 was 8.81% of annual covered payroll of non-professional employees.

The City School Board's required contributions to the teacher cost-sharing pool were \$1,478,296 for fiscal year 2010, \$2,162,926 for fiscal year 2009, and \$2,380,095 for fiscal year 2008. In each year, the School Board contributed 100% of the required contributions. The large decrease in 2010 was due to a contribution holiday by VRS for all school divisions for three months during the year.

Annual Pension Cost

For fiscal year 2010, the City's annual pension cost was equal to the City's required and actual contributions. For fiscal year 2010, the City School Board's annual pension cost for its non-professional employees was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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 adjustments 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 City's 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 City's 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, 2007 was 20 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, 2010	\$ 1,878,179	100%	\$ -
June 30, 2009	\$ 1,686,297	100%	\$ -
June 30, 2008	\$ 1,581,898	100%	\$ -



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Virginia Retirement System (Continued)**

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

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2010	\$ 145,131	100%	\$ -
June 30, 2009	\$ 149,330	100%	\$ -
June 30, 2008	\$ 122,059	100%	\$ -

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 86.3% and 89.9% funded for the City and the City's School Board (non-professional employees), respectively. The actuarial accrued liability for benefits was \$68,332,284 and \$4,994,502, and the actuarial value of assets was \$58,987,278 and \$4,488,789, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,345,006 and \$505,713 for the City and the City's School Board (non-professional employees), respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$20,470,820 and \$1,982,067, and ratio of the UAAL to the covered payroll was 45.7% and 25.5% for the City and the City's 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 City's 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 City's 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, 2010**

**Note 12. Employee 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 City's 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 the fiscal year ended 2010 was 0.347% of annual covered payroll. The City School Board contribution rate for the fiscal year ended 2010 was 1.04% of annual covered payroll of non-professional employees.

Actuarial Methods and Assumptions

The required contributions for the City and the City's 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 City's 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, 2010	\$ 68,152	100%	\$ -
June 30, 2009	\$ 68,548	100%	\$ -
June 30, 2008	\$ 94,837	100%	\$ -

**Three-Year Trend Information**  
**City 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, 2010	\$ 10,068	100%	\$ -
June 30, 2009	\$ 10,359	100%	\$ -
June 30, 2008	\$ 10,094	100%	\$ -

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**VRS Health Insurance Credit (Continued)**

Funding Status and Funding Progress

As of September 30, 2009, the most recent actuarial valuation date, the VRS health insurance credit program was 35.3% and 30.8% funded. The actuarial liability for the City and City's School Board (non-professional employees) benefits were \$409,938 and \$67,285 respectively, and the actuarial value of assets was \$144,542 and \$20,709, resulting in an unfunded actuarial liability (UAAL) of \$265,396 and \$46,576 for the City and the City's School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$20,470,820 and \$1,982,067, and ratio of the UAAL to the covered payroll was 1.3% and 2.3% for the City and the City's 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, 2010**

**Note 13. Risk Management (Continued)**

Through the Virginia School Board Association, the component unit school board has joined together with school boards of other cities and counties 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 Component Unit 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 in the Funds are reserved for the possibility of future catastrophic losses.

For the City and School Board, the claim liabilities reported at June 30, 2010 of \$671,064 and \$411,593, respectively, are based on the requirements of Governmental Accounting Standards Board statement number 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The statement further requires that the portion of the claims liability expected to be paid with available financial resources be reported as a fund liability. Changes in the City and School Board claims liability amount for fiscal year 2008, 2009, and 2010 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, 2010	\$ 583,857	\$ 3,127,047	\$ 3,039,840	\$ 671,064
June 30, 2009	412,857	3,294,376	3,123,376	583,857
June 30, 2008	217,316	3,189,418	2,993,877	412,857

**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, 2010	\$ 409,096	\$ 3,532,478	\$ 3,529,981	\$ 411,593
June 30, 2009	415,639	3,723,825	3,730,368	409,096
June 30, 2008	397,581	3,567,437	3,549,379	415,639

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 14. Surety Bonds**

<u>Fidelity and Deposit Company of Maryland – Surety</u>	<u>Amount</u>
Finance Director/Treasurer	\$ 500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	290,000
Sheriff	30,000
 <u>VML Insurance Programs</u>	
All City employees (including Social Services) – blanket bond	500,000
Treasurer	50,000

**Note 15. Related Party Transactions**

During fiscal year 2010, the City paid \$30,460 and \$1,145 to 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 Social Services department has a 15 year lease for property that commenced during 2010 with a company in which a Council member is a partial owner. The City paid \$288,700 during fiscal year 2010. 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 16. Other Post-employment Benefits**

Plan Description

The City of Winchester administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees 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 \$198,000 for fiscal year 2010.

The City has elected not to pre-fund OPEB liabilities. The City is required to contribute 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, 2010**

**Note 16. 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	\$ 397,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(8,000)</u>
Annual OPEB cost	397,000
Contributions made	<u>198,000</u>
Increase in net OPEB obligation	199,000
Net OPEB obligation – beginning of year	<u>198,000</u>
Net OPEB obligation – end of year	<u><u>\$ 397,000</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. Since 2009 was the City's first year for implementing GASB No. 45, the City cannot report the same information for the preceding two years.

<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, 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 30, 2008 was as follows:

Actuarial Accrued Liability (AAL)	\$ 3,887,000
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 3,887,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%
Covered Payroll (Active Plan Members)	\$ 16,282,810
UAAL as a Percentage of Covered Payroll	23.9%

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 16. 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, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.00 percent 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, 2008 was 30 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 State of Virginia Retirement System.

*Economic Assumptions* – Medical claims are assumed to increase 9.5 % from 2006 to 2007, decreasing 1.0% per year to an ultimate rate of 5.5%. 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, 2010**

**Note 16. 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 17. Prior Period Adjustments**

The following is a summary of the restatement to fund balances/net assets at June 30, 2010:

	<u>Primary Government</u>		<u>DPCU</u>
	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>School Board</u>
Net assets			
June 30, 2009, as previously stated	\$ (14,358,282)	\$ 40,812,868	\$ 116,371,414
To record an allowance related to penalties and interest receivable	(448,153)	-	-
To correct capital asset beginning balances	402,553	9,217,031	404,014
To correct long-term debt beginning balance	-	(8,163,355)	-
Net assets			
June 30, 2009, as restated	<u>\$ (14,403,882)</u>	<u>\$ 41,866,544</u>	<u>\$ 116,775,428</u>

Adjustments Summarized:

- The allowance correction was due to no allowance for doubtful accounts being calculated on penalties and interest receivable. These amounts were entirely deferred in the fund statements; therefore, no correction is necessary at the fund level.
- The capital asset corrections in governmental activities were due to assets being recorded in the wrong fund in prior years and an unrecorded land donation from prior years.
- The capital asset and long term debt corrections in the water and sewer fund were due to unrecorded FWSA obligations and unrecorded capitalized interest in prior years.
- The capital asset correction DPCU School Board was due to unrecorded disposals from prior years and an overstatement of depreciation expense in prior years.

**Note 18. New Accounting Standards**

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides new fund balance classifications and clarifies governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the year ending June 30, 2011.

Management has not yet evaluated the effects, if any, of adopting this standard.



## REQUIRED SUPPLEMENTARY INFORMATION

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

<b>CITY - DEFINED BENEFIT PENSION PLAN</b>						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, 2007	\$ 52,071,521	\$ 56,789,855	\$ 4,718,334	91.7%	\$ 18,101,083	26.1%
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%
<hr/>						
<b>SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - DEFINED BENEFIT PENSION PLAN</b>						
	(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, 2007	\$ 3,671,627	\$ 3,884,003	\$ 212,376	94.5%	\$ 1,756,985	12.1%
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%
<hr/>						
<b>CITY - VRS HEALTH INSURANCE CREDIT PROGRAM</b>						
	(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, 2007	\$ 53,065	\$ 777,446	\$ 724,381	6.8%	\$ 18,101,083	4.0%
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%
<hr/>						
<b>SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - VRS HEALTH INSURANCE CREDIT PROGRAM</b>						
	(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, 2007	\$ 8,248	\$ 94,461	\$ 86,213	8.7%	\$ 1,756,985	4.9%
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%
<hr/>						
<b>CITY - RETIREE HEALTH PLAN</b>						
	(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	\$ -	\$ 3,887,000	\$ 3,887,000	0.0%	\$ 16,282,810	23.9%

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COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

**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.

**Federal and State Grant Funds** – to account for the proceeds of state and federal grants, and the related local match and other revenues, the expenditure of which is governed by the terms of the grants for specified purposes. Currently, those grants are specified for law enforcement and related judicial administration.

**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.

**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.

**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.

**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.

### DEBT SERVICE FUNDS

**School Bond Debt Service Fund** – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related charges.

### 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, 2010**

Exhibit 12

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,163,186	\$ -	\$ 210,073	\$ 1,373,259
Investments	825,102	-	149,016	974,118
Accounts receivable (net of allowance for uncollectibles)	221,922	-	18,100	240,022
Prepays	40,000	-	-	40,000
Due from other governments	<u>765,337</u>	<u>-</u>	<u>618,777</u>	<u>1,384,114</u>
Total assets	<u>\$ 3,015,547</u>	<u>\$ -</u>	<u>\$ 995,966</u>	<u>\$ 4,011,513</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 439,122	\$ -	\$ 171,408	\$ 610,530
Accrued payroll	153,495	-	-	153,495
Due to other funds	366,500	-	-	366,500
Deferred revenue	<u>204,788</u>	<u>-</u>	<u>-</u>	<u>204,788</u>
Total liabilities	<u>1,163,905</u>	<u>-</u>	<u>171,408</u>	<u>1,335,313</u>
Fund balances:				
Reserved for:				
Prepays	40,000	-	-	40,000
Unreserved, undesignated	<u>1,811,642</u>	<u>-</u>	<u>824,558</u>	<u>2,636,200</u>
Total fund balances	<u>1,851,642</u>	<u>-</u>	<u>824,558</u>	<u>2,676,200</u>
Total liabilities and fund balances	<u>\$ 3,015,547</u>	<u>\$ -</u>	<u>\$ 995,966</u>	<u>\$ 4,011,513</u>



**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2010**

Exhibit 13

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Revenues from use of money and property	\$ 28,700	\$ 303	\$ -	\$ 29,003
Charges for services	866,192	-	-	866,192
Miscellaneous	253,100	-	-	253,100
Recovered costs	9,865	-	-	9,865
Intergovernmental:				
Commonwealth	4,681,821	-	857,872	5,539,693
Federal	2,555,674	-	1,038,453	3,594,127
Total revenues	<u>8,395,352</u>	<u>303</u>	<u>1,896,325</u>	<u>10,291,980</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	300,021	-	-	300,021
Public safety	1,177,131	-	-	1,177,131
Public works	3,170,180	-	4,628,440	7,798,620
Health and welfare	6,069,826	-	-	6,069,826
Parks, recreation, and culture	-	-	867,919	867,919
Community development	470,635	-	-	470,635
Debt service:				
Principal	-	40,872	-	40,872
Interest and fiscal charges	-	9,307	-	9,307
Total expenditures	<u>11,187,793</u>	<u>50,179</u>	<u>5,496,359</u>	<u>16,734,331</u>
Excess of expenditures over revenues	<u>(2,792,441)</u>	<u>(49,876)</u>	<u>(3,600,034)</u>	<u>(6,442,351)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,780,231	-	3,600,000	6,380,231
Transfers out	(153,537)	-	(200,000)	(353,537)
Total other financing sources	<u>2,626,694</u>	<u>-</u>	<u>3,400,000</u>	<u>6,026,694</u>
Net change in fund balances	(165,747)	(49,876)	(200,034)	(415,657)
Fund balance - beginning	<u>2,017,389</u>	<u>49,876</u>	<u>1,024,592</u>	<u>3,091,857</u>
Fund balance - ending	<u>\$ 1,851,642</u>	<u>\$ -</u>	<u>\$ 824,558</u>	<u>\$ 2,676,200</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2010**

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund
<b>ASSETS</b>					
Cash	\$ 9,292	\$ 90	\$ 97	\$ 138,440	\$ 145,626
Investments	6,586	63	69	98,203	103,300
Accounts receivable (net of allowance)	-	-	-	-	-
Prepays	40,000	-	-	-	-
Due from other governments	<u>293,320</u>	<u>216,182</u>	<u>186,420</u>	<u>54,339</u>	<u>-</u>
Total assets	<u>\$ 349,198</u>	<u>\$ 216,335</u>	<u>\$ 186,586</u>	<u>\$ 290,982</u>	<u>\$ 248,926</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 107,407	\$ 143,871	\$ 6,745	\$ -	\$ -
Accrued payroll	72,888	1,868	14,341	1,224	3,370
Due to other funds	150,000	51,000	165,500	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>330,295</u>	<u>196,739</u>	<u>186,586</u>	<u>1,224</u>	<u>3,370</u>
Fund balances:					
Reserved for:					
Prepays	40,000	-	-	-	-
Unreserved:					
Undesignated	<u>(21,097)</u>	<u>19,596</u>	<u>-</u>	<u>289,758</u>	<u>245,556</u>
Total fund balances	<u>18,903</u>	<u>19,596</u>	<u>-</u>	<u>289,758</u>	<u>245,556</u>
Total liabilities and fund balances	<u>\$ 349,198</u>	<u>\$ 216,335</u>	<u>\$ 186,586</u>	<u>\$ 290,982</u>	<u>\$ 248,926</u>

Housing Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ 174,262	\$ 241,493	\$ 357,508	\$ 8,964	\$ 24,145	\$ 63,269	\$ 1,163,186
123,613	171,303	253,599	6,359	17,127	44,880	825,102
-	-	206,316	350	15,256	-	221,922
-	-	-	-	-	-	40,000
-	15,076	-	-	-	-	765,337
<u>\$ 297,875</u>	<u>\$ 427,872</u>	<u>\$ 817,423</u>	<u>\$ 15,673</u>	<u>\$ 56,528</u>	<u>\$ 108,149</u>	<u>\$ 3,015,547</u>
\$ 203	\$ 51,436	\$ 37,761	\$ 1,235	\$ 6,414	\$ 84,050	\$ 439,122
-	39,199	17,242	2,933	430	-	153,495
-	-	-	-	-	-	366,500
-	-	204,788	-	-	-	204,788
<u>203</u>	<u>90,635</u>	<u>259,791</u>	<u>4,168</u>	<u>6,844</u>	<u>84,050</u>	<u>1,163,905</u>
-	-	-	-	-	-	40,000
<u>297,672</u>	<u>337,237</u>	<u>557,632</u>	<u>11,505</u>	<u>49,684</u>	<u>24,099</u>	<u>1,811,642</u>
<u>297,672</u>	<u>337,237</u>	<u>557,632</u>	<u>11,505</u>	<u>49,684</u>	<u>24,099</u>	<u>1,851,642</u>
<u>\$ 297,875</u>	<u>\$ 427,872</u>	<u>\$ 817,423</u>	<u>\$ 15,673</u>	<u>\$ 56,528</u>	<u>\$ 108,149</u>	<u>\$ 3,015,547</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, 2010**

