



# Comprehensive Annual **FINANCIAL REPORT**

City of Winchester, Virginia  
Fiscal Year Ending  
June 30, 2012



CITY OF WINCHESTER, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2012

Prepared by:  
City of Winchester, Virginia  
Finance Department

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**CITY OF WINCHESTER, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012**

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor  
Jeffrey B. Buettner, President  
John A. Willingham, Vice President  
Milton F. McInturff, Sr., Vice Mayor

John P. Tagnesi  
Robert B. Weber  
John W. Hill

Evan H. Clark  
Les C. Veach

OFFICIALS

Dale E. Iman, City Manager  
Kari J. Van Diest, Deputy Clerk of Council

CONSTITUTIONAL OFFICERS

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

OTHER OFFICIALS

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

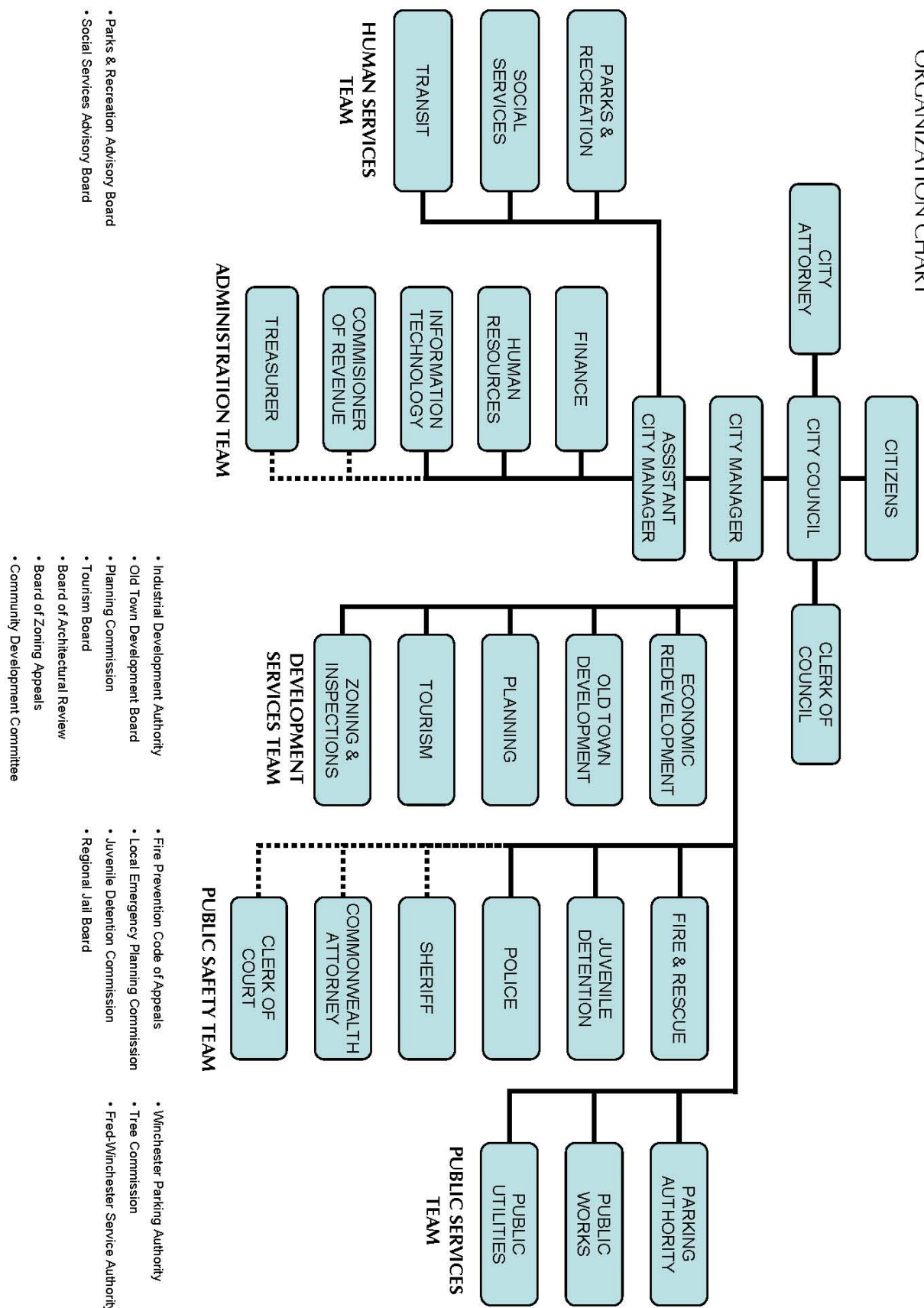
Mary M. Blowe  
Jeffrey S. Cullers  
Thomas D. Lloyd  
Anthony C. Williams  
Karen B. Helm

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

Aaron M. Grisdale

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

# CITY OF WINCHESTER ORGANIZATION CHART





## CITY OF WINCHESTER, VIRGINIA

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Rouss City Hall  
15 North Cameron Street  
Winchester, VA 22601

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

November 9, 2012

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, 2012 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, 2012. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

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

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

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

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

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

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

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

- ◆ Winchester Parking Authority (WPA): The City of Winchester created the WPA to plan and foster the development of off-street parking facilities. The WPA is included in the accompanying financial statements as the City appoints all WPA members and is able to impose its will on the WPA.
- ◆ Winchester School Board (Board): The Board was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. All members of the Board are appointed by the City's Common Council, which has the ability to impose its will upon the Board.

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

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

The City maintains budgetary control as part of its fiscal management techniques. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget approved by the City's governing body. The level of budgetary control (the level at which

expenditures cannot legally exceed the appropriated amount) is established at the departmental level. Only the Common Council can revise the appropriation for each department. The City Manager is authorized to transfer appropriations within general government departments, and the School Board is authorized to transfer budgeted amounts within the school system's categories. As demonstrated by the statements and schedules included in the financial section of this report, the City meets its responsibility for sound financial management.

### **Local Economy**

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

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

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

The Winchester Regional Airport is an all-weather general aviation airport, with 5,500 feet of grooved asphalt runway, serving the region. The airport is staffed 24 hours a day/7 days a week and has U.S. Customs and Immigration Service available with 24 hour notice. It is the official airport of the Virginia Inland Port Authority, which is fifteen miles south of Winchester. The City participates with other user localities in a joint venture to operate the airport, and contributes a share of the local funding needed for the operations and capital requirements of the airport.