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund
<b>REVENUES</b>					
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ 3,621	\$ 3,185
Charges for services	-	-	-	-	-
Miscellaneous	-	67,890	-	-	-
Recovered costs	739	-	-	-	-
Intergovernmental:					
Commonwealth	1,277,130	787,646	30,491	-	104,761
Federal	1,829,924	-	568,478	131,801	-
Total revenues	<u>3,107,793</u>	<u>855,536</u>	<u>598,969</u>	<u>135,422</u>	<u>107,946</u>
<b>EXPENDITURES</b>					
Current:					
Judicial administration	-	-	258,908	-	-
Public safety	-	-	372,255	-	-
Public works	-	-	-	-	-
Health and welfare	4,251,540	1,704,161	-	-	114,125
Community development	-	-	-	142,641	-
Total expenditures	<u>4,251,540</u>	<u>1,704,161</u>	<u>631,163</u>	<u>142,641</u>	<u>114,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,143,747)</u>	<u>(848,625)</u>	<u>(32,194)</u>	<u>(7,219)</u>	<u>(6,179)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,145,000	840,000	32,194	-	-
Transfers out	-	-	-	(83,537)	-
Total other financing sources (uses)	<u>1,145,000</u>	<u>840,000</u>	<u>32,194</u>	<u>(83,537)</u>	<u>-</u>
Net change in fund balances	1,253	(8,625)	-	(90,756)	(6,179)
Fund balance - beginning	<u>17,650</u>	<u>28,221</u>	<u>-</u>	<u>380,514</u>	<u>251,735</u>
Fund balance - ending	<u>\$ 18,903</u>	<u>\$ 19,596</u>	<u>\$ -</u>	<u>\$ 289,758</u>	<u>\$ 245,556</u>

Housing Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ 10,884	\$ 1,038	\$ 7,814	\$ 190	\$ 475	\$ 1,493	\$ 28,700
-	-	816,622	-	49,570	-	866,192
-	26,606	-	158,604	-	-	253,100
-	9,126	-	-	-	-	9,865
-	-	-	-	-	-	-
-	2,464,061	-	-	-	17,732	4,681,821
-	25,471	-	-	-	-	2,555,674
<u>10,884</u>	<u>2,526,302</u>	<u>824,436</u>	<u>158,794</u>	<u>50,045</u>	<u>19,225</u>	<u>8,395,352</u>
-	-	-	-	30,253	10,860	300,021
-	-	791,424	-	-	13,452	1,177,131
-	3,170,180	-	-	-	-	3,170,180
-	-	-	-	-	-	6,069,826
<u>74,398</u>	<u>-</u>	<u>-</u>	<u>253,596</u>	<u>-</u>	<u>-</u>	<u>470,635</u>
<u>74,398</u>	<u>3,170,180</u>	<u>791,424</u>	<u>253,596</u>	<u>30,253</u>	<u>24,312</u>	<u>11,187,793</u>
<u>(63,514)</u>	<u>(643,878)</u>	<u>33,012</u>	<u>(94,802)</u>	<u>19,792</u>	<u>(5,087)</u>	<u>(2,792,441)</u>
40,000	622,537	-	100,500	-	-	2,780,231
-	(70,000)	-	-	-	-	(153,537)
<u>40,000</u>	<u>552,537</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>-</u>	<u>2,626,694</u>
(23,514)	(91,341)	33,012	5,698	19,792	(5,087)	(165,747)
<u>321,186</u>	<u>428,578</u>	<u>524,620</u>	<u>5,807</u>	<u>29,892</u>	<u>29,186</u>	<u>2,017,389</u>
<u>\$ 297,672</u>	<u>\$ 337,237</u>	<u>\$ 557,632</u>	<u>\$ 11,505</u>	<u>\$ 49,684</u>	<u>\$ 24,099</u>	<u>\$ 1,851,642</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, 2010**

Social Service Fund				
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Recovered costs	-	-	739	739
Intergovernmental:				
Commonwealth	1,980,432	1,980,432	1,277,130	(703,302)
Federal	1,845,168	1,845,168	1,829,924	(15,244)
Total revenues	<u>3,825,600</u>	<u>3,825,600</u>	<u>3,107,793</u>	<u>(717,807)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	4,985,000	4,985,000	4,251,540	733,460
Community development	-	-	-	-
Total expenditures	<u>4,985,000</u>	<u>4,985,000</u>	<u>4,251,540</u>	<u>733,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,159,400)</u>	<u>(1,159,400)</u>	<u>(1,143,747)</u>	<u>15,653</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,159,400	1,159,400	1,145,000	(14,400)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>1,159,400</u>	<u>1,159,400</u>	<u>1,145,000</u>	<u>(14,400)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ 1,253</u>

Community Development Block Grant Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 3,621	\$ 3,621
Charges for services	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	230,000	230,000	131,801	(98,199)
Total revenues	<u>230,000</u>	<u>230,000</u>	<u>135,422</u>	<u>(94,578)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	580,000	496,000	142,641	353,359
Total expenditures	<u>580,000</u>	<u>496,000</u>	<u>142,641</u>	<u>353,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(350,000)</u>	<u>(266,000)</u>	<u>(7,219)</u>	<u>258,781</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(84,000)	(83,537)	463
Total other financing sources and uses	<u>-</u>	<u>(84,000)</u>	<u>(83,537)</u>	<u>463</u>
Net change in fund balances	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	<u>\$ (90,756)</u>	<u>\$ 259,244</u>

Comprehensive Services Fund				Federal and State Grants Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
110,000	110,000	67,890	(42,110)	-	-	-	-
-	-	-	-	-	-	-	-
1,634,000	1,634,000	787,646	(846,354)	18,000	22,538	30,491	7,953
-	-	-	-	338,000	908,995	568,478	(340,517)
1,744,000	1,744,000	855,536	(888,464)	356,000	931,533	598,969	(332,564)
-	-	-	-	-	-	-	-
-	-	-	-	153,309	260,095	258,908	1,187
-	-	-	-	238,691	707,438	372,255	335,183
3,515,000	3,515,000	1,704,161	1,810,839	-	-	-	-
-	-	-	-	-	-	-	-
3,515,000	3,515,000	1,704,161	1,810,839	392,000	967,533	631,163	336,370
-	-	-	-	-	-	-	-
(1,771,000)	(1,771,000)	(848,625)	922,375	(36,000)	(36,000)	(32,194)	3,806
1,771,000	1,771,000	840,000	931,000	36,000	36,000	32,194	(3,806)
-	-	-	-	-	-	-	-
1,771,000	1,771,000	840,000	931,000	36,000	36,000	32,194	(3,806)
\$ -	\$ -	\$ (8,625)	\$ 1,853,375	\$ -	\$ -	\$ -	\$ -
Housing Choice Voucher Program Fund				Housing Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 3,185	\$ 3,185	\$ -	\$ -	\$ 10,884	\$ 10,884
-	-	-	-	-	-	-	-
117,000	117,000	104,761	(12,239)	-	-	-	-
-	-	-	-	-	-	-	-
117,000	117,000	107,946	(9,054)	-	-	10,884	10,884
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
117,000	117,000	114,125	2,875	-	-	-	-
-	-	-	-	300,000	300,000	74,398	225,602
117,000	117,000	114,125	2,875	300,000	300,000	74,398	225,602
-	-	(6,179)	(6,179)	(300,000)	(300,000)	(63,514)	236,486
-	-	-	-	40,000	40,000	40,000	-
-	-	-	-	-	-	-	-
-	-	-	-	40,000	40,000	40,000	-
\$ -	\$ -	\$ (6,179)	\$ (6,179)	\$ (260,000)	\$ (260,000)	\$ (23,514)	\$ 236,486

**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, 2009**

	Highway Maintenance Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 1,038	\$ 1,038
Charges for services	-	-	-	-
Miscellaneous	-	-	26,606	26,606
Recovered costs	-	4,954	9,126	4,172
Intergovernmental:				
Commonwealth	2,266,000	2,466,000	2,464,061	(1,939)
Federal	-	26,500	25,471	(1,029)
Total revenues	<u>2,266,000</u>	<u>2,497,454</u>	<u>2,526,302</u>	<u>28,848</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	2,755,000	3,277,130	3,170,180	106,950
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>2,755,000</u>	<u>3,277,130</u>	<u>3,170,180</u>	<u>106,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(489,000)</u>	<u>(779,676)</u>	<u>(643,878)</u>	<u>135,798</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	489,000	539,000	622,537	83,537
Transfers out	-	(70,000)	(70,000)	-
Total other financing sources and uses	<u>489,000</u>	<u>469,000</u>	<u>552,537</u>	<u>83,537</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (310,676)</u>	<u>\$ (91,341)</u>	<u>\$ 219,335</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	\$ -	\$ -	\$ 475	\$ 475
Charges for services	30,000	30,000	49,570	19,570
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>50,045</u>	<u>20,045</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	30,000	30,000	30,253	(253)
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>30,253</u>	<u>(253)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>19,792</u>	<u>19,792</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>\$ 19,792</u>	<u>\$ 19,792</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	\$ 7,814	\$ 2,814	\$ -	\$ -	\$ 190	\$ 190
825,000	825,000	816,622	(8,378)	-	-	-	-
-	-	-	-	149,500	149,500	158,604	9,104
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
830,000	830,000	824,436	(5,564)	149,500	149,500	158,794	9,294
-	-	-	-	-	-	-	-
868,000	868,000	791,424	76,576	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	250,000	250,000	253,596	(3,596)
868,000	868,000	791,424	76,576	250,000	250,000	253,596	(3,596)
(38,000)	(38,000)	33,012	71,012	(100,500)	(100,500)	(94,802)	5,698
-	-	-	-	100,500	100,500	100,500	-
-	-	-	-	-	-	-	-
-	-	-	-	100,500	100,500	100,500	-
\$ (38,000)	\$ (38,000)	\$ 33,012	\$ 71,012	\$ -	\$ -	\$ 5,698	\$ 5,698
Asset Forfeiture Fund							
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)				
\$ -	\$ -	\$ 1,493	\$ 1,493				
-	-	-	-				
-	4,725	17,732	13,007				
-	-	-	-				
-	4,725	19,225	14,500				
-	11,725	10,860	865				
-	12,700	13,452	(752)				
-	-	-	-				
-	-	-	-				
-	24,425	24,312	113				
-	(19,700)	(5,087)	14,613				
-	-	-	-				
-	-	-	-				
-	-	-	-				
\$ -	\$ (19,700)	\$ (5,087)	\$ 14,613				

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**SCHOOL BOND DEBT SERVICE FUND**  
**For the Year Ended June 30, 2010**

Exhibit 17

	School Bonds Debt Service Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 303	\$ 303
Total revenues	<u>-</u>	<u>-</u>	<u>303</u>	<u>303</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	50,000	50,000	40,872	9,128
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>9,307</u>	<u>(9,307)</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,179</u>	<u>(179)</u>
Net change in fund balances	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (49,876)</u>	<u>\$ 124</u>

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUNDS**  
**For the Year Ended June 30, 2010**

Exhibit 18

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth	\$ 1,355,000	\$ -	\$ 857,872	\$ 857,872
Federal	-	1,841,308	1,038,453	(802,855)
Total revenues	<u>1,355,000</u>	<u>1,841,308</u>	<u>1,896,325</u>	<u>55,017</u>
<b>EXPENDITURES</b>				
Current:				
Public works	4,535,000	5,086,558	4,628,440	458,118
Parks, recreation and culture	<u>150,000</u>	<u>977,570</u>	<u>867,919</u>	<u>109,651</u>
Total expenditures	<u>4,685,000</u>	<u>6,064,128</u>	<u>5,496,359</u>	<u>567,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,330,000)</u>	<u>(4,222,820)</u>	<u>(3,600,034)</u>	<u>622,786</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,330,000	4,422,820	3,600,000	(822,820)
Transfer out	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources and uses	<u>3,330,000</u>	<u>4,222,820</u>	<u>3,400,000</u>	<u>(822,820)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (200,034)</u>	<u>\$ (200,034)</u>

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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, 2010**

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,365,807	\$ 2,935	\$ 236,937	\$ 1,605,679
Investments	678,272	2,083	168,071	848,426
Accounts receivable (net of allowance)	17,467	3,025	-	20,492
Prepays	13,000	-	-	13,000
Inventories	-	69,211	-	69,211
Total current assets	<u>2,074,546</u>	<u>77,254</u>	<u>405,008</u>	<u>2,556,808</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	-	101,836	-	101,836
Less accumulated depreciation	<u>-</u>	<u>(79,285)</u>	<u>-</u>	<u>(79,285)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>22,551</u>	<u>-</u>	<u>22,551</u>
Total noncurrent assets	<u>-</u>	<u>22,551</u>	<u>-</u>	<u>22,551</u>
Total assets	<u>2,074,546</u>	<u>99,805</u>	<u>405,008</u>	<u>2,579,359</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,307,420	10,230	-	1,317,650
Accrued payroll	<u>1,823</u>	<u>8,238</u>	<u>-</u>	<u>10,061</u>
Total current liabilities	<u>1,309,243</u>	<u>18,468</u>	<u>-</u>	<u>1,327,711</u>
Noncurrent liabilities:				
Compensated absences	1,054	14,871	-	15,925
Net OPEB obligation	<u>-</u>	<u>-</u>	<u>397,000</u>	<u>397,000</u>
Total noncurrent liabilities	<u>1,054</u>	<u>14,871</u>	<u>397,000</u>	<u>412,925</u>
Total liabilities	<u>1,310,297</u>	<u>33,339</u>	<u>397,000</u>	<u>1,740,636</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	22,551	-	22,551
Unrestricted	<u>764,249</u>	<u>43,915</u>	<u>8,008</u>	<u>816,172</u>
Total net assets	<u>\$ 764,249</u>	<u>\$ 66,466</u>	<u>\$ 8,008</u>	<u>\$ 838,723</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, 2010**

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,154,392	\$ 971,877	\$ 199,000	\$ 4,325,269
Total operating revenues	<u>3,154,392</u>	<u>971,877</u>	<u>199,000</u>	<u>4,325,269</u>
<b>OPERATING EXPENSES</b>				
Personal services	58,839	264,546	199,000	522,385
Contractual services	-	94,034	-	94,034
Other supplies and expenses	-	679,448	-	679,448
Insurance claims and expenses	3,377,543	-	-	3,377,543
Depreciation	-	995	-	995
Total operating expenses	<u>3,436,382</u>	<u>1,039,023</u>	<u>199,000</u>	<u>4,674,405</u>
Operating income (loss)	<u>(281,990)</u>	<u>(67,146)</u>	<u>-</u>	<u>(349,136)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	20,331	-	5,144	25,475
Loss on disposal of capital assets	-	(3,437)	-	(3,437)
Income before transfers	<u>(261,659)</u>	<u>(70,583)</u>	<u>5,144</u>	<u>(327,098)</u>
<b>TRANSFERS IN</b>	<u>-</u>	<u>220,000</u>	<u>-</u>	<u>220,000</u>
Change in net assets	(261,659)	149,417	5,144	(107,098)
Total net assets - beginning	<u>1,025,908</u>	<u>(82,951)</u>	<u>2,864</u>	<u>945,821</u>
Total net assets - ending	<u>\$ 764,249</u>	<u>\$ 66,466</u>	<u>\$ 8,008</u>	<u>\$ 838,723</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2010**

Exhibit 21

	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	\$ 3,149,080	\$ 970,691	\$ 199,000	\$ 4,318,771
Cash paid to suppliers	-	(768,174)	-	(768,174)
Cash paid to employees	(59,921)	(259,171)	-	(319,092)
Premiums paid	(3,286,350)	-	-	(3,286,350)
Net cash provided (used) by operating activities	(197,191)	(56,654)	199,000	(54,845)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund borrowing	-	(135,500)	-	(135,500)
Transfer from other funds	-	220,000	-	220,000
Net cash provided by noncapital financing activities	-	84,500	-	84,500
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	-	(22,869)	-	(22,869)
Net cash used by capital and related financing activities	-	(22,869)	-	(22,869)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	27,361	-	5,907	33,268
Net cash provided by investing activities	27,361	-	5,907	33,268
Net increase (decrease) in cash and cash equivalents	(169,830)	4,977	204,907	40,054
Cash and cash equivalents - beginning of year	2,213,909	41	200,101	2,414,051
Cash and cash equivalents - end of year	\$ 2,044,079	\$ 5,018	\$ 405,008	\$ 2,454,105
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 1,365,807	\$ 2,935	\$ 236,937	\$ 1,605,679
Cash equivalents - Investments	678,272	2,083	168,071	848,426
Total	\$ 2,044,079	\$ 5,018	\$ 405,008	\$ 2,454,105
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (281,990)	\$ (67,146)	\$ -	\$ (349,136)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	995	-	995
(Increase) decrease in accounts receivable	(5,312)	(1,186)	-	(6,498)
(Increase) decrease in prepaids	(13,000)	-	-	(13,000)
(Increase) decrease in inventory	-	11,870	-	11,870
Increase (decrease) in accounts payable	104,193	(6,562)	-	97,631
Increase (decrease) in accrued payroll	(734)	644	-	(90)
Increase (decrease) in net OPEB obligation	-	-	199,000	199,000
Increase (decrease) in accrued leave	(348)	4,731	-	4,383
Total adjustments	84,799	10,492	199,000	294,291
Net cash provided (used) by operating activities	\$ (197,191)	\$ (56,654)	\$ 199,000	\$ (54,845)

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

There are no noncash activities to disclose.



## **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 social service 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, 2010**

Exhibit 22

	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	\$ 26,529	\$ 8,383	\$ -	\$ 1,126,002	\$ 1,160,914
Investments	18,819	-	569,604	330,231	918,654
Accounts receivable	4,050	-	-	281,002	285,052
Due from other governments	5,747	-	-	-	5,747
Total assets	<u>\$ 55,145</u>	<u>\$ 8,383</u>	<u>\$ 569,604</u>	<u>\$ 1,737,235</u>	<u>\$ 2,370,367</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 55,145	\$ -	\$ -	\$ 21,624	\$ 76,769
Accrued payroll	-	-	-	68,231	68,231
Amounts held for social service clients	-	8,383	-	-	8,383
Amounts held for NRJA	-	-	569,604	-	569,604
Amounts held for NRJDC	-	-	-	1,647,380	1,647,380
Total liabilities	<u>\$ 55,145</u>	<u>\$ 8,383</u>	<u>\$ 569,604</u>	<u>\$ 1,737,235</u>	<u>\$ 2,370,367</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2010**

Exhibit 23

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>Northern Shenandoah CSA Trust Fund</b>				
Assets:				
Cash	\$ 890	\$ 419,150	\$ 393,511	\$ 26,529
Investments	443	18,819	443	18,819
Accounts receivable	4,050	-	-	4,050
Interest receivable	5	-	5	-
Due from other governments	5,747	-	-	5,747
Total Assets	<u>\$ 11,135</u>	<u>\$ 437,969</u>	<u>\$ 393,959</u>	<u>\$ 55,145</u>
Liabilities:				
Accounts payable	\$ 11,135	\$ 418,706	\$ 374,696	55,145
Amounts held for social service clients	-	-	-	-
Total Liabilities	<u>\$ 11,135</u>	<u>\$ 418,706</u>	<u>\$ 374,696</u>	<u>\$ 55,145</u>
<b>Special Welfare Fund</b>				
Assets:				
Cash	\$ 11,390	\$ -	\$ 3,007	\$ 8,383
Total Assets	<u>\$ 11,390</u>	<u>\$ -</u>	<u>\$ 3,007</u>	<u>\$ 8,383</u>
Liabilities:				
Amounts held for social service clients	\$ 11,390	\$ -	\$ 3,007	\$ 8,383
Total Liabilities	<u>\$ 11,390</u>	<u>\$ -</u>	<u>\$ 3,007</u>	<u>\$ 8,383</u>
<b>Northwestern Regional Jail Authority Construction Fund</b>				
Assets:				
Investments	\$ 567,830	\$ 1,139,948	\$ 1,138,174	\$ 569,604
Total Assets	<u>\$ 567,830</u>	<u>\$ 1,139,948</u>	<u>\$ 1,138,174</u>	<u>\$ 569,604</u>
Liabilities:				
Amounts held for NRJA	\$ 567,830	\$ 1,139,948	\$ 1,138,174	\$ 569,604
Total Liabilities	<u>\$ 567,830</u>	<u>\$ 1,139,948</u>	<u>\$ 1,138,174</u>	<u>\$ 569,604</u>
<b>Northwestern Regional Juvenile Detention Center Fund</b>				
Assets:				
Cash	\$ 404,608	\$ 2,689,155	\$ 1,967,761	\$ 1,126,002
Investments	201,049	129,182	-	330,231
Accounts receivable	287,620	1,624,392	1,631,010	281,002
Interest receivable	2,309	-	2,309	-
Total Assets	<u>\$ 895,586</u>	<u>\$ 4,442,729</u>	<u>\$ 3,601,080</u>	<u>\$ 1,737,235</u>
Liabilities:				
Accounts payable	\$ 16,750	\$ 2,318,365	\$ 2,313,491	\$ 21,624
Accrued payroll	65,040	3,191	-	68,231
Amounts held for NRJDC	813,796	2,121,173	1,287,589	1,647,380
Total Liabilities	<u>\$ 895,586</u>	<u>\$ 4,442,729</u>	<u>\$ 3,601,080</u>	<u>\$ 1,737,235</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash	\$ 416,888	\$ 3,108,305	\$ 2,364,279	\$ 1,160,914
Investments	769,322	1,287,949	1,138,617	918,654
Accounts receivable	291,670	1,624,392	1,631,010	285,052
Interest receivable	2,314	-	2,314	-
Due from other governments	5,747	-	-	5,747
Total Assets	<u>\$ 1,485,941</u>	<u>\$ 6,020,646</u>	<u>\$ 5,136,220</u>	<u>\$ 2,370,367</u>
Liabilities:				
Accounts payable	\$ 27,885	\$ 2,737,071	\$ 2,688,187	\$ 76,769
Accrued payroll	65,040	3,191	-	68,231
Amounts held for social service clients	11,390	-	3,007	8,383
Amounts held for NRJA	567,830	1,139,948	1,138,174	569,604
Amounts held for NRJDC	813,796	2,121,173	1,287,589	1,647,380
Total Liabilities	<u>\$ 1,485,941</u>	<u>\$ 6,001,383</u>	<u>\$ 5,116,957</u>	<u>\$ 2,370,367</u>

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

### **MAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

**School Operating Fund** – to account for the operations and maintenance of the six City-owned 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 six City-owned 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 a 21st Century Community Learning Center federal grant and other 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 Fund and funds so received are limited by the School Board to expenditure 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, 2010**

Exhibit 24

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 989,841	\$ 15,161	\$ 1,050,092	\$ 413,180	\$ 2,468,274
Investments	701,789	10,045	744,883	293,032	1,749,749
Receivables (Net of allowance for uncollectibles):					
Accounts	-	1,250	-	-	1,250
Promises to give	-	1,704,073	-	-	1,704,073
Due from other funds	1,170,395	-	-	-	1,170,395
Due from other governments	844,353	-	46,834	989,849	1,881,036
Inventories	-	-	-	15,613	15,613
Total assets	<u>\$ 3,706,378</u>	<u>\$ 1,730,529</u>	<u>\$ 1,841,809</u>	<u>\$ 1,711,674</u>	<u>\$ 8,990,390</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 337,869	\$ 90,408	\$ 230,492	\$ 65,455	\$ 724,224
Accrued payroll	3,360,444	-	1,631	394,036	3,756,111
Due to other funds	-	500,000	-	670,395	1,170,395
Deferred revenue	1,050	1,704,073	-	-	1,705,123
Total liabilities	<u>3,699,363</u>	<u>2,294,481</u>	<u>232,123</u>	<u>1,129,886</u>	<u>7,355,853</u>
Fund balances:					
Reserved for:					
Inventories	-	-	-	15,613	15,613
Unreserved, designated for:					
Education programs	7,015	-	-	-	7,015
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	566,175	566,175
Capital projects funds	-	(563,952)	1,609,686	-	1,045,734
Total fund balances	<u>7,015</u>	<u>(563,952)</u>	<u>1,609,686</u>	<u>581,788</u>	<u>1,634,537</u>
Total liabilities and fund balances	<u>\$ 3,706,378</u>	<u>\$ 1,730,529</u>	<u>\$ 1,841,809</u>	<u>\$ 1,711,674</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.	117,301,330
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,705,123
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.	1,905,512
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,205,173)</u>
Net assets of governmental activities	<u>\$ 120,341,329</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, 2010**

Exhibit 25

	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	\$ 152,764	\$ 2,532	\$ 6,799	\$ 3,423	\$ 165,518
Charges for services	143,564	-	-	737,283	880,847
Miscellaneous	96,277	3,049,225	23,958	569	3,170,029
Recovered costs	89,827	-	55,310	-	145,137
Intergovernmental revenues:					
Local	25,386,902	-	-	-	25,386,902
Commonwealth	16,867,301	-	-	30,556	16,897,857
Federal	-	-	-	4,354,362	4,354,362
Total revenues	<u>42,736,635</u>	<u>3,051,757</u>	<u>86,067</u>	<u>5,126,193</u>	<u>51,000,652</u>
<b>EXPENDITURES</b>					
Current:					
Education	39,804,365	-	-	5,397,473	45,201,838
Capital projects	-	2,640,110	1,818,501	-	4,458,611
Debt service:					
Principal retirement	843,044	2,132,163	-	-	2,975,207
Interest and other fiscal charges	<u>52,633</u>	<u>47,551</u>	<u>-</u>	<u>-</u>	<u>100,184</u>
Total expenditures	<u>40,700,042</u>	<u>4,819,824</u>	<u>1,818,501</u>	<u>5,397,473</u>	<u>52,735,840</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,036,593</u>	<u>(1,768,067)</u>	<u>(1,732,434)</u>	<u>(271,280)</u>	<u>(1,735,188)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease proceeds	154,948	-	-	-	154,948
Debt proceeds	-	1,280,000	-	-	1,280,000
Transfers in	11,200	-	1,705,241	500,000	2,216,441
Transfers out	<u>(2,205,241)</u>	<u>(11,200)</u>	<u>-</u>	<u>-</u>	<u>(2,216,441)</u>
Total other financing sources (uses)	<u>(2,039,093)</u>	<u>1,268,800</u>	<u>1,705,241</u>	<u>500,000</u>	<u>1,434,948</u>
Net change in fund balances	(2,500)	(499,267)	(27,193)	228,720	(300,240)
Fund balances (deficits) - beginning	<u>9,515</u>	<u>(64,685)</u>	<u>1,636,879</u>	<u>353,068</u>	
Fund balances (deficits) - ending	<u>\$ 7,015</u>	<u>\$ (563,952)</u>	<u>\$ 1,609,686</u>	<u>\$ 581,788</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit 2) 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 (\$4,526,893) exceeded depreciation (\$2,424,008) in the current period. 2,102,885

In the statement of activities, only the *gain or loss* on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the *cost* of the property sold. (7,245)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (138,184)

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. 1,540,259

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. 371,249

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. (2,823)

Change in net assets of governmental activities \$ 3,565,901



**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

	Exhibit 26
	Governmental Activities- Internal Service Funds
<hr/>	
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,284,222
Investments	910,963
Receivables (net of allowance)	24,437
Prepays	<u>105,883</u>
Total current assets	<u>2,325,505</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	210,714
Less accumulated depreciation	<u>(184,037)</u>
Total capital assets (net of accumulated depreciation)	<u>26,677</u>
Total noncurrent assets	<u>26,677</u>
Total assets	<u>2,352,182</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>446,670</u>
Total liabilities	<u>446,670</u>
<b>NET ASSETS</b>	
Invested in capital assets	26,677
Unrestricted	<u>1,878,835</u>
Total net assets	<u>\$ 1,905,512</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, 2010**