The City's commercial tax base accounts for 40.5% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, and Winchester Station house Martin's, Staples, Kohl's, Office Max, Books-A-Million, Michael's, Old Navy, and HH Gregg. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Big K-Mart, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of specialty shops and restaurants. There are also several anchorless strip centers and one life style center that house Ann Taylor, Jos A Banks Clothier, and other high end retail stores. The City also is home to several national chain restaurants. In addition, the City has several class A office buildings serving the professional services sector and business service entities.

The City's Department of Economic Development and the Economic Development Authority of the City of Winchester work closely together to facilitate economic development within the City of Winchester. During the last year, several major economic development activities have occurred. The EDA worked with the Virginia Economic Development Partnership to provide over \$1,000,000 in incentives to Rubbermaid Commercial Products LLC resulting in their investment of \$67,251,104 in new capital and facilities in the City and the creation of 71 new jobs. In addition, the EDA acquired over \$1,000,000 worth of property in the historic downtown. These acquisitions involved four major downtown properties, three of which have been sold and are completely renovated or are currently under construction resulting in 23 new high-end apartments and 10,000 square feet of new retail space. The Authority has also made \$875,000 in Revolving Loan Program loans to four different borrowers during this same period in addition to receiving a \$1,000,000 HUD 108 Fund for the renovations of the downtown Taylor Hotel.

In addition, the City's Old Town Development Board continues to successfully market the City's downtown. New businesses continue to locate downtown, while existing businesses thrive. The Old Town Development Board administers the Main Street Program, which concentrates on downtown revitalization - putting the traditional assets of downtown, such as unique architecture and locally-owned businesses, to work as a catalyst for economic growth and community pride. The efforts of the Winchester Old Town Development Board have earned it recognition for excellence in the field of downtown revitalization by meeting high standards of performance set by the Virginia Main Street Program and the National Trust for Historic Preservations National Main Street Center. The recent major focus in downtown has been the creation of new housing opportunities for young professionals, with the goal of stimulating 300 new housing units downtown over the next five years.

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

Unassigned fund balance in the general fund (22.3% 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. Renovation and expansion of John Kerr and Frederick Douglas Elementary Schools will be a consideration for a future bond issue of approximately \$18 to 20 million, respectively. Operational costs for the newly renovated facilities will increase as the renovations are completed at an approximate cost of \$1,000,000. The John Kerr 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 was original and had 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 were successfully completed in June 2012 at a cost of \$25 million. The improvements consisted 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 Amherst Street Project and the North End Project both started construction in FY 2012 and will be completed in the fall of 2012. In addition, the utilities on Indian Alley and the Pedestrian Walking Mall will be replaced by the summer of 2013.

### **C. Sidewalk Improvements**

Making improvements to sidewalks within the City continues to be high priority for the residents and City Council. The City has recently completed work on a \$2 million project that replaced the sidewalks on Valley Avenue, Millwood Avenue, S. Loudoun Street, Purcell Avenue, and Woodstock Lane. Additional sidewalk improvements will be completed in 2013.

## **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, 2011. This was the twentieth 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,

A handwritten signature in cursive script, appearing to read "Dale E. Iman".

Dale E. Iman  
City Manager

A handwritten signature in cursive script, appearing to read "Mary M. Blowe".

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, 2011

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.



*Linda C. Danison*

President

*Jeffrey R. Enen*

Executive Director

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia, as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in 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 9, 2012, 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, budgetary comparison information and schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 9, 2012

**City of Winchester, Virginia  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2012**

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, 2012. 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 2012 by \$65.2 million (net assets).
- The City's total net assets increased approximately \$9.4 million over the course of this year's operations. Net assets of governmental activities increased \$6.1 million, and net assets of business-type activities increased \$3.3 million over the prior year. The increase in net assets by the governmental activities is the result of a reduction in long-term liabilities due to debt repayment.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25.7 million, an increase of \$2.6 million in comparison with the prior year. Approximately 58.9% of this amount, \$15.1 million, is available for spending at the government's discretion (unassigned fund balance).
- As of the close of the current fiscal year, the unassigned fund balance of the City's general fund was \$15.1 million. This amount represents 22.3% of total general fund expenditures.
- The City's total debt increased by \$10.8 million, or 6.0%, during the current fiscal year due to the issuance of new debt for utility construction projects.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-61 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 62 of this report.

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

## **Government-wide Financial Analysis**

As noted earlier, net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by \$65.2 million at the close of fiscal year 2012.

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, 2012**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Assets</b>								
Current and other assets	\$ 36.1	\$ 31.6	\$ 18.7	\$ 6.5	\$ 54.8	\$ 38.1	\$ 12.1	\$ 12.1
Capital assets	76.3	78.8	145.3	135.3	221.6	214.1	113.1	114.6
<b>Total Assets</b>	<b>112.4</b>	<b>110.4</b>	<b>164.0</b>	<b>141.8</b>	<b>276.4</b>	<b>252.2</b>	<b>125.2</b>	<b>126.7</b>
<b>Liabilities</b>								
Current and other liabilities	12.0	11.0	3.9	7.9	15.9	18.9	5.3	5.2
Long-term liabilities	82.9	88.0	112.4	89.5	195.3	177.5	1.1	1.1
<b>Total Liabilities</b>	<b>94.9</b>	<b>99.0</b>	<b>116.3</b>	<b>97.4</b>	<b>211.2</b>	<b>196.4</b>	<b>6.4</b>	<b>6.3</b>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	61.2	62.4	48.1	43.5	109.3	105.9	113.0	114.6
Restricted	-	-	-	-	-	-	-	-
Unrestricted net assets	(43.7)	(51.0)	(0.4)	0.9	(44.1)	(50.1)	5.9	5.8
<b>Total Net Assets</b>	<b>\$ 17.5</b>	<b>\$ 11.4</b>	<b>\$ 47.7</b>	<b>\$ 44.4</b>	<b>\$ 65.2</b>	<b>\$ 55.8</b>	<b>\$ 118.9</b>	<b>\$ 120.4</b>

**Governmental activities.** As shown in Table 2, net assets for governmental activities increased from \$11.4 million at the end of FY2011 to \$17.5 million at the end of FY2012. The major reason for the increase in net assets is due to the governmental activities reduction in current liabilities of \$5.1 million during the current year. The City, as required by GASB 34, reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board.

If the debt related to the construction of schools was not presented in governmental activities, the net assets for the governmental activities would be \$87.7 million and the total net assets for the primary government would be \$135.4 million.