	Exhibit 27
	Governmental Activities- Internal Service Funds
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,015,412
Total operating revenues	<u>5,015,412</u>
<b>OPERATING EXPENSES</b>	
Personal services	671,114
Contractual services	240,166
Other supplies and expenses	212,877
Insurance claims and expenses	3,532,478
Depreciation	<u>10,116</u>
Total operating expenses	<u>4,666,751</u>
Operating income	<u>348,661</u>
<b>NONOPERATING REVENUES</b>	
Investment earnings	<u>22,588</u>
Total nonoperating revenues	<u>22,588</u>
Change in net assets	371,249
Total net assets - beginning	<u>1,534,263</u>
Total net assets - ending	<u>\$ 1,905,512</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

Exhibit 28

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from internal services provided	\$ 5,014,782
Cash paid to suppliers	(489,503)
Cash paid to employees	(671,014)
Premiums paid	<u>(3,608,374)</u>
Net cash provided by operating activities	<u>245,891</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	<u>29,907</u>
Net cash provided by investing activities	<u>29,907</u>
Net increase in cash and cash equivalents	275,798
Cash and cash equivalents - beginning of year	<u>1,919,387</u>
Cash and cash equivalents - end of year	<u>\$ 2,195,185</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 1,284,222
Cash equivalents - Investments	<u>910,963</u>
Total	<u>\$ 2,195,185</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income	\$ 348,661
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	10,116
Change in assets and liabilities:	
Decrease in accounts receivable	13,100
Increase in prepaids	(105,883)
Decrease in accounts payable	<u>(20,103)</u>
Total adjustments	<u>(102,770)</u>
Net cash provided by operating activities	<u>\$ 245,891</u>

**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, 2010**

		Exhibit 29
	Private- Purpose Trust Funds	Employee Benefits Agency Fund
<b>ASSETS</b>		
Cash	\$ 122,828	\$ 142,856
Investments	368,534	56,198
Total assets	<u>491,362</u>	<u>\$ 199,054</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 199,054
Total liabilities	<u>-</u>	<u>\$ 199,054</u>
<b>NET ASSETS</b>		
Held in trust for scholarships	<u>\$ 491,362</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, 2010**

	Exhibit 30
	Private- Purpose Trust Funds
<b>ADDITIONS</b>	
Gifts and contributions	\$ 53,847
Investment earnings:	
Interest	854
Dividends	13,855
Net increase (decrease) in the fair value of investments	<u>28,264</u>
Total additions	<u>96,820</u>
<b>DEDUCTIONS</b>	
Administrative expenses	2,984
Scholarships awarded	<u>71,834</u>
Total deductions	<u>74,818</u>
Change in net assets	22,002
Net assets - beginning	<u>469,360</u>
Net assets - ending	<u>\$ 491,362</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, 2010**

Exhibit 31

Exhibit 51

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ 140,000	\$ 140,000	\$ 152,764	\$ 12,764
Charges for services	112,000	142,000	143,564	1,564
Miscellaneous	27,000	96,387	96,277	(110)
Recovered costs	54,000	54,000	89,827	35,827
Intergovernmental:				
Local	25,021,902	25,536,902	25,386,902	(150,000)
Commonwealth	17,167,094	17,238,752	16,867,301	(371,451)
Total revenues	42,521,996	43,208,041	42,736,635	(471,406)
<b>EXPENDITURES</b>				
Current:				
Education	42,521,996	41,303,079	39,804,365	1,498,714
Debt service:				
Principal	-	1,372,852	843,044	529,808
Interest and other fiscal charges	-	52,825	52,633	192
Total expenditures	42,521,996	42,728,756	40,700,042	2,028,714
Excess (deficiency) of revenues over (under) expenditures	-	479,285	2,036,593	1,557,308
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	-	-	154,948	154,948
Transfers in	-	11,200	11,200	-
Transfers out	-	(500,000)	(2,205,241)	(1,705,241)
Total other financing sources (uses)	-	(488,800)	(2,039,093)	(1,550,293)
Net change in fund balances	\$ -	\$ (9,515)	\$ (2,500)	\$ 7,015

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2010**

Exhibit 32

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash	\$ 112,258	\$ -	\$ 300,922	\$ 413,180
Investments	79,573	-	213,459	293,032
Due from other governments	-	989,849	-	989,849
Inventories	<u>15,613</u>	<u>-</u>	<u>-</u>	<u>15,613</u>
Total assets	<u>\$ 207,444</u>	<u>\$ 989,849</u>	<u>\$ 514,381</u>	<u>\$ 1,711,674</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 923	\$ 30,117	\$ 34,415	\$ 65,455
Accrued payroll	104,699	289,337	-	394,036
Due to other funds	<u>-</u>	<u>670,395</u>	<u>-</u>	<u>670,395</u>
Total liabilities	<u>105,622</u>	<u>989,849</u>	<u>34,415</u>	<u>1,129,886</u>
Fund balances:				
Reserved for:				
Inventories	15,613	-	-	15,613
Unreserved	<u>86,209</u>	<u>-</u>	<u>479,966</u>	<u>566,175</u>
Total fund balances	<u>101,822</u>	<u>-</u>	<u>479,966</u>	<u>581,788</u>
Total liabilities and fund balances	<u>\$ 207,444</u>	<u>\$ 989,849</u>	<u>\$ 514,381</u>	<u>\$ 1,711,674</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, 2010**

Exhibit 33

	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	\$ 1,234	\$ -	\$ 2,189	\$ 3,423
Charges for services	737,283	-	-	737,283
Miscellaneous	569	-	-	569
Intergovernmental revenues:				
Commonwealth	30,556	-	-	30,556
Federal	1,034,642	3,319,720	-	4,354,362
Total revenues	<u>1,804,284</u>	<u>3,319,720</u>	<u>2,189</u>	<u>5,126,193</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>1,802,277</u>	<u>3,319,720</u>	<u>275,476</u>	<u>5,397,473</u>
Total expenditures	<u>1,802,277</u>	<u>3,319,720</u>	<u>275,476</u>	<u>5,397,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,007</u>	<u>-</u>	<u>(273,287)</u>	<u>(271,280)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Net change in fund balances	2,007	-	226,713	228,720
Fund balance - beginning	<u>99,815</u>	<u>-</u>	<u>253,253</u>	<u>353,068</u>
Fund balances - ending	<u>\$ 101,822</u>	<u>\$ -</u>	<u>\$ 479,966</u>	<u>\$ 581,788</u>



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**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, 2010**

	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	\$ 1,234	\$ 134
Charges for services	879,100	879,100	737,283	(141,817)
Miscellaneous	9,000	9,000	569	(8,431)
Intergovernmental:				
Commonwealth	27,850	27,850	30,556	2,706
Federal	850,000	874,899	1,034,642	159,743
Total revenues	<u>1,767,050</u>	<u>1,791,949</u>	<u>1,804,284</u>	<u>12,335</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>1,790,309</u>	<u>1,815,208</u>	<u>1,802,277</u>	<u>12,931</u>
Total expenditures	<u>1,790,309</u>	<u>1,815,208</u>	<u>1,802,277</u>	<u>12,931</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,259)</u>	<u>(23,259)</u>	<u>2,007</u>	<u>25,266</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>\$ (23,259)</u>	<u>\$ (23,259)</u>	<u>\$ 2,007</u>	<u>\$ 25,266</u>

School Federal Grants Fund				School Textbook Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 2,189	\$ 1,189
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,764,837</u>	<u>4,270,583</u>	<u>3,319,720</u>	<u>(950,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,764,837</u>	<u>4,270,583</u>	<u>3,319,720</u>	<u>(950,863)</u>	<u>1,000</u>	<u>1,000</u>	<u>2,189</u>	<u>1,189</u>
<u>3,764,837</u>	<u>4,270,583</u>	<u>3,319,720</u>	<u>950,863</u>	<u>220,000</u>	<u>554,253</u>	<u>275,476</u>	<u>278,777</u>
<u>3,764,837</u>	<u>4,270,583</u>	<u>3,319,720</u>	<u>950,863</u>	<u>220,000</u>	<u>554,253</u>	<u>275,476</u>	<u>278,777</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(219,000)</u>	<u>(553,253)</u>	<u>(273,287)</u>	<u>279,966</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>500,000</u>	<u>200,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>500,000</u>	<u>200,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (219,000)</u>	<u>\$ (253,253)</u>	<u>\$ 226,713</u>	<u>\$ 479,966</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, 2010**

	School Fundraising Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ 1,054	\$ 2,532	\$ 1,478
Miscellaneous	-	2,984,446	3,049,225	64,779
Recovered costs	-	-	-	-
Total revenues	-	2,985,500	3,051,757	66,257
<b>EXPENDITURES</b>				
Current:				
Education	-	-	-	-
Capital projects	-	2,574,585	2,640,110	(65,525)
Debt service:				
Principal retirement	-	1,632,163	2,132,163	(500,000)
Interest and other fiscal charges	-	47,552	47,551	1
Total expenditures	-	4,254,300	4,819,824	(565,524)
Excess (deficiency) of revenues over (under) expenditures	-	(1,268,800)	(1,768,067)	(499,267)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issuance	-	1,280,000	1,280,000	-
Capital lease	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(11,200)	(11,200)	-
Total other financing sources (uses)	-	1,268,800	1,268,800	-
Net change in fund balances	\$ -	\$ -	\$ (499,267)	\$ (499,267)

## Exhibit 35

School Capital Improvement Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	
\$ -	\$ -	\$ 6,799	\$ 6,799
-	-	23,958	23,958
-	7,614	55,310	47,696
-	7,614	86,067	78,453
-	-	-	-
-	1,844,493	1,818,501	25,992
-	-	-	-
-	-	-	-
-	1,844,493	1,818,501	25,992
-	(1,836,879)	(1,732,434)	104,445
-	-	-	-
-	-	-	-
-	200,000	1,705,241	1,505,241
-	-	-	-
-	200,000	1,705,241	1,505,241
\$ -	\$ (1,636,879)	\$ (27,193)	\$ 1,609,686

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2010**

Exhibit 36

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,238,701	\$ 45,521	\$ 1,284,222
Investments	878,672	32,291	910,963
Receivables (net of allowance)	23,807	630	24,437
Prepays	<u>105,883</u>	<u>-</u>	<u>105,883</u>
Total current assets	<u>2,247,063</u>	<u>78,442</u>	<u>2,325,505</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	210,714	210,714
Less accumulated depreciation	<u>-</u>	<u>(184,037)</u>	<u>(184,037)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>26,677</u>	<u>26,677</u>
Total noncurrent assets	<u>-</u>	<u>26,677</u>	<u>26,677</u>
Total assets	<u>2,247,063</u>	<u>105,119</u>	<u>2,352,182</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	<u>425,461</u>	<u>21,209</u>	<u>446,670</u>
Total liabilities	<u>425,461</u>	<u>21,209</u>	<u>446,670</u>
<b>NET ASSETS</b>			
Invested in capital assets	-	26,677	26,677
Unrestricted	<u>1,821,602</u>	<u>57,233</u>	<u>1,878,835</u>
Total net assets	<u>\$ 1,821,602</u>	<u>\$ 83,910</u>	<u>\$ 1,905,512</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, 2010**

Exhibit 37

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,891,327	\$ 1,124,085	\$ 5,015,412
Total operating revenues	<u>3,891,327</u>	<u>1,124,085</u>	<u>5,015,412</u>
<b>OPERATING EXPENSES</b>			
Personal services	100	671,014	671,114
Contractual services	8	240,158	240,166
Other supplies and expenses	-	212,877	212,877
Insurance claims and expenses	3,532,478	-	3,532,478
Depreciation	-	10,116	10,116
Total operating expenses	<u>3,532,586</u>	<u>1,134,165</u>	<u>4,666,751</u>
Operating income (loss)	<u>358,741</u>	<u>(10,080)</u>	<u>348,661</u>
<b>NONOPERATING REVENUES</b>			
Investment earnings	<u>22,425</u>	<u>163</u>	<u>22,588</u>
Total nonoperating revenues	<u>22,425</u>	<u>163</u>	<u>22,588</u>
Change in net assets	381,166	(9,917)	371,249
Total net assets - beginning	<u>1,440,436</u>	<u>93,827</u>	<u>1,534,263</u>
Total net assets - ending	<u>\$ 1,821,602</u>	<u>\$ 83,910</u>	<u>\$ 1,905,512</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, 2010**

Exhibit 38

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from internal services provided	\$ 3,891,327	\$ 1,123,455	\$ 5,014,782
Cash paid to suppliers	-	(489,503)	(489,503)
Cash paid to employees	-	(671,014)	(671,014)
Premiums paid	(3,608,374)	-	(3,608,374)
Net cash provided (used) by operating activities	<u>282,953</u>	<u>(37,062)</u>	<u>245,891</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	<u>29,308</u>	<u>599</u>	<u>29,907</u>
Net cash provided by investing activities	<u>29,308</u>	<u>599</u>	<u>29,907</u>
Net increase (decrease) in cash and cash equivalents	312,261	(36,463)	275,798
Cash and cash equivalents - beginning of year	<u>1,805,112</u>	<u>114,275</u>	<u>1,919,387</u>
Cash and cash equivalents - end of year	<u>\$ 2,117,373</u>	<u>\$ 77,812</u>	<u>\$ 2,195,185</u>
Cash and cash equivalents at end of year is comprised of the following:			
Cash	\$ 1,238,701	\$ 45,521	\$ 1,284,222
Cash equivalents - Investments	<u>878,672</u>	<u>32,291</u>	<u>910,963</u>
Total	<u>\$ 2,117,373</u>	<u>\$ 77,812</u>	<u>\$ 2,195,185</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 358,741	\$ (10,080)	\$ 348,661
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	10,116	10,116
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	13,730	(630)	13,100
Decrease (increase) in prepaids	(105,883)	-	(105,883)
Increase (decrease) in accounts payable	<u>16,365</u>	<u>(36,468)</u>	<u>(20,103)</u>
Total adjustments	<u>(75,788)</u>	<u>(26,982)</u>	<u>(102,770)</u>
Net cash provided (used) by operating activities	<u>\$ 282,953</u>	<u>\$ (37,062)</u>	<u>\$ 245,891</u>

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

There are no noncash activities to disclose.