## Government-wide Financial Analysis (Continued)

**Table 2**  
**Changes in the City of Winchester's Net Assets**  
**Fiscal Year ended June 30, 2012**  
**(in millions)**

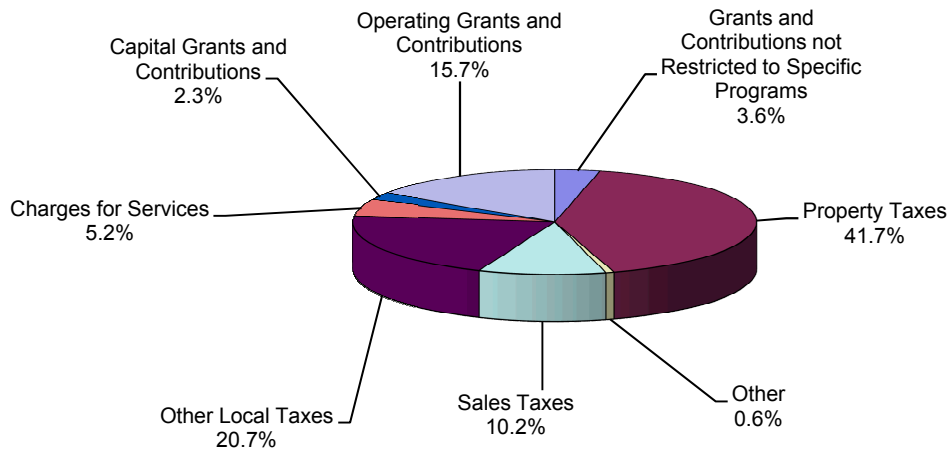
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Revenues</b>								
Program Revenues								
Charges for services	\$ 4.4	\$ 4.0	\$ 20.2	\$ 19.6	\$ 24.6	\$ 23.6	\$ 0.9	\$ 0.9
Operating grants and contributions	13.1	11.9	-	-	13.1	11.9	20.8	19.9
Capital grants and contributions	1.9	-	3.9	0.5	5.8	0.5	0.4	2.2
General Revenues								
Property taxes	34.8	33.8	-	-	34.8	33.8	-	-
Sales taxes	8.5	8.1	-	-	8.5	8.1	-	-
Other taxes	17.3	17.5	-	-	17.3	17.5	-	-
Grants and contributions not restricted to specific programs	3.0	3.0	-	-	3.0	3.0	-	-
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Other	0.4	0.3	0.0	0.1	0.4	0.4	25.5	25.5
<b>Total revenues</b>	<b>\$ 83.5</b>	<b>\$ 78.7</b>	<b>\$ 24.1</b>	<b>\$ 20.2</b>	<b>\$ 107.6</b>	<b>\$ 98.9</b>	<b>\$ 47.7</b>	<b>\$ 48.6</b>
<b>Expenses</b>								
General government administration	4.5	4.0	-	-	4.5	4.0	-	-
Judicial administration	2.9	3.0	-	-	2.9	3.0	-	-
Public safety	18.0	17.8	-	-	18.0	17.8	-	-
Public works	11.5	9.2	-	-	11.5	9.2	-	-
Health and welfare	7.7	7.7	-	-	7.7	7.7	-	-
Education	25.4	25.4	-	-	25.4	25.4	49.2	48.8
Parks, recreation and culture	3.5	3.4	-	-	3.5	3.4	-	-
Community development	2.1	2.4	-	-	2.1	2.4	-	-
Interest on long-term debt	3.4	4.0	-	-	3.4	4.0	-	-
Water and sewer	-	-	19.2	17.1	19.2	17.1	-	-
Bus service	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>79.0</b>	<b>76.9</b>	<b>19.2</b>	<b>17.1</b>	<b>98.2</b>	<b>94.0</b>	<b>49.2</b>	<b>48.8</b>
<b>Increase (decrease) in net assets</b>								
<b>before transfers</b>	<b>4.5</b>	<b>1.8</b>	<b>4.9</b>	<b>3.1</b>	<b>9.4</b>	<b>4.9</b>	<b>(1.5)</b>	<b>(0.2)</b>
Transfers	1.6	3.3	(1.6)	(3.3)	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b>6.1</b>	<b>5.1</b>	<b>3.3</b>	<b>(0.2)</b>	<b>9.4</b>	<b>4.9</b>	<b>(1.5)</b>	<b>(0.2)</b>
<b>Net Assets - beginning</b>	<b>11.4</b>	<b>6.3</b>	<b>44.4</b>	<b>44.6</b>	<b>55.8</b>	<b>50.9</b>	<b>120.4</b>	<b>120.6</b>
<b>Net Assets - ending</b>	<b>\$ 17.5</b>	<b>\$ 11.4</b>	<b>\$ 47.7</b>	<b>\$ 44.4</b>	<b>\$ 65.2</b>	<b>\$ 55.8</b>	<b>\$ 118.9</b>	<b>\$ 120.4</b>

As shown in Table 2, the City's revenues from governmental activities totaled \$83.5 million for FY2012, an increase of \$4.8 million from FY2011. As shown in Figure A, the City received 72.6% of its revenue from taxes. The major source of revenue for the City was property taxes (\$34.8 million or 41.7%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2012 increased by approximately 1.1% from the prior year. While tax revenues (property, sales, and other taxes) increased \$1.2 million from the prior year, capital grants and contributions revenue increased by \$1.9 million due to revenue sharing projects for sidewalk and road improvements.

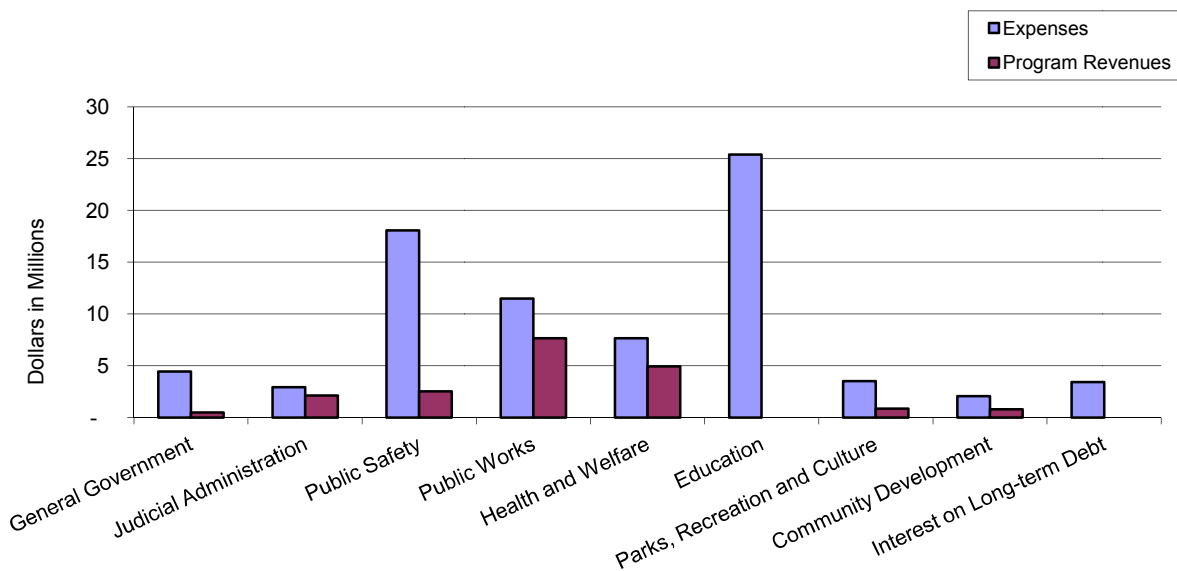
### **Government-wide Financial Analysis (Continued)**

The City's expenses from governmental activities totaled \$79.0 million (Table 2) for the fiscal year ended June 30, 2012, an increase of \$2.1 million from the prior year. As shown in Figure B, education was the largest expense at \$25.4 million or 32.2% of total governmental expenses. Public safety was the second largest expense at \$18.0 million or 22.8% of total governmental expenses.

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



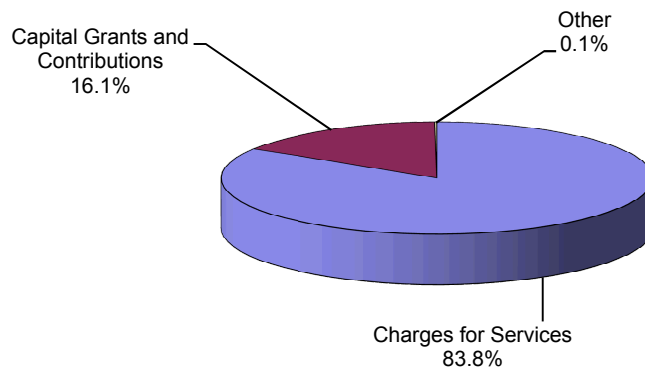
**Figure B**  
**Expenses and Program Revenues – Governmental Activities**



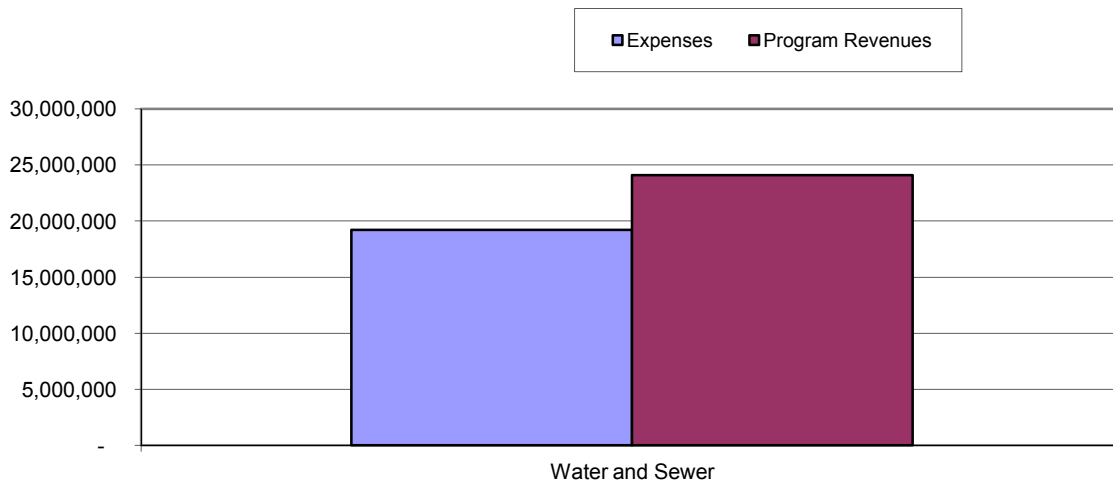
## Government-wide Financial Analysis (Continued)

**Business-type activities.** The City's business-type activities include the water and sewer fund. The net assets of these business-type activities totaled \$47.7 million (Table 2) an increase of \$3.3 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility fees, which totaled \$20.2 million or 83.8% of the total revenues for business-type activities. Capital grants and contributions increased 3.4 million from the prior year mainly due to an increase in contributed capital in the form of water & sewer infrastructure to the City. Expenses of the business-type activities totaled \$19.2 million (Table 2) an increase of \$2.1 million from the prior year. This increase in expenses is due to increased costs associated with the personnel and water and sewer operations.

**Figure C**  
**Revenues by Source – Business-type Activities**



**Figure D**  
**Expenses and Program Revenues – Business-type Activities**



## **Financial Analysis of the City's Funds**

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

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

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

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

For the fiscal year ended June 30, 2012, the City's governmental funds reported combined fund balances of \$25.7 million, an increase of \$2.7 million in comparison with the prior year. Approximately \$15.1 million of the combined total fund balances constitutes unassigned fund balance, which is generally available for spending at the City's discretion.

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2012, the unassigned fund balance of the general fund was \$15.1 million, while total fund balance reached \$22.3 million. Unassigned fund balance represents 67.7% of total general fund expenditures, as a measure of the general fund's liquidity.

Fund balance in the City's general fund increased by \$1.3 million during the current fiscal year. The key factor for the increase was the 9 cent increase in the real estate tax rate that became effective January 1, 2012.

**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, 2012, amounted to \$(0.3) million, a decrease of \$1.4 million from the prior year. The decrease in the water and sewer can be attributed to the increase of debt payments related to construction projects. Water and sewer rate increases are planned to offset the increase in debt payments.

### **General Fund Budgetary Highlights**

This was the City's second year of using an annual budget process instead of a biennial budget process. City Council revised the City budget two times over the course of the year. The difference between the original budget and the final amended budget of expenditures for the general fund was an increase of \$3.7 million, \$2.5 million for community development projects.

Actual revenues were less than final budget amounts by \$0.3 million, and actual expenditures were \$4.0 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes, charges for services, and Commonwealth revenues were less than estimated revenues by \$0.3 million, mainly due to the slow economic recovery.
- Revenues from other revenues, including general property taxes were comparable with the budget amounts.
- Actual combined general government, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were \$0.9 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Community development was \$2.5 million less than budget due to the deferral of projects to the next fiscal year.
- Debt service was \$0.6 million less than budget due to the refunding of several bond issues that generated interest savings in FY2012.