**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2010**

Exhibit 39

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ASSETS</b>				
Cash	\$ 41,685	\$ 6,835	\$ 74,308	\$ 122,828
Investments	332,523	36,011	-	368,534
Total assets	<u>\$ 374,208</u>	<u>\$ 42,846</u>	<u>\$ 74,308</u>	<u>\$ 491,362</u>
<b>NET ASSETS</b>				
Held in trust for scholarships	<u>\$ 374,208</u>	<u>\$ 42,846</u>	<u>\$ 74,308</u>	<u>\$ 491,362</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, 2010**

Exhibit 40

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ADDITIONS</b>				
Gifts and contributions	\$ 6,883	\$ 6,700	\$ 40,264	\$ 53,847
Investment earnings:				
Interest	108	-	746	854
Dividends	13,337	518	-	13,855
Net increase (decrease) in fair value of investments	23,668	4,596	-	28,264
Total additions	<u>43,996</u>	<u>11,814</u>	<u>41,010</u>	<u>96,820</u>
<b>DEDUCTIONS</b>				
Administrative expenses	2,984	-	-	2,984
Scholarships awarded	16,384	13,390	42,060	71,834
Total deductions	<u>19,368</u>	<u>13,390</u>	<u>42,060</u>	<u>74,818</u>
Change in net assets	24,628	(1,576)	(1,050)	22,002
Net assets - beginning	<u>349,580</u>	<u>44,422</u>	<u>75,358</u>	<u>469,360</u>
Net assets - ending	<u>\$ 374,208</u>	<u>\$ 42,846</u>	<u>\$ 74,308</u>	<u>\$ 491,362</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, 2010**

Exhibit 41

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>School Employee Benefits Fund</b>				
Assets:				
Cash	\$ 319,035	\$ 130,956	\$ 307,135	\$ 142,856
Investments	130,956	-	74,758	56,198
Interest receivable	1,504	-	1,504	-
Accounts receivable	6,308	-	6,308	-
Total Assets	<u>\$ 457,803</u>	<u>\$ 130,956</u>	<u>\$ 389,705</u>	<u>\$ 199,054</u>
Liabilities:				
Accounts payable	<u>\$ 457,803</u>	<u>\$ 130,956</u>	<u>\$ 389,705</u>	<u>\$ 199,054</u>
Total Liabilities	<u>\$ 457,803</u>	<u>\$ 130,956</u>	<u>\$ 389,705</u>	<u>\$ 199,054</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, 2010**

	Exhibit 42
	Parking Authority Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 658,469
Investments	958,781
Accounts receivable (net of allowance)	1,949
Total current assets	<u>1,619,199</u>
Noncurrent assets:	
Deferred charges	196,958
Capital assets:	
Land	11,685
Buildings and systems	9,751,399
Improvements other than buildings	56,179
Machinery and equipment	169,442
Less accumulated depreciation	<u>(1,272,857)</u>
Total capital assets (net of accumulated depreciation)	<u>8,715,848</u>
Total noncurrent assets	<u>8,912,806</u>
Total assets	<u>10,532,005</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	22,589
Accrued payroll	11,572
Accrued interest payable	179,202
Revenue bonds payable - current	<u>171,308</u>
Total current liabilities	<u>384,671</u>
Noncurrent liabilities:	
Compensated absences	45,758
Revenue bonds payable (net of unamortized premium)	<u>8,826,106</u>
Total noncurrent liabilities	<u>8,871,864</u>
Total liabilities	<u>9,256,535</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	874,173
Unrestricted	<u>401,297</u>
Total net assets	<u>\$ 1,275,470</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, 2010**

	Exhibit 43
	Parking Authority Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 715,670
Miscellaneous	672
Total operating revenues	<u>716,342</u>
<b>OPERATING EXPENSES</b>	
Personal services	385,150
Contractual services	57,121
Other supplies and expenses	128,910
Depreciation	<u>202,216</u>
Total operating expenses	<u>773,397</u>
Operating loss	<u>(57,055)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	15,429
Interest and fiscal charges	<u>(429,204)</u>
Total nonoperating revenues (expenses)	<u>(413,775)</u>
Change in net assets	(470,830)
Total net assets - beginning	<u>1,746,300</u>
Total net assets - ending	<u>\$ 1,275,470</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**  
**ENTERPRISE FUND**  
**For the Year Ended June 30, 2010**

	Exhibit 44
	Parking Authority Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 714,393
Cash paid to suppliers	(371,870)
Cash paid to employees	(174,029)
Net cash provided by operating activities	<u>168,494</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(16,425)
Principal paid on capital debt	(145,000)
Interest paid on capital debt	(435,555)
Net cash provided (used) by capital and related financing activities	<u>(596,980)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income (loss)	<u>19,610</u>
Net cash provided by investing activities	<u>19,610</u>
Net increase (decrease) in cash and cash equivalents	(408,876)
Cash and cash equivalents - beginning of year	<u>2,026,126</u>
Cash and cash equivalents - end of year	<u>\$ 1,617,250</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 658,469
Cash equivalents - Investments	958,781
Total	<u>\$ 1,617,250</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>	
Operating loss	\$ (57,055)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	202,216
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(1,949)
Increase (decrease) in accounts payable	13,280
Increase (decrease) in accrued payroll	43
Increase (decrease) in compensated absences	11,959
Total adjustments	<u>225,549</u>
Net cash provided by operating activities	<u>\$ 168,494</u>
<b>Noncash investing, capital, and financing activities:</b>	
There are no noncash activities to disclose.	



## **SUPPLEMENTAL DATA.**

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**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

	Schedule 1			
	Budgeted Amounts			Variance with
Fund, Major and Minor Revenue Source	Original	Final	Actual	Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 24,146,000	\$ 24,146,000	\$ 23,354,436	\$ (791,564)
Public services corporation taxes:				
Real and personal	400,000	400,000	515,904	115,904
Personal property taxes	7,775,500	7,775,500	8,222,221	446,721
Mobile home taxes	1,000	1,000	1,179	179
Machinery and tools taxes	1,300,000	1,300,000	1,418,746	118,746
Penalties	150,600	150,600	217,079	66,479
Interest	50,400	50,400	91,687	41,287
Total General Property Taxes	33,823,500	33,823,500	33,821,252	(2,248)
Other Local Taxes:				
Local sales and use taxes	7,750,000	7,750,000	7,389,558	(360,442)
Communication sales and use taxes	2,400,000	2,400,000	2,207,059	(192,941)
Consumers' utility taxes	1,981,000	1,981,000	1,915,234	(65,766)
Business license taxes	5,226,000	5,226,000	5,145,143	(80,857)
Franchise license taxes	300,000	300,000	420,522	120,522
Motor vehicle licenses	410,000	410,000	485,101	75,101
Bank franchise taxes	500,000	500,000	610,789	110,789
Taxes on recordation and wills	385,000	385,000	162,821	(222,179)
Transient occupancy tax	550,000	550,000	573,326	23,326
Tobacco tax	230,000	230,000	252,108	22,108
Admissions tax	100,000	100,000	74,998	(25,002)
Restaurant/meal tax	5,015,000	5,015,000	4,802,534	(212,466)
Short-term rental tax	25,000	25,000	12,857	(12,143)
Total Other Local Taxes	24,872,000	24,872,000	24,052,050	(819,950)
Permits, Privilege Fees and Regulatory Licenses	292,600	292,600	392,290	99,690
Fines and Forfeitures	150,000	150,000	147,721	(2,279)
Revenue from Use of Money and Property	378,000	378,000	410,518	32,518
Charges for Services:				
Sheriff's fees	3,000	3,000	2,949	(51)
Assessment fees - court	30,000	30,000	28,092	(1,908)
Courthouse security fees	45,000	45,000	76,225	31,225
Commonwealth attorney	2,000	2,000	2,491	491
Animal impounding fees	1,000	1,000	266	(734)
Gas inspection fees	54,000	54,000	54,000	-
Swimming pool fees - outdoor	85,000	85,000	71,468	(13,532)
Swimming pool fees - indoor	108,000	108,000	132,171	24,171
Recycle material	24,000	24,000	36,401	12,401
Charges for law enforcement and traffic control	54,000	54,000	61,463	7,463
Recreation fees	183,500	183,500	200,628	17,128
School age child care	240,000	240,000	173,713	(66,287)
Total Charges for Services	829,500	829,500	839,867	10,367
Miscellaneous Revenue	112,500	1,390,290	200,521	(1,189,769)
				cont'd

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Schedule 1 (Cont'd)		
	Budgeted Amounts		Variance with
	Original	Final	Final Budget - Positive (Negative)
Primary Government: (cont'd)			
General Fund: (cont'd)			
Revenue from Local Sources: (cont'd)			
Recovered Costs:			
Joint judicial center - Frederick Co.	\$ 458,900	\$ 458,900	\$ 401,474
Other recovered costs	306,000	351,662	568,430
Total Recovered Costs	764,900	810,562	969,904
Total Revenue from Local Sources	61,223,000	62,546,452	60,834,123
Revenue from the Commonwealth:			
Non-Categorical Aid:			
Auto rental tax	160,000	160,000	128,670
Grantor's tax	100,000	100,000	132,055
Personal property tax reimbursement	2,600,000	2,600,000	2,488,005
Railroad rolling stock tax	6,000	6,000	6,452
Recordation tax	105,000	105,000	76,095
Total Non-Categorical Aid	2,971,000	2,971,000	2,831,277
Categorical Aid:			
Shared Expenses:			
Commonwealth's attorney	727,000	727,000	614,748
Sheriff	362,000	362,000	339,151
Commissioner of the Revenue	120,000	120,000	107,220
Treasurer	125,000	125,000	111,468
Registrar/electoral board	60,000	60,000	46,121
Clerk of the Circuit Court	350,000	350,000	323,532
Total Shared Expenses	1,744,000	1,744,000	1,542,240
Other Categorical Aid:			
Jury reimbursement	11,000	11,000	9,900
General District Court	6,000	6,000	9,161
Litter control	5,000	5,000	5,292
Wireless E-911 Service Board	-	-	49,125
Jail funding	15,000	99,000	99,177
Fire services & equipment grant	60,000	60,000	65,069
Police funding	930,000	852,000	812,595
Arts	-	5,000	5,000
Two for life grant	20,000	20,000	20,503
Hazardous materials	18,000	18,000	15,525
Juvenile & Domestic relations	6,000	6,000	8,232
Health department	-	121,500	122,041
Miscellaneous state funds	-	-	6,155
Total Other Categorical Aid	1,071,000	1,203,500	1,227,775
Total Categorical Aid	2,815,000	2,947,500	2,770,015
Total Revenue from the Commonwealth	5,786,000	5,918,500	5,601,292
Revenue from the Federal Government:			
Categorical Aid:			
Emergency services	-	-	8,905
Safe street act grant	-	-	10,673
Total Revenue from the Federal Government	-	-	19,578
Total General Fund	\$ 67,009,000	\$ 68,464,952	\$ 66,454,993

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Schedule 1 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds:				
Social Service Fund:				
Revenue from Local Sources:				
Recovered costs	\$ -	\$ -	\$ 739	\$ 739
Total Revenue from Local Sources	-	-	739	739
Revenue from the Commonwealth:				
Other Categorical Aid:				
Public assistance & welfare administration	1,980,432	1,980,432	1,277,130	(703,302)
Revenue from the Federal Government:				
Other Categorical Aid:				
Public assistance & welfare administration	1,845,168	1,845,168	1,829,924	(15,244)
Total Social Service Fund	\$ 3,825,600	\$ 3,825,600	\$ 3,107,793	\$ (717,807)
Comprehensive Services Fund:				
Revenue from Local Sources:				
Miscellaneous Revenue:				
Frederick County	\$ 80,000	\$ 80,000	\$ 50,601	\$ (29,399)
Clarke County	30,000	30,000	17,289	(12,711)
Total Miscellaneous Revenue	110,000	110,000	67,890	(42,110)
Total Revenue from Local Sources	110,000	110,000	67,890	(42,110)
Revenue from the Commonwealth:				
Categorical Aid:				
CSA Grants	1,634,000	1,634,000	787,646	(846,354)
Total Comprehensive Services Fund	\$ 1,744,000	\$ 1,744,000	\$ 855,536	\$ (888,464)
Federal and State Grants Fund:				
Revenue from the Commonwealth:				
Categorical Aid:				
Victim/Witness	\$ 18,000	\$ 18,000	\$ 24,520	\$ 6,520
Department of Health	-	2,375	2,375	-
Fire program grant	-	2,163	3,596	1,433
Total Revenue from the Commonwealth	18,000	22,538	30,491	7,953
Revenue from the Federal Government:				
Categorical Aid:				
Police mini-grants	186,840	670,935	366,797	(304,138)
Victim/Witness	72,000	72,000	73,560	1,560
Homeland Security	-	86,900	52,693	(34,207)
NVRDTF Grant	79,160	79,160	75,428	(3,732)
Total Revenue from the Federal Government	338,000	908,995	568,478	(340,517)
Total Federal and State Grants Fund	\$ 356,000	\$ 931,533	\$ 598,969	\$ (332,564)
Community Development Block Grant Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 3,621	\$ 3,621
Total Revenue from Local Sources	-	-	3,621	3,621

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Schedule 1 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Community Development Block Grant Fund: (cont'd)				
Revenue from the Federal Government:				
Other Categorical Aid:				
Community Development Block Grant	\$ 230,000	\$ 230,000	\$ 131,801	\$ (98,199)
Total Community Development Block Grant Fund	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 135,422</u>	<u>\$ (94,578)</u>
Housing Choice Voucher Program Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 3,185	\$ 3,185
Revenue from the Commonwealth:				
Other Categorical Aid:				
Virginia Housing Development Authority	117,000	117,000	104,761	(12,239)
Total Housing Choice Voucher Program Fund	<u>\$ 117,000</u>	<u>\$ 117,000</u>	<u>\$ 107,946</u>	<u>\$ (9,054)</u>
Housing Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 10,884	\$ 10,884
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>10,884</u>	<u>10,884</u>
Total Housing Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,884</u>	<u>\$ 10,884</u>
Highway Maintenance Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 1,038	\$ 1,038
Miscellaneous	-	-	26,606	26,606
Recovered Costs	-	4,954	9,126	4,172
Total Revenue from Local Sources	<u>-</u>	<u>4,954</u>	<u>36,770</u>	<u>31,816</u>
Revenue from the Commonwealth:				
Other Categorical Aid:				
Street and highway maintenance	2,266,000	2,466,000	2,464,061	(1,939)
Revenue from the Federal Government:				
Other Categorical Aid:				
Forestry grant	-	26,500	25,471	(1,029)
Total Highway Maintenance Fund	<u>\$ 2,266,000</u>	<u>\$ 2,497,454</u>	<u>\$ 2,526,302</u>	<u>\$ 28,848</u>
Emergency Medical Services Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 7,814	\$ 2,814
Charges for Services:				
EMS transport fees	825,000	825,000	816,622	(8,378)
Total Emergency Medical Services Fund	<u>\$ 830,000</u>	<u>\$ 830,000</u>	<u>\$ 824,436</u>	<u>\$ (5,564)</u>

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Schedule 1 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 190	\$ 190
Miscellaneous Revenue:				
Frederick County	100,500	100,500	100,637	137
Miscellaneous	49,000	49,000	57,967	8,967
Total Miscellaneous Revenue	149,500	149,500	158,604	9,104
Total Revenue from Local Sources	149,500	149,500	158,794	9,294
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	\$ 149,500	\$ 149,500	\$ 158,794	\$ 9,294
Law Library Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 475	\$ 475
Charges for Services:				
Special assessment	30,000	30,000	49,570	19,570
Total Law Library Fund	\$ 30,000	\$ 30,000	\$ 50,045	\$ 20,045
Asset Forfeiture Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 1,493	\$ 1,493
Revenue from the Commonwealth:				
Categorical Aid:				
Asset Forfeiture Funds	-	4,725	17,732	13,007
Total Asset Forfeiture Fund	\$ -	\$ 4,725	\$ 19,225	\$ 14,500
Total Special Revenue Funds	\$ 9,548,100	\$ 10,359,812	\$ 8,395,352	\$ (1,964,460)
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from the Commonwealth:				
Categorical Aid:				
Street and Highway Maintenance	\$ 1,355,000	\$ -	\$ 857,872	\$ 857,872
Revenue from the Federal Government:				
Categorical Aid:				
ISTEA grant	-	662,056	802,470	140,414
Traffic signal grant	-	1,179,252	235,983	(943,269)
Total Revenue from the Federal Government	-	1,841,308	1,038,453	(802,855)
Total Capital Improvements Fund	\$ 1,355,000	\$ 1,841,308	\$ 1,896,325	\$ 55,017
Total Capital Projects Funds	\$ 1,355,000	\$ 1,841,308	\$ 1,896,325	\$ 55,017
Grand Total - Revenues - All Governmental Funds	\$ 77,912,100	\$ 80,666,072	\$ 76,746,670	\$ (3,919,402)

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Schedule 1 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money and property	\$ 140,000	\$ 140,000	\$ 152,764	\$ 12,764
Total Revenue from Use of Money and Property	<u>140,000</u>	<u>140,000</u>	<u>152,764</u>	<u>12,764</u>
Charges for Services:				
Charges for education:				
Tuition or other payments from another county or city	112,000	142,000	143,564	1,564
Miscellaneous	27,000	96,387	96,277	(110)
Recovered Costs	<u>54,000</u>	<u>54,000</u>	<u>89,827</u>	<u>35,827</u>
Total Revenue from Local Sources	<u>333,000</u>	<u>432,387</u>	<u>482,432</u>	<u>50,045</u>
Revenue from Local Government:				
Contribution from City of Winchester	<u>25,021,902</u>	<u>25,536,902</u>	<u>25,386,902</u>	<u>(150,000)</u>
Total Revenue from Local Government	<u>25,021,902</u>	<u>25,536,902</u>	<u>25,386,902</u>	<u>(150,000)</u>
Revenue from the Commonwealth:				
Categorical Aid:				
Share of state sales tax	3,537,277	3,537,277	3,347,879	(189,398)
Basic school aid	7,662,021	7,119,590	7,134,110	14,520
Basic school aid - ARRA	1,021,127	1,563,558	1,563,558	-
Regular foster care	199,229	199,229	41,423	(157,806)
Gifted and talented	80,741	80,741	81,283	542
Remedial education	388,595	388,595	411,196	22,601
Special education	807,411	807,411	812,830	5,419
Textbook payments	203,605	203,605	-	(203,605)
Vocational education	139,150	139,150	142,087	2,937
Hospital, clinics, detention homes	100,513	100,513	93,254	(7,259)
Social security	451,807	451,807	454,839	3,032
Teacher retirement	580,649	580,649	439,274	(141,375)
Group life insurance instructional	15,461	15,461	12,106	(3,355)
GED Funding	15,717	15,717	15,717	-
Early intervention	76,943	76,943	95,816	18,873
Regional programs	302,610	302,610	477,287	174,677
Special education - foster care	-	-	49,465	49,465
At risk	467,125	467,125	464,984	(2,141)
Medicaid reimbursement	30,000	-	-	-
Primary class size	361,306	361,306	366,670	5,364
Local school construction	156,105	156,105	199,662	43,557
Algebra - SOL	29,654	29,654	28,203	(1,451)
Technology initiative	206,000	299,587	299,587	-
English as a second language	308,451	308,451	296,566	(11,885)
Other - Education	<u>25,597</u>	<u>33,668</u>	<u>39,505</u>	<u>5,837</u>
Total Revenue from the Commonwealth	<u>17,167,094</u>	<u>17,238,752</u>	<u>16,867,301</u>	<u>(371,451)</u>
Total School Operating Fund	<u>\$ 42,521,996</u>	<u>\$ 43,208,041</u>	<u>\$ 42,736,635</u>	<u>\$ (471,406)</u>

cont'd



**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Budgeted Amounts			Schedule 1 (Cont'd)
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Cafeteria Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ 1,100	\$ 1,100	\$ 1,234	\$ 134
Charges for Services:				
Cafeteria sales	879,100	879,100	737,283	(141,817)
Miscellaneous	9,000	9,000	569	(8,431)
Total Revenue from Local Sources	889,200	889,200	739,086	(150,114)
Revenue from the Commonwealth:				
Categorical Aid:				
School food program grant	27,850	27,850	30,556	2,706
Revenue from the Federal Government:				
Categorical Aid:				
School food program grant	850,000	874,899	1,034,642	159,743
Total School Cafeteria Fund	\$ 1,767,050	\$ 1,791,949	\$ 1,804,284	\$ 12,335
School Federal Grants Fund:				
Revenue from the Federal Government:				
Categorical Aid:				
21st Century Grant	\$ 195,184	\$ 261,450	\$ 184,776	\$ (76,674)
Title I	1,232,322	1,230,721	1,135,725	(94,996)
Title II Part A	339,507	473,477	294,079	(179,398)
Title II Part D	7,500	28,474	22,404	(6,070)
Drug Free Schools	13,900	26,181	13,463	(12,718)
Vocational education	65,506	63,913	63,478	(435)
Homeless Grant	-	16,850	5,661	(11,189)
Preschool Grant	31,205	35,500	31,215	(4,285)
Title VI-B - Special Education	1,879,713	2,134,017	1,568,919	(565,098)
Total School Federal Grants Fund	\$ 3,764,837	\$ 4,270,583	\$ 3,319,720	\$ (950,863)
School Textbook Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 2,189	\$ 1,189
Total Revenue from Local Sources	1,000	1,000	2,189	1,189
Total School Textbook Fund	\$ 1,000	\$ 1,000	\$ 2,189	\$ 1,189
Total Special Revenue Funds	\$ 5,532,887	\$ 6,063,532	\$ 5,126,193	\$ (937,339)
Capital Projects Funds:				
School Fundraising Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ 1,054	\$ 2,532	\$ 1,478
Miscellaneous Revenue:				
Developer fee - John Handley High School	-	2,644,637	2,644,637	-
Handley fundraising	-	329,709	394,488	64,779
Miscellaneous	-	10,100	10,100	-
Total Miscellaneous Revenue	-	2,984,446	3,049,225	64,779
Total Revenue from Local Sources	-	2,985,500	3,051,757	66,257
Total School Fundraising Fund	\$ -	\$ 2,985,500	\$ 3,051,757	\$ 66,257

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Schedule 1 (Cont'd)		
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Actual
Component Unit - School Board: (cont'd)			
Capital Projects Funds: (cont'd)			
School Capital Improvement Fund:			
Revenue from Local Sources:			
Revenue from Use of Money and Property:			
Revenue from use of money	\$ -	\$ -	\$ 6,799
Miscellaneous	-	-	23,958
Recovered Costs	-	7,614	55,310
Total Revenue from Local Sources	-	7,614	86,067
Total School Capital Improvement Fund	\$ -	\$ 7,614	\$ 86,067
Total Capital Projects Funds	\$ -	\$ 2,993,114	\$ 3,137,824
Grand Total Revenues - Component Unit			
School Board	\$ 48,054,883	\$ 52,264,687	\$ 51,000,652

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

				Schedule 2
Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City Council	\$ 92,522	\$ 107,522	\$ 101,548	\$ 5,974
Clerk of Council	29,007	29,007	27,477	1,530
Total Legislative	<u>121,529</u>	<u>136,529</u>	<u>129,025</u>	<u>7,504</u>
General and Financial Administration:				
City Manager	305,732	390,882	376,235	14,647
Administration	435,414	445,414	360,560	84,854
City Attorney	235,399	235,399	232,462	2,937
Independent Auditor	57,000	70,000	70,000	-
Commissioner of Revenue	239,514	248,927	248,897	30
Assessor	167,612	182,512	182,424	88
Equalization Board	80,000	56,600	799	55,801
City Parking Program	198,000	202,100	202,087	13
Treasurer	447,605	447,605	431,790	15,815
Accounting	484,654	497,354	497,279	75
Data Processing	910,857	897,857	774,555	123,302
Personal Property/Tax Field Office	127,422	126,509	115,973	10,536
Risk Management	57,000	51,800	48,127	3,673
Total General and Financial Administration	<u>3,746,209</u>	<u>3,852,959</u>	<u>3,541,188</u>	<u>311,771</u>
Board of Elections:				
Electoral Board and Officials	45,492	45,492	33,328	12,164
Registrar	114,029	114,029	100,245	13,784
Total Board of Elections	<u>159,521</u>	<u>159,521</u>	<u>133,573</u>	<u>25,948</u>
Total General Government Administration	<u>4,027,259</u>	<u>4,149,009</u>	<u>3,803,786</u>	<u>345,223</u>
Judicial Administration:				
Courts:				
Circuit court	72,088	72,088	71,242	846
General District Court	24,000	24,000	18,583	5,417
Juvenile and Domestic Relations Court	32,012	32,012	23,664	8,348
Clerk of the Circuit Court	478,341	486,841	486,778	63
Jurors	25,000	25,000	20,000	5,000
Sheriff	881,739	899,639	861,472	38,167
Total Courts	<u>1,513,180</u>	<u>1,539,580</u>	<u>1,481,739</u>	<u>57,841</u>
Commonwealth Attorney:				
Commonwealth Attorney	920,492	920,492	909,067	11,425
Total Judicial Administration	<u>2,433,672</u>	<u>2,460,072</u>	<u>2,390,806</u>	<u>69,266</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	5,465,340	5,420,540	5,355,094	65,446
Police Criminal Investigations	1,239,581	1,239,581	1,225,325	14,256
Total Law Enforcement and Traffic Control	<u>6,704,921</u>	<u>6,660,121</u>	<u>6,580,419</u>	<u>79,702</u>
Fire and Rescue Services:				
Fire Department	4,048,527	4,049,275	3,951,913	97,362
Lord Fairfax EMS Council	123,306	123,306	123,306	-
Emergency Medical Services	39,500	53,752	46,777	6,975
Total Fire and Rescue Services	<u>4,211,333</u>	<u>4,226,333</u>	<u>4,121,996</u>	<u>104,337</u>
Correction and Detention:				
Regional Correction Centers	3,637,108	3,637,108	3,637,108	-
Probation Office	2,000	2,000	1,470	530
Total Correction and Detention	<u>3,639,108</u>	<u>3,639,108</u>	<u>3,638,578</u>	<u>530</u>

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Public Safety: (cont'd)				
Inspections:				
Building	\$ 436,856	\$ 436,856	\$ 436,050	\$ 806
Other Protection:				
Animal Control	116,161	121,661	121,519	142
Emergency Services	37,629	42,129	42,045	84
Hazardous Materials	44,835	44,835	32,024	12,811
Communication Operations	937,581	927,581	814,218	113,363
Total Other Protection	1,136,206	1,136,206	1,009,806	126,400
Total Public Safety	16,128,424	16,098,624	15,786,849	311,775
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
Highways, Streets, Bridges & Sidewalks	46,400	95,220	28,954	66,266
Storm Drainage	10,000	10,000	3,000	7,000
Total Maintenance of Highways, Streets, Bridges & Sidewalks	56,400	105,220	31,954	73,266
Sanitation and Waste Removal:				
Refuse Collection and Disposal	1,127,022	1,127,022	1,102,205	24,817
Maintenance of Buildings and Grounds:				
General Properties	599,589	759,589	727,912	31,677
Loudoun Mall	121,972	121,972	75,507	46,465
Joint Judicial Center	694,797	618,297	571,707	46,590
Public Safety Building	204,406	236,406	218,636	17,770
Total Maintenance of Buildings and Grounds	1,620,764	1,736,264	1,593,762	142,502
Total Public Works	2,804,186	2,968,506	2,727,921	240,585
Health and Welfare:				
Health:				
Our Health	23,750	23,750	23,750	-
Supplement to Local Health Department	247,926	247,926	247,926	-
Total Health	271,676	271,676	271,676	-
Mental Health and Mental Retardation:				
Chapter X Board	183,307	183,307	183,307	-
Welfare/Social Services:				
Area Agency on Aging	20,000	20,000	20,000	-
Property Tax Relief for the Elderly	643,335	643,335	609,126	34,209
Other Assistance	36,225	36,225	35,000	1,225
Comprehensive Services - Local Match	16,200	16,200	16,200	-
Total Welfare/Social Services	715,760	715,760	680,326	35,434
Total Health and Welfare	1,170,743	1,170,743	1,135,309	35,434
Education:				
Contributions to Community College	29,212	29,212	29,212	-
Contributions to City School Board	25,051,902	25,381,902	25,386,902	(5,000)
Total Education	25,081,114	25,411,114	25,416,114	(5,000)