### **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, 2012, amounts to \$221.6 million net of depreciation, which represents an increase of \$7.4 million, or 3.5% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 8 to the financial statements.

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

- Water and sewer line replacements totaled \$4.2 million
- Completion of the renovation of the Percy D. Miller Water Treatment Plant which totaled \$40.4 million.



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

Table 3 summarizes the City's capital assets as of June 30, 2011 and 2012.

**Table 3**  
**City of Winchester's Capital Assets**  
**(net of depreciation)**  
**Fiscal Year ended June 30, 2012**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,319,240	\$ 4,285,693	\$ 1,201,485	\$ 1,201,485	\$ 5,520,725	\$ 5,487,178
Construction in progress	367,378	168,385	2,714,381	36,524,091	3,081,759	36,692,476
Buildings	20,953,011	-	-	-	20,953,011	-
Treatment plants	-	21,565,033	42,492,367	1,687,890	42,492,367	23,252,923
Improvements other than buildings	3,271,959	3,337,935	4,986	5,441	3,276,945	3,343,376
Infrastructure	43,805,363	45,737,006	76,794,411	72,386,578	120,599,774	118,123,584
Machinery & Equipment	3,636,823	3,729,723	1,358,649	1,474,976	4,995,472	5,204,699
FWSA purchased capacity	-	-	20,687,771	22,057,949	20,687,771	22,057,949
<b>Total Capital Assets</b>	<b>\$ 76,353,774</b>	<b>\$ 78,823,775</b>	<b>\$ 145,254,050</b>	<b>\$ 135,338,410</b>	<b>\$ 221,607,824</b>	<b>\$ 214,162,185</b>

**Long-term debt.** As shown in Table 4, the City of Winchester had total debt outstanding of \$192.5 million, for the fiscal year ended June 30, 2012, an increase of \$10.4 million from the fiscal year ended June 30, 2011. This entire amount is backed by the full faith and credit of the City, with \$107.7 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2012, the City retired \$7.0 million of outstanding general obligation bond principal and issued \$20.2 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.

**Table 4**  
**City of Winchester's Outstanding Debt**  
**Fiscal Year ended June 30, 2012**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 84,848,790	\$ 90,109,540	\$ 22,058,855	\$ 23,779,501	\$ 106,907,645	\$ 113,889,041
Revenue Bonds	-	-	66,589,030	47,610,000	66,589,030	47,610,000
Obligations payable	-	-	19,080,302	20,221,937	19,080,302	20,221,937
<b>Total Outstanding Debt</b>	<b>\$ 84,848,790</b>	<b>\$ 90,109,540</b>	<b>\$ 107,728,187</b>	<b>\$ 91,611,438</b>	<b>\$ 192,576,977</b>	<b>\$ 181,720,978</b>

The City's General Obligation Bonds in prior bond issues have been rated AA+ by Standard & Poor's Corporation, and Aa2 by Moody's Investors Service. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City's legal debt limit is \$281.5 million. As of June 30, 2012, the City's total debt applicable to the limitation totaled \$106.9 million, leaving a legal debt margin of \$174.6 million.

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

- The City of Winchester completed an Economic Development Master Plan and adopted the updated Comprehensive Plan. The goal described in both of these new plans is to attract young professionals, and families headed by individuals over the age of 55. These are the two largest growing population segments in the country, with the largest amounts of disposable income and the minimal impact on municipal services. Our plans call for major changes in land use to allow for more mixed use development and increases in housing density with the hope that these changes will allow for the development of appropriate housing and work environments required to attract these population segments. These two populations groups will help provide a skilled workforce for future employment, particularly in our growing health services industries, along with providing market support for our retail and service sectors.
- In order to replace the aging utility infrastructure, the City has continued with major water and sewer main replacement projects, including the North End Utility Replacement Project and the Amherst Street Infrastructure Improvements Project. Construction on both of these projects was initiated in FY 2012 and will be completed in FY 2013. In addition, the City will also complete water and sewer main replacements on Indian Alley and the Pedestrian Walking Mall in FY 2013. In order to finance the additional debt service for these major improvements, a 14-percent water and sewer rate increase went into effect on June 1, 2012, and an additional 14-percent increase will go into effect on June 1, 2013.
- For the month of June 2012, the City's unemployment rate was 6.6%, compared to the State's 6.0% and Federal rate of 8.4%.

### **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, 2012**

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
<b>ASSETS</b>					
Cash	\$ 19,385,902	\$ 284,157	\$ 19,670,059	\$ 6,465,263	\$ 357,993
Investments	8,010,195	119,295	8,129,490	2,713,785	148,125
Receivables, net:					
Taxes, including penalties	2,305,866	-	2,305,866	-	-
Accounts	571,671	3,141,457	3,713,128	26,292	4,565
Notes	150,000	-	150,000	-	-
Promises to give	-	-	-	1,411,706	-
Due from other governments	4,254,929	678,727	4,933,656	1,449,017	-
Internal balances	704,402	(704,402)	-	-	-
Prepays	53,000	-	53,000	19,762	-
Inventories	115,756	106,291	222,047	22,121	-
Deferred charges	536,669	828,276	1,364,945	-	174,400
Restricted cash	-	14,300,904	14,300,904	-	-
Capital assets:					
Nondepreciable	4,686,618	3,915,866	8,602,484	2,797,734	11,685
Depreciable, net	71,667,156	141,338,184	213,005,340	110,257,121	8,808,783
Total assets	<u>112,442,164</u>	<u>164,008,755</u>	<u>276,450,919</u>	<u>125,162,801</u>	<u>9,505,551</u>
<b>LIABILITIES</b>					
Accounts payable and other current					
liabilities	4,195,246	2,963,151	7,158,397	4,901,903	17,304
Accrued interest	939,678	914,421	1,854,099	-	173,329
Unearned revenue	799,634	-	799,634	-	-
Noncurrent liabilities:					
Due within one year	6,088,768	5,364,576	11,453,344	232,000	180,760
Due in more than one year	82,930,519	107,033,403	189,963,922	1,066,464	8,508,494
Total liabilities	<u>94,953,845</u>	<u>116,275,551</u>	<u>211,229,396</u>	<u>6,200,367</u>	<u>8,879,887</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	61,206,102	48,176,844	109,382,946	113,054,855	344,800
Unrestricted	(43,717,783)	(443,640)	(44,161,423)	5,907,579	280,864
Total net assets	<u>\$ 17,488,319</u>	<u>\$ 47,733,204</u>	<u>\$ 65,221,523</u>	<u>\$ 118,962,434</u>	<u>\$ 625,664</u>



**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

Exhibit 2

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
Functions/Programs	Expenses	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	\$ 4,450,987	\$ 269,955	\$ 227,259	\$ -	\$ (3,953,773)		\$ (3,953,773)		
Judicial administration	2,937,196	837,066	1,197,693	-	(902,437)		(902,437)		
Public safety	18,061,684	961,651	1,576,089	-	(15,523,944)		(15,523,944)		
Public works	11,502,592	1,193,772	4,570,451	1,904,428	(3,833,941)		(3,833,941)		
Health and welfare	7,659,067	61,555	4,876,840	-	(2,720,672)		(2,720,672)		
Education	25,383,157	-	-	-	(25,383,157)		(25,383,157)		
Parks, recreation, and culture	3,525,459	777,314	103,355	-	(2,644,790)		(2,644,790)		
Community development	2,077,685	279,155	541,412	-	(1,257,118)		(1,257,118)		
Interest on long-term debt	3,436,706	-	-	-	(3,436,706)		(3,436,706)		
Total governmental activities	79,034,533	4,380,468	13,093,099	1,904,428	(59,656,538)		(59,656,538)		
Business-type activities:									
Water and sewer	19,207,251	20,219,861	-	3,882,896	-	\$ 4,895,506	4,895,506		
Total business-type activities	19,207,251	20,219,861	-	3,882,896	-	4,895,506	4,895,506		
Total primary government	\$ 98,241,784	\$ 24,600,329	\$ 13,093,099	\$ 5,787,324	(59,656,538)	4,895,506	(54,761,032)		
<b>Component units:</b>									
School board	\$ 49,246,256	\$ 869,102	\$ 20,824,041	\$ 390,328				\$ (27,162,785)	\$ -
Parking authority	1,199,913	912,755	-	-				-	(287,158)
Total component unit	\$ 50,446,169	\$ 1,781,857	\$ 20,824,041	\$ 390,328				(27,162,785)	(287,158)
General revenues:									
Taxes:									
Property taxes					34,768,213	-	34,768,213	-	-
Sales taxes					8,485,685	-	8,485,685	-	-
Utility taxes					1,616,764	-	1,616,764	-	-
Business license taxes					5,678,324	-	5,678,324	-	-
Franchise taxes					302,554	-	302,554	-	-
Hotel and meals taxes					5,999,862	-	5,999,862	-	-
Communication taxes					2,142,639	-	2,142,639	-	-
Other local taxes					1,529,900	-	1,529,900	-	-
Gain on sale of property					386,296	-	386,296		
Miscellaneous					31,860	6,516	38,376	215,316	4,099
Payments from City					-	-	-	25,351,902	-
Grants and contributions not restricted to specific programs					3,007,083	-	3,007,083	-	-
Unrestricted investment earnings					138,851	32,925	171,776	73,813	3,244
Transfers					1,600,000	(1,600,000)	-	-	-
Total revenues and transfers					65,688,031	(1,560,559)	64,127,472	25,641,031	7,343
Change in net assets					6,031,493	3,334,947	9,366,440	(1,521,754)	(279,815)
Net assets - beginning					11,456,826	44,398,257	55,855,083	120,484,188	905,479
Net assets - ending					\$ 17,488,319	\$ 47,733,204	\$ 65,221,523	\$ 118,962,434	\$ 625,664

## FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 14,513,786	\$ 2,616,734	\$ 17,130,520
Investments	6,092,175	1,098,568	7,190,743
Receivables, net:			
Taxes, including penalties	2,305,866	-	2,305,866
Accounts	297,749	169,984	467,733
Notes	-	150,000	150,000
Prepays	-	40,000	40,000
Inventories	7,081	-	7,081
Due from other funds	918,000	-	918,000
Due from other governments	2,777,072	1,477,857	4,254,929
Total assets	<u>\$ 26,911,729</u>	<u>\$ 5,553,143</u>	<u>\$ 32,464,872</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 692,350	\$ 1,459,288	\$ 2,151,638
Deposits payable	80,712	-	80,712
Accrued payroll	845,637	215,960	1,061,597
Due to other funds	-	364,000	364,000
Deferred revenues	2,953,132	151,250	3,104,382
Total liabilities	<u>4,571,831</u>	<u>2,190,498</u>	<u>6,762,329</u>
Fund balances:			
Nonspendable	7,081	190,000	197,081
Restricted	476,780	-	476,780
Committed	1,300,000	-	1,300,000
Assigned	5,410,412	3,172,645	8,583,057
Unassigned	15,145,625	-	15,145,625
Total fund balances	<u>22,339,898</u>	<u>3,362,645</u>	<u>25,702,543</u>
Total liabilities and fund balances	<u>\$ 26,911,729</u>	<u>\$ 5,553,143</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.			76,334,272
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			2,304,748
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.			1,691,285
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			<u>(88,544,529)</u>
Net assets of governmental activities			<u>\$ 17,488,319</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 34,607,227	\$ -	\$ 34,607,227
Other local taxes	25,755,727	-	25,755,727
Permits, privilege fees, and regulatory licenses	252,950	-	252,950
Fines and forfeitures	274,147	-	274,147
Revenues from use of money and property	280,020	12,383	292,403
Charges for services	916,052	1,047,258	1,963,310
Miscellaneous	991,861	165,454	1,157,315
Recovered costs	861,526	69,141	930,667
Intergovernmental:			
Commonwealth	5,973,614	8,087,478	14,061,092
Federal	737,310	2,944,374	3,681,684
Total revenues	<u>70,650,434</u>	<u>12,326,088</u>	<u>82,976,522</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	4,304,202	-	4,304,202
Judicial administration	2,803,718	34,669	2,838,387
Public safety	17,118,801	910,188	18,028,989
Public works	3,150,423	6,558,258	9,708,681
Health and welfare	1,052,019	6,645,065	7,697,084
Education	25,383,157	-	25,383,157
Parks, recreation, and culture	3,151,966	212,175	3,364,141
Community development	1,888,738	220,863	2,109,601
Debt service:			
Principal retirement	5,519,489	-	5,519,489
Interest and fiscal charges	3,435,326	-	3,435,326
Bond issuance costs	235,527	-	235,527
Total expenditures	<u>68,043,366</u>	<u>14,581,218</u>	<u>82,624,584</u>
Excess (deficiency) of revenues over expenditures	<u>2,607,068</u>	<u>(2,255,130)</u>	<u>351,938</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Gain on sale of property	386,296	-	386,296
Insurance recoveries	31,860	-	31,860
Proceeds from bond issuance	27,217,364	-	27,217,364
Proceeds from premium on bond issuance	3,995,350	-	3,995,350
Payment to refunded bond escrow agent	(30,975,567)	-	(30,975,567)
Transfers in	1,667,332	3,576,123	5,243,455
Transfers out	(3,576,123)	(67,332)	(3,643,455)
Total other financing sources and uses	<u>(1,253,488)</u>	<u>3,508,791</u>	<u>2,255,303</u>
Net change in fund balances	1,353,580	1,253,661	2,607,241
Fund balance - beginning	<u>20,986,318</u>	<u>2,108,984</u>	<u>23,095,302</u>
Fund balance - ending	<u>\$ 22,339,898</u>	<u>\$ 3,362,645</u>	<u>\$ 25,702,543</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, 2012**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 2,607,241
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 \$1,609,044 exceeded depreciation \$4,024,748 in the current period.	(2,415,704)
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.	(52,772)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	71,348
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	5,499,490
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.	(282,990)
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.	604,880
Change in net assets of governmental activities	<u>\$ 6,031,493</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, 2012**