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Function, Activity, and Elements	Budgeted Amounts			Schedule 2 (Cont'd)
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Parks, Recreation and Cultural:				
Parks and Recreation:				
Administration	\$ 363,341	\$ 372,608	\$ 372,547	\$ 61
Maintenance	818,006	882,306	872,264	10,042
Recreation Activities	229,790	227,731	222,547	5,184
Outdoor Swimming Pool	108,982	108,218	102,326	5,892
War Memorial Building	425,742	557,103	549,638	7,465
After-School Child Care	195,865	195,865	190,774	5,091
Athletic programs	168,199	173,299	173,277	22
Total Parks and Recreation	2,309,925	2,517,130	2,483,373	33,757
Cultural Enrichment:				
Apple Blossom Festival	34,060	34,060	31,616	2,444
Museums	20,719	20,719	20,719	-
Historical Society	79,156	79,156	79,156	-
Virginia Commissions of Arts	-	10,000	10,000	-
Total Cultural Enrichment	133,935	143,935	141,491	2,444
Library:				
Contribution to Regional Library	385,026	385,026	385,026	-
Total Parks, Recreation, and Cultural	2,828,886	3,046,091	3,009,890	36,201
Community Development:				
Planning and Community Development:				
Planning and Zoning	439,190	480,690	480,019	671
Other Economic Development	305,898	449,198	452,716	(3,518)
Downtown Development	148,000	148,000	146,510	1,490
Contribution to Regional Airport	33,213	33,213	24,496	8,717
Total Planning and Community Development	926,301	1,111,101	1,103,741	7,360
Total Community Development	926,301	1,111,101	1,103,741	7,360
Debt Service:				
Principal retirement	6,081,235	5,779,735	5,788,793	(9,058)
Interest and fiscal charges	4,373,280	4,376,780	4,334,588	42,192
Total Debt Service	10,454,515	10,156,515	10,123,381	33,134
Total General Fund	\$ 65,855,100	\$ 66,571,775	\$ 65,497,797	\$ 1,073,978
Special Revenue Funds:				
Social Service Fund:				
Health and Welfare:				
Welfare/Social Services:				
Social Services Administration	\$ 2,843,000	\$ 2,913,500	\$ 2,802,091	\$ 111,409
Public Assistance	2,142,000	2,071,500	1,449,449	622,051
Total Social Service Fund	\$ 4,985,000	\$ 4,985,000	\$ 4,251,540	\$ 733,460
Comprehensive Services Fund:				
Health and Welfare:				
Community Services	\$ 3,515,000	\$ 3,515,000	\$ 1,704,161	\$ 1,810,839
Total Comprehensive Services Fund	\$ 3,515,000	\$ 3,515,000	\$ 1,704,161	\$ 1,810,839
Federal and State Grants Fund:				
Judicial Administration:				
City Sheriff	\$ -	\$ 86,000	\$ 85,487	\$ 513
Victim/Witness Grant	126,066	126,066	125,995	71
Grand Jury	27,243	27,243	26,642	601

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Federal and State Grants Fund: (cont'd)				
Judicial Administration: (cont'd)				
Domestic Violence	\$ -	\$ 20,786	\$ 20,784	\$ 2
Total Judicial Administration	<u>153,309</u>	<u>260,095</u>	<u>258,908</u>	<u>1,187</u>
Public Safety:				
Police Mini-Grants	38,582	77,162	37,364	39,798
Drug Task Force	79,109	79,109	75,428	3,681
Law Enforcement Block Grant	-	218,220	79,959	138,261
Other	<u>121,000</u>	<u>332,947</u>	<u>179,504</u>	<u>153,443</u>
Total Public Safety	<u>238,691</u>	<u>707,438</u>	<u>372,255</u>	<u>335,183</u>
Total Federal and State Grants Fund	<u>\$ 392,000</u>	<u>\$ 967,533</u>	<u>\$ 631,163</u>	<u>\$ 336,370</u>
Community Development Block Grant Fund:				
Planning and Community Development:				
Redevelopment and Housing Assistance	<u>\$ 580,000</u>	<u>\$ 496,000</u>	<u>\$ 142,641</u>	<u>\$ 353,359</u>
Total Community Development Block Grant Fund	<u>\$ 580,000</u>	<u>\$ 496,000</u>	<u>\$ 142,641</u>	<u>\$ 353,359</u>
Housing Choice Voucher Program Fund:				
Health and Welfare:				
Housing Assistance	<u>\$ 117,000</u>	<u>\$ 117,000</u>	<u>\$ 114,125</u>	<u>\$ 2,875</u>
Total Housing Choice Voucher Program Fund	<u>\$ 117,000</u>	<u>\$ 117,000</u>	<u>\$ 114,125</u>	<u>\$ 2,875</u>
Housing Fund:				
Planning and Community Development:				
Housing and Neighborhood Assistance	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 74,398</u>	<u>\$ 225,602</u>
Total Housing Fund	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 74,398</u>	<u>\$ 225,602</u>
Highway Maintenance Fund:				
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
General Engineering	\$ 318,725	\$ 297,725	\$ 276,374	\$ 21,351
Highways, Streets, Bridges & Sidewalks	1,367,325	1,216,001	1,214,837	1,164
Storm Drainage	35,471	35,471	19,182	16,289
Street Lights	375,000	375,000	348,458	26,542
Snow and Ice Removal	143,687	797,687	797,468	219
Traffic Signals	414,951	410,451	369,144	41,307
Tree Division	<u>99,841</u>	<u>144,795</u>	<u>144,717</u>	<u>78</u>
Total Highway Maintenance Fund	<u>\$ 2,755,000</u>	<u>\$ 3,277,130</u>	<u>\$ 3,170,180</u>	<u>\$ 106,950</u>
Emergency Medical Service Fund:				
Public Safety:				
Emergency Medical Services	<u>\$ 868,000</u>	<u>\$ 868,000</u>	<u>\$ 791,424</u>	<u>\$ 76,576</u>
Total Emergency Medical Service Fund	<u>\$ 868,000</u>	<u>\$ 868,000</u>	<u>\$ 791,424</u>	<u>\$ 76,576</u>
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Community Development:				
Tourism	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 253,596</u>	<u>\$ (3,596)</u>
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 253,596</u>	<u>\$ (3,596)</u>

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Law Library Fund:				
Judicial Administration:				
Judicial Center Law Library	\$ 30,000	\$ 30,000	\$ 30,253	\$ (253)
Total Law Library Fund	\$ 30,000	\$ 30,000	\$ 30,253	\$ (253)
Asset Forfeiture Fund:				
Judicial Administration:				
Commonwealth attorney	\$ -	\$ 11,725	\$ 10,860	\$ 865
Total Judicial Administration	\$ -	\$ 11,725	\$ 10,860	\$ 865
Public Safety:				
Police Department	-	12,700	13,452	(752)
Total Asset Forfeiture Fund	\$ -	\$ 24,425	\$ 24,312	\$ 113
Total Special Revenue Funds	\$ 13,792,000	\$ 14,830,088	\$ 11,187,793	\$ 3,642,295
Capital Projects Funds:				
Capital Improvements Fund:				
Current:				
Public Works	\$ 4,535,000	\$ 5,086,558	\$ 4,628,440	\$ 458,118
Parks and Recreation	150,000	977,570	867,919	109,651
Total Capital Improvement Fund	4,685,000	6,064,128	5,496,359	567,769
Total Capital Projects Funds	\$ 4,685,000	\$ 6,064,128	\$ 5,496,359	\$ 567,769
Debt Service Funds:				
School Bond Debt Service Fund:				
Debt Service:				
Principal retirement	\$ 50,000	\$ 50,000	\$ 40,872	\$ 9,128
Interest and fiscal charges	-	-	9,308	(9,308)
Total School Bond Debt Service Fund	\$ 50,000	\$ 50,000	\$ 50,180	\$ (180)
Total Debt Service Funds	\$ 50,000	\$ 50,000	\$ 50,180	\$ (180)
Grand Total - Expenditures - All Governmental Funds	\$ 84,382,100	\$ 87,515,991	\$ 82,232,128	\$ 5,283,862

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**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2010**

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Instruction Costs	\$ 36,326,178	\$ 35,141,732	\$ 34,125,325	\$ 1,016,407
Administration of Schools	1,965,996	2,010,856	1,851,050	159,806
Operating Costs:				
Pupil Transportation	1,558,483	1,669,434	1,499,762	169,672
Operation and Maintenance of School Plant	2,671,339	2,481,057	2,328,228	152,829
Total Education	<u>42,521,996</u>	<u>41,303,079</u>	<u>39,804,365</u>	<u>1,498,714</u>
Debt Service:				
Principal retirement	-	1,372,852	843,044	529,808
Interest and fiscal charges	-	52,825	52,633	192
Total Debt Service	<u>-</u>	<u>1,425,677</u>	<u>895,677</u>	<u>530,000</u>
Total School Operating Fund	<u>\$ 42,521,996</u>	<u>\$ 42,728,756</u>	<u>\$ 40,700,042</u>	<u>\$ 2,028,714</u>
School Cafeteria Fund:				
Education:				
School Food Services	<u>\$ 1,790,309</u>	<u>\$ 1,815,208</u>	<u>\$ 1,802,277</u>	<u>\$ 12,931</u>
Total School Cafeteria Fund	<u>\$ 1,790,309</u>	<u>\$ 1,815,208</u>	<u>\$ 1,802,277</u>	<u>\$ 12,931</u>
School Federal Grants Fund:				
Education:				
Instruction Costs	<u>\$ 3,764,837</u>	<u>\$ 4,270,583</u>	<u>\$ 3,319,720</u>	<u>\$ 950,863</u>
Total School Federal Grants Fund	<u>\$ 3,764,837</u>	<u>\$ 4,270,583</u>	<u>\$ 3,319,720</u>	<u>\$ 950,863</u>
School Textbook Fund:				
Education:				
Purchase of textbooks	<u>\$ 220,000</u>	<u>\$ 554,253</u>	<u>\$ 275,476</u>	<u>\$ 278,777</u>
Total School Textbook Fund	<u>\$ 220,000</u>	<u>\$ 554,253</u>	<u>\$ 275,476</u>	<u>\$ 278,777</u>
Total Special Revenue Funds	<u>\$ 5,775,146</u>	<u>\$ 6,640,044</u>	<u>\$ 5,397,473</u>	<u>\$ 1,242,571</u>
Capital Projects Funds:				
School Fundraising Fund:				
Capital projects:				
John Handley High School	<u>\$ -</u>	<u>\$ 2,574,585</u>	<u>\$ 2,640,110</u>	<u>(65,525)</u>
Debt Service:				
Principal retirement	-	1,632,163	2,132,163	(500,000)
Interest and fiscal charges	-	47,552	47,551	1
Total Debt Service	<u>-</u>	<u>1,679,715</u>	<u>2,179,714</u>	<u>(499,999)</u>
Total School Fundraising Fund	<u>\$ -</u>	<u>\$ 4,254,300</u>	<u>\$ 4,819,824</u>	<u>\$ (565,524)</u>
School Capital Improvement Fund:				
Capital projects:				
John Handley High School	<u>-</u>	<u>1,844,493</u>	<u>1,818,501</u>	<u>25,992</u>
Total Capital Projects	<u>-</u>	<u>1,844,493</u>	<u>1,818,501</u>	<u>25,992</u>
Total School Capital Improvement Fund	<u>\$ -</u>	<u>\$ 1,844,493</u>	<u>\$ 1,818,501</u>	<u>\$ 25,992</u>
Total Capital Projects Funds	<u>\$ -</u>	<u>\$ 6,098,793</u>	<u>\$ 6,638,325</u>	<u>\$ (539,532)</u>
Grand Total - Expenditures - Component Unit School Board	<u>\$ 48,297,142</u>	<u>\$ 55,467,593</u>	<u>\$ 52,735,840</u>	<u>\$ 2,731,753</u>



## 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.....	114-120
<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. ....	121-124
<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. ....	125-129
<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.....	130-131
<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 .....	132-134

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 Eight Fiscal Years (1)**  
**(accrual basis of accounting)**

Table 1

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009(2)	2010
<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
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)
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>
<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
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
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>
<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
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)
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>
<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
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
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>

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 which modified these amounts.

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

Table 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<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
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
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
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
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
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
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
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
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
Total governmental activities expenses	<u>51,575,309</u>	<u>60,640,529</u>	<u>77,667,061</u>	<u>97,194,417</u>	<u>89,515,837</u>	<u>81,827,935</u>	<u>78,120,521</u>	<u>74,239,219</u>
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
Bus service	586,641	560,087	645,959	921,626	924,440	853,081	910,514	964,912
Total business-type activities expenses	<u>11,247,442</u>	<u>11,258,259</u>	<u>10,937,601</u>	<u>12,582,358</u>	<u>13,792,348</u>	<u>15,281,070</u>	<u>16,941,119</u>	<u>16,938,518</u>
Total primary government expenses	<u>\$ 62,822,751</u>	<u>\$ 71,898,788</u>	<u>\$ 88,604,662</u>	<u>\$ 109,776,775</u>	<u>\$ 103,308,185</u>	<u>\$ 97,109,005</u>	<u>\$ 95,061,640</u>	<u>\$ 91,177,737</u>
<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
Judicial administration	310,478	329,628	418,589	383,212	371,968	359,633	204,413	630,433
Public safety	120,547	137,440	109,541	127,567	1,008,032	895,701	888,450	992,875
Public works	300,956	370,730	358,752	480,784	615,990	603,778	1,064,374	341,284
Health and welfare	65,008	60,934	71,228	71,388	78,634	83,304	90,838	75,357
Parks, recreation, and culture	501,522	567,817	588,779	591,651	593,557	620,699	607,476	781,612
Community development	429,877	617,696	636,958	616,498	557,807	444,174	277,349	441,569
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
Capital grants and contributions	-	346,440	1,317,918	484,819	1,497,526	723,220	1,835,430	16,184,324
Total governmental activities revenues	<u>10,542,271</u>	<u>11,454,431</u>	<u>12,446,014</u>	<u>12,730,486</u>	<u>15,085,663</u>	<u>13,769,622</u>	<u>14,695,380</u>	<u>29,927,603</u>
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
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
Total business-type activities revenues	<u>13,014,306</u>	<u>13,925,507</u>	<u>17,574,658</u>	<u>14,446,208</u>	<u>16,968,675</u>	<u>16,817,794</u>	<u>21,979,138</u>	<u>19,908,996</u>
Total primary government revenues	<u>\$ 23,556,577</u>	<u>\$ 25,379,938</u>	<u>\$ 30,020,672</u>	<u>\$ 27,176,694</u>	<u>\$ 32,054,338</u>	<u>\$ 30,587,416</u>	<u>\$ 36,674,518</u>	<u>\$ 49,836,599</u>