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 34,209,500	\$ 34,578,500	\$ 34,607,227	\$ 28,727
Other local taxes	24,968,500	25,891,500	25,755,727	(135,773)
Permits, privilege fees, and regulatory licenses	274,500	274,500	252,950	(21,550)
Fines and forfeitures	152,000	276,000	274,147	(1,853)
Revenues from use of money and property	400,500	280,500	280,020	(480)
Charges for services	902,500	990,500	916,052	(74,448)
Miscellaneous	854,000	976,595	991,861	15,266
Recovered costs	736,000	865,450	861,526	(3,924)
Intergovernmental:				
Commonwealth	5,804,500	6,049,500	5,973,614	(75,886)
Federal	931,000	771,533	737,310	(34,223)
Total revenues	69,233,000	70,954,578	70,650,434	(304,144)
<b>EXPENDITURES</b>				
Current:				
General government administration:				
Legislative	122,800	122,800	122,116	684
General and financial administration	4,040,478	4,389,551	4,011,693	377,858
Board of elections	178,700	178,700	170,393	8,307
Total general government administration	4,341,978	4,691,051	4,304,202	386,849
Judicial administration:				
Courts	1,812,500	1,813,400	1,801,686	11,714
Commonwealth attorney	996,700	1,002,800	1,002,032	768
Total judicial administration	2,809,200	2,816,200	2,803,718	12,482
Public safety:				
Law enforcement and traffic control	7,095,500	7,310,316	7,224,442	85,874
Fire and rescue services	4,382,706	4,517,106	4,503,618	13,488
Correction and detention	3,753,963	3,757,890	3,711,977	45,913
Inspections	458,900	458,900	436,400	22,500
Other protection	1,162,500	1,294,020	1,242,364	51,656
Total public safety	16,853,569	17,338,232	17,118,801	219,431
Public Works:				
Maintenance of highways, streets, bridges and sidewalks	56,400	86,100	70,587	15,513
Sanitation and waste removal	1,245,100	1,245,100	1,217,528	27,572
Maintenance of buildings and grounds	2,055,400	2,025,700	1,862,308	163,392
Total public works	3,356,900	3,356,900	3,150,423	206,477
Health and welfare:				
Health	278,072	278,072	278,072	-
Chapter X board	183,307	183,307	183,307	-
Welfare/Human Services	623,000	623,000	590,640	32,360
Total Health and Welfare	1,084,379	1,084,379	1,052,019	32,360
Education:				
Contributions to community college	31,255	31,255	31,255	-
Contributions to School Board	25,351,902	25,351,902	25,351,902	-
Total Education	25,383,157	25,383,157	25,383,157	-
Parks, recreation, and cultural:				
Parks and recreation	2,474,800	2,631,727	2,571,319	60,408
Cultural enrichment	110,100	147,225	146,913	312
Contribution to Regional Library	437,026	437,026	433,734	3,292
Total parks, recreation, and cultural	3,021,926	3,215,978	3,151,966	64,012

continued

## Exhibit 6 (Cont'd)

Variance with  
Final Budget -  
Positive  
(Negative)



**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

Exhibit 7

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash	\$ 284,157	\$ 2,255,382
Investments	119,295	819,452
Accounts receivable, net	3,141,457	103,938
Prepays	-	13,000
Due from other governments	678,727	-
Inventories	106,291	108,675
Total current assets	<u>4,329,927</u>	<u>3,300,447</u>
Noncurrent assets:		
Restricted cash	14,300,904	-
Deferred charges	828,276	-
Capital assets:		
Nondepreciable	3,915,866	-
Depreciable, net	141,338,184	19,502
Total capital assets, net	<u>145,254,050</u>	<u>19,502</u>
Total noncurrent assets	<u>160,383,230</u>	<u>19,502</u>
Total assets	<u>164,713,157</u>	<u>3,319,949</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	2,585,705	888,347
Customer deposits	223,583	-
Accrued payroll	153,863	12,952
Accrued interest	914,421	-
Due to other funds	554,000	-
Compensated absences	15,000	-
Bonds payable and other obligations - current	5,349,576	-
Total current liabilities	<u>9,796,148</u>	<u>901,299</u>
Noncurrent liabilities:		
Compensated absences	176,593	28,690
Net OPEB obligation	-	849,077
Bonds payable and other obligations	106,856,810	-
Total noncurrent liabilities	<u>107,033,403</u>	<u>877,767</u>
Total liabilities	<u>116,829,551</u>	<u>1,779,066</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	48,176,844	19,502
Unrestricted	(293,238)	1,521,381
Total net assets	47,883,606	<u>\$ 1,540,883</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(150,402)</u>	
Net assets of business-type activities	<u>\$ 47,733,204</u>	