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

Table 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<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)
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
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>
<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
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
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
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
Franchise taxes	431,927	923,194	1,057,007	543,864	557,228	276,598	293,529	329,097
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
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
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
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
Investment earnings	208,968	59,384	205,740	875,864	1,322,717	1,458,202	460,609	281,219
Miscellaneous	475,516	417,124	414,694	459,032	799,216	512,011	527,737	-
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
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>
Business-type activities:								
Investment earnings	108,332	70,916	195,569	400,403	567,522	273,073	125,725	56,010
Miscellaneous	17,306	25,051	13,519	37,456	134,639	28,017	10,617	53,060
Transfers	(90,000)	(1,404,342)	(1,819,869)	(3,677,307)	(1,500,277)	(1,819,967)	(1,354,150)	(1,864,000)
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>
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>
<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
Business-type activities	1,802,502	1,358,873	5,026,276	(1,375,598)	2,378,211	17,847	3,820,211	1,215,548
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>

cont'd

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

Table 2 (Cont'd)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<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
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>
<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
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
Capital grants and contributions	513,518	6,261,989	19,836,755	33,689,828	22,501,915	7,577,965	1,471,063	3,031,845
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>
<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>
<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
Investment earnings	197,189	76,553	424,115	998,705	1,211,760	1,110,082	216,949	165,518
Miscellaneous	149,827	243,789	246,617	281,299	3,788,082	3,815,962	1,185,769	145,137
Gain on sale of capital assets	-	-	8,748	-	-	-	-	-
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>
<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>

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,465
Unreserved	<u>7,681,125</u>	<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>17,253,692</u>
Total general fund	<u>\$ 7,681,125</u>	<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	2,421,779	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	1,724,962	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	<u>783,179</u>	<u>753,276</u>	<u>811,011</u>	<u>639,959</u>	<u>482,877</u>	<u>342,947</u>	<u>217,166</u>	<u>102,003</u>	<u>49,876</u>	<u>-</u>
Total all other governmental funds	<u>\$ 4,929,920</u>	<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>

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

Table 4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
General property taxes	\$ 16,753,331	\$ 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
Sales taxes	7,912,573	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
Other local taxes	12,339,688	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
Permits, privilege fees, and regulatory licenses	180,609	236,827	433,236	621,027	639,874	619,646	560,761	450,188	285,131	392,290
Fines and forfeitures	175,750	170,343	171,173	185,477	274,987	221,123	203,206	171,521	159,077	147,721
Revenues from use of money and property	725,439	353,053	208,570	86,646	226,866	897,306	1,357,831	1,504,587	529,863	439,521
Charges for services	630,776	666,325	732,614	827,070	834,354	843,209	1,420,091	1,698,424	1,760,787	1,706,059
Miscellaneous	133,863	284,004	387,757	382,337	391,358	436,721	763,945	465,622	444,901	453,621
Recovered costs	559,903	597,267	670,731	647,694	650,470	776,667	903,114	887,583	1,454,804	979,769
Intergovernmental	9,891,643	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
Total revenues	49,303,575	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
<b>Expenditures</b>										
General government administration	2,512,660	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
Judicial administration	1,263,211	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
Public safety	8,762,548	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
Public works	3,797,117	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
Health and welfare	5,643,528	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
Education (1)	17,118,913	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
Parks, recreation, and culture	1,679,441	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
Community development	744,326	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
Capital projects	4,651,233	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	2,696,598	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
Interest and fiscal charges	1,799,740	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
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	50,669,315	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
Excess of revenues over (under) expenditures	(1,365,740)	(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)



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

Table 4 (con't)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<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	\$ -
Insurance recoveries	-	-	-	-	-	59,303	13,416	14,015	18,576	114,754
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	2,608,336	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
Transfers out	(2,517,474)	(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)
Total other financing sources and uses	90,862	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
Net change in fund balances	\$ (1,274,878)	\$ 2,756,132	\$ 1,135,526	\$ 1,748,780	\$ 2,700,823	\$ 11,936,695	\$ 82,490	\$ (3,241,153)	\$ (6,937,403)	\$ (3,726,401)
Debt service as a percentage of noncapital expenditures (2)	N/A	N/A	8.7%	7.9%	7.2%	7.7%	10.0%	12.3%	12.8%	13.3%

- 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
2000	\$ 832,048,200	\$ 582,892,100	0.67	\$ 52,657,384	0.64	\$ 139,920,386	3.5	\$ 29,272	3.5	\$ 121,353,982	1.2	\$ 197,498	0.65	\$ 1,729,098,822	0.93
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	1.2	173,462	0.65	1,780,682,405	0.99
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	0.83
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	0.87
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	0.82
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	0.95
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	3,721,426,528	0.86
2008	2,209,123,962	1,151,495,700	0.68	62,548,699	0.65	184,820,863	4.5	8,814	4.5	116,719,433	1.3	197,956	0.68	3,724,915,427	0.88
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

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

Source:

City of Winchester, Commissioner of the Revenue

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

Table 6

City Direct Rates (2)						
Fiscal Year	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	Total Direct Rate	
2001		0.59	0.02	0.28	0.08	0.98
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	0.95
2005		0.61	0.02	0.25	0.06	0.93
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	0.88
2009		0.65	0.01	0.17	0.04	0.99
2010		0.65	0.01	0.19	0.04	0.99

Notes:

- (1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.
- (2) Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies.

Source:

City of Winchester, Commissioner of the Revenue

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

Table 7

<u>Taxpayer</u>	<u>December 31, 2010</u>			<u>December 31, 2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Mayflower Apple Blossom, LP	\$ 45,217,100	1	1.30%	\$ 32,556,800	1	2.29%
DDRM Apple Blossom Corners, LLC	25,967,200	2	0.75%	-		
Walmart Realty CO	23,733,000	3	0.68%	13,526,100	7.00	0.95%
P D K Winchester, LC	21,322,200	4	0.61%	-		
Trout Segall & Doyle Winc Prop, LLC	21,257,500	5	0.61%	-		
Winchester Medical Center, Inc.	20,585,300	6	0.59%	21,914,200	2	1.54%
Loveless Homes X, LLC	16,193,800	7	0.47%	-		
National Fruit Product Co., Inc.	14,589,400	8	0.42%	13,236,800	8	0.93%
Rubbermaid Commercial Prod. Inc.	13,820,000	9	0.40%	14,922,200	3	1.05%
Lowe's Home Center, Inc.	12,665,400	10	0.36%	-		
Pine Motor Co., Inc. Etal.	-		-	14,780,600	4	1.04%
Dev. Diversified Realty Corp.	-		-	14,530,900	5	1.02%
Aikens Investments/HWA et. al.	-		-	14,469,400	6	1.02%
Melco, Inc.	-		-	12,975,600	9	0.91%
O'Sullivan Corporation	-		-	12,777,400	10	0.90%
<b>Total</b>	<b>\$ 215,350,900</b>		<b>6.19%</b>	<b>\$ 165,690,000</b>		<b>11.65%</b>

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
2001	\$ 16,494,957	\$ 1,617,543	\$ 18,112,500	\$ 15,704,676	95.21%	\$ 2,166,546	\$ 17,871,222	98.67%
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%	1,713,592	33,345,690	101.89%
2010	35,759,290	-	35,759,290	34,285,769	95.88%	-	34,285,769	95.88%

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			
2001	\$ 33,178,057	\$ 547,670	\$ 15,510,073	\$ -	\$ -	\$ 49,235,800	7.28%	\$ 2,043
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

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)
2001	\$ 33,178,057	\$ 783,179	\$ 32,394,878	1.87%	\$ 1,344
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

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, 2010**

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	\$ 95,870,531	100%	\$ 95,870,531

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 150,613,872	\$ 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
Total net debt applicable to limit	<u>47,904,951</u>	<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>
Legal debt margin	<u>\$ 102,708,921</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	31.81%	35.82%	27.98%	30.39%	31.34%	45.81%	39.44%	39.62%	42.53%	38.60%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed Value of Real Property	\$ 3,142,969,631
Debt Limit - 10%	314,296,963
Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>121,315,345</u>
Legal Debt Margin	<u>\$ 192,981,618</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 Charges and Other		Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage			
					Principal	Interest					
2009	\$	17,632,035	\$	12,955,277	\$	4,676,758	\$	-	\$	230,006	20.33
2010	\$	18,282,412	\$	11,301,236	\$	6,981,176	\$	-	\$	1,093,351	6.39

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)	High School Graduate or higher	Bachelor's Degree or higher	School enrollment(5)	Unemployment rate (3)
2001	24,100	\$ 676,318	\$ 28,063	35.2	75.4%	23.7%	3,368	3.00%
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%

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	7.70%	500 - 999	7	3.94%
Rubbermaid Commercial Products	500 - 999	2	3.85%	1,000 and over	2	7.89%
Shenandoah University	500 - 999	3	3.85%	500 - 999	9	3.94%
Winchester City Public Schools	500 - 999	4	3.85%	500 - 999	5	3.94%
Wal Mart	500 - 999	5	3.85%	500 - 999	10	3.94%
City of Winchester	500 - 999	6	3.85%	-	-	-
U.S. Department of Defense	250 - 499	7	1.93%	-	-	-
Martins Food Market	250 - 499	8	1.93%	-	-	-
Osullivan Films Inc.	250 - 499	9	1.93%	-	-	-
Grafton School, Inc.	250 - 499	10	1.93%	-	-	-
Winchester Medical Center	-	-	-	1,000 and over	1	7.89%
Lear Operations Corporation	-	-	-	500 - 999	3	3.94%
Kohl's Department Stores	-	-	-	500 - 999	4	3.94%
Federal Mogul Products	-	-	-	500 - 999	6	3.94%
Polyone Engineered Films	-	-	-	500 - 999	8	3.94%
<b>Total</b>	<b>4,500</b>		<b>34.67%</b>	<b>6,000</b>		<b>47.30%</b>

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 Five Fiscal Years (1)**

Table 16

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

**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 Five Fiscal Years (1)**

Table 17

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

Source: Various Departments in the City

Notes:

- (1) Information is only available for last four 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 Five Fiscal Years (1)**

Table 18

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

Source: Various Departments in the City

Notes:

- (1) Information is only available for last four 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, 2010 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2010. 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 10-3.**

We noted certain matters that we reported to management of the City in a separate letter dated November 24, 2010.

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 24, 2010

**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, 2010. 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, 2010. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as Item 10-2.**

### **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.**

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, 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 24, 2010

**CITY OF WINCHESTER, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2010**

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, 2010**

**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 were disclosed.
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**.
6. The audit disclosed **one audit finding 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
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
ARRA – Federal Transit – Capital Investment Grants	20.500
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507

8. The **threshold** for distinguishing Type A and B programs was **\$307,163**.
9. The City of Winchester was determined to be a **low-risk auditee**.

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2010**

**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**

**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.

*Management's Response:*

The auditee concurs with this recommendation.

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

**10-3: Commonwealth of Virginia Disclosure Statements**

*Condition:*

Six out of thirty-three members of City appointed governing bodies did not file statements of economic interest by the January 15<sup>th</sup> deadline and two did not file at all 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, 2010**

<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	\$ 375,096
Department of Forestry:		
Cooperative Forestry Assistance	10.664	25,471
Department of Corrections:		
National School Lunch Program	10.555	24,694
Commonwealth of Virginia Department of Agriculture and Consumer Services		
National School Lunch Program	10.555	791,343
National School Lunch Program - Commodities	10.555	4,510
School Breakfast Program	10.553	218,400
Recovery Act - NSL Program Equipment	10.579	24,899
Total U.S. Department of Agriculture		<u>1,464,413</u>
<b>U.S. Department of Homeland Security</b>		
Pass-through payments:		
Department of Emergency Management:		
State Homeland Security Grant Program	97.073	127,303
Citizen Corps	97.053	5,107
Emergency Management Performance Grants	97.042	8,905
Total U.S. Department of Homeland Security		<u>141,315</u>
<b>U.S. Department of Housing and Urban Development</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	76,632
Recovery Act - Community Development Block Grants/Entitlement Grants	14.253	54,857
Total U.S. Department of Housing and Urban Development		<u>131,489</u>
<b>U.S. Department of Justice</b>		
Direct payments:		
NVRDTF Gang Grant	16.580	75,428
COPS Hiring Recovery Program (CHRP) Grant	16.710	79,959
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	128,230
Violence Against Women Formula Grant	16.588	17,795
Virginia Presidential Inauguration Security Assistance Project	16.738	2,366
VEST Reimbursement Program	16.607	3,789
Pass-through payments:		
Virginia Compensation Board		
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	13,509
Total U.S. Department of Justice		<u>321,076</u>
<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		<u>5,000</u>
<b>U.S. Department of Transportation</b>		
Direct payments:		
Federal Transit - Capital Investment Grants	20.500	99,881
Federal Transit - Formula Grants	20.507	370,577
Recovery Act - Federal Transit - Capital Investment Grants	20.500	11,300
Pass-through payments:		
Virginia Department of Motor Vehicles		
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	34,914
Virginia Department of Transportation		
Highway Planning and Construction	20.205	1,038,453
State and Community Highway Safety	20.607	33,489
Total U.S. Department of Transportation		<u>1,588,614</u>



**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**For the Year Ended June 30, 2010**

<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	\$ 5,661
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I - Grants to Local Educational Agencies	84.010	758,398
Special Education - Grants to States	84.027	939,380
Special Education - Preschool Grants	84.173	30,500
Safe and Drug-free Schools and Communities - State Grants	84.186	13,463
21st Century Community Learning Centers	84.287	184,776
English Language Acquisition Grants	84.365	102,357
Improving Teacher Quality State Grants	84.367	191,722
Education Technology State Grants	84.318	8,210
Vocational Education - Basic Grants to States	84.048	63,478
Recovery Act - State Fiscal Stabilization Fund (SFSF) - Education, State Grants	84.394	1,563,558
Recovery Act - Special Education Grants to States	84.391	629,539
Recovery Act - Preschool Grants	84.392	715
Recovery Act - Education Technology Grant	84.386	14,193
Recovery Act - Title I - Grants to States	84.389	377,327
Department of Behavioral Health and Developmental Services		
Part C Funds	84.181	188,187
Total U.S. Department of Education		<u>5,071,464</u>
<b>Department of Health and Human Services:</b>		
Pass-through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	20,555
Temporary Assistance to Needy Families	93.558	377,893
Refugee and Entrant Assistance	93.566	1,009
Low Income Home Energy Assistance	93.568	14,077
Child Care and Development Block Grant	93.575	133,969
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	165,684
Child Care and Development Block Grant - ARRA	93.713	61,214
Chafee Education and Training Vouchers Program	93.599	6,907
Child Welfare Services	93.645	1,130
Foster Care - Title IV-E	93.658	209,571
Foster Care - Title IV-E - ARRA	93.658	9,262
Adoption Assistance	93.659	148,149
Adoption Assistance - ARRA	93.659	16,524
Social Service Block Grant	93.667	104,795
Chafee Foster Care Independence Program	93.674	9,530
Medical Assistance Program	93.778	218,822
State Children's Insurance Program	93.767	16,299
Total U.S. Department of Health and Human Services		<u>1,515,390</u>
Total Expenditures of Federal Awards		<u>\$ 10,238,761</u>