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

Exhibit 8

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
<b>OPERATING REVENUES</b>		
Revenue from use of property	\$ 3,316	\$ -
Charges for services	16,198,511	6,069,786
Miscellaneous	6,516	-
Recovered costs	4,018,034	-
Total operating revenues	<u>20,226,377</u>	<u>6,069,786</u>
<b>OPERATING EXPENSES</b>		
Personal services	3,837,723	591,642
Contractual services	4,683,467	196,949
Other supplies and expenses	3,778,238	854,826
Insurance claims and expenses	-	3,748,619
Depreciation	3,446,854	1,525
Total operating expenses	<u>15,746,282</u>	<u>5,393,561</u>
Operating income	<u>4,480,095</u>	<u>676,225</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	32,925	10,050
Interest and fiscal charges	(3,394,961)	-
Loss on disposal of capital assets	(147,403)	-
Total nonoperating revenues (expenses)	<u>(3,509,439)</u>	<u>10,050</u>
Income before contributions and transfers	970,656	686,275
Capital contributions	3,882,896	-
Transfers out	(1,600,000)	-
Change in net assets	3,253,552	686,275
Total net assets - beginning	<u>44,630,054</u>	<u>854,608</u>
Total net assets - ending	<u>\$ 47,883,606</u>	<u>\$ 1,540,883</u>
Change in net assets	\$ 3,253,552	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>81,395</u>	
Change in net assets of business-type activities	<u>\$ 3,334,947</u>	

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

Exhibit 9

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 15,397,108	\$ 5,979,368
Cash paid to suppliers	(8,629,746)	(1,106,326)
Cash paid to employees	(3,798,170)	(323,875)
Premiums paid	-	(3,765,703)
Other receipts	4,027,866	-
Net cash provided by operating activities	6,997,058	783,464
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund borrowing	554,000	-
Transfer to other funds	(1,600,000)	-
Net cash used in noncapital financing activities	(1,046,000)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	27,324,831	-
Acquisition and construction of capital assets	(8,123,844)	-
Principal paid on capital debt	(8,594,917)	-
Interest paid on capital debt	(4,546,815)	-
Bond issue costs	(233,156)	-
Net cash provided by capital and related financing activities	5,826,099	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	32,925	10,050
Net cash provided by investing activities	32,925	10,050
Net increase in cash and cash equivalents	11,810,082	793,514
Cash and cash equivalents - beginning of year	2,894,274	2,281,320
Cash and cash equivalents - end of year	\$ 14,704,356	\$ 3,074,834
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:</b>		
Cash	\$ 284,157	\$ 2,255,382
Cash equivalents - investments	119,295	819,452
Restricted cash	14,300,904	-
Total	\$ 14,704,356	\$ 3,074,834

cont'd

## Exhibit 9 (Cont'd)

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

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2012**

Exhibit 10

	Total Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash	\$ 645,775
Investments	834,996
Accounts receivable	149,259
Prepays	2,000
Total assets	<u>\$ 1,632,030</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 25,021
Accrued payroll	81,444
Amounts held for human services clients	12,921
Amounts held for NRJA	571,291
Amounts held for NRJDC	941,353
Total liabilities	<u>\$ 1,632,030</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 eight-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

*Discretely Presented Component Units:*

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

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

Separate financial statements of these component units are not available.

*Jointly Governed Organizations:*

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning, and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services. The City has certain long-term obligations with the Authority that are described further in Note 10.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Reporting Entity (Continued)**

*Jointly Governed Organizations (Continued):*

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During 2012, the City provided total support of \$55,179.

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants must subsidize operations and capital needs. During 2012, the City provided total support of \$215,127.

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

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

Winchester Regional Airport Authority  
491 Airport Road  
Winchester, VA 22602

Northwestern Juvenile Detention Center Commission  
145 Fort Collier Road  
Winchester, VA 22603

*Other Related Organizations:*

The Economic Development Authority of the City of Winchester was created by Council resolution to promote industry and trade within the City. A board of seven directors appointed by the City Council governs the Authority; however, the City's accountability does not extend beyond making the appointments.

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided \$433,734 to the Board for operating support for 2012.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

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

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

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

*Internal service funds* account for employee fringes, equipment inventory, and other post-employment benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the employee benefits fund, equipment operating fund and other post-employment benefits fund.

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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.

**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, 2012**

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

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

*Receivables and Payables*

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

*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.

During the year, the City loaned \$150,000 to the South End Fire Company through the Emergency Medical Services Fund to assist with volunteer firefighting and emergency response needs. The loan is to be repaid in equal monthly installments of \$1,250 beginning January 1, 2013 until maturity on December 1, 2022. The note does not bear any interest.

*Inventories and Prepaid Items*

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

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

*Property Taxes*

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

Levy Date  
Due Date

January 1  
June 5/December 5

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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  
Due Date

Date on which legal situs is attained  
Thirty days after assessment

*Allowance for Uncollectible Accounts*

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

General fund (property taxes, penalties, and interest)	\$ 1,618,107
Emergency medical service fund	120,819
Water and sewer fund	<u>52,384</u>
	<u><u>\$ 1,791,310</u></u>

*Use of Estimates*

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

*Capital Assets*

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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. \$959,217 of interest was capitalized during the current year.

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

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

*Compensated Absences*

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

*Long-term Obligations*

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

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

*Fund Balances*

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

The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. Only City Council may modify or rescind the commitment.
- **Assigned** - Amounts the City intends to use for a specified purpose; intent can be expressed by City Council or by the City Manager or Finance Director, who has been designated this Authority.
- **Unassigned** –Amounts that are available for any purpose; positive amounts are reported only in the general fund.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

*Restricted Amounts*

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

*Minimum Fund Balance Policy*

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

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

*Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2012 total \$45,952 in the general fund, \$49,361 in the capital improvements fund, \$78,000 in the bus fund, \$245,127 in the school capital improvements fund, \$246,223 in the school textbook fund, \$18,296 in the school federal grants fund, and \$38,375 in the school operating fund.

*Net Assets*

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

*School Board Debt/Capital Asset Reporting*

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



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Bonds payable	\$ 84,848,790	\$ -
Less: Unamortized bond issue costs	(536,669)	-
Less: Deferred charge on refunding	(3,700,146)	-
Plus: Issuance premium	4,772,297	-
Accrued interest payable	939,678	-
Compensated absences	<u>2,220,579</u>	<u>1,298,464</u>
	<u><u>\$ 88,544,529</u></u>	<u><u>\$ 1,298,464</u></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	\$ 1,540,883
Add: Internal receivable representing costs in excess of charges to business-type activities – prior years	69,007
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	<u>81,395</u>
	<u><u>\$ 1,691,285</u></u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

	<b><u>Primary Government</u></b>
Principal repayments	\$ 5,519,489
Proceeds from bond issuance	(27,217,364)
Proceeds from premium on bond issuance	(3,995,350)
Payment to refunding escrow agent	30,975,567
Capitalization of bond issuance costs	235,527
Amortization of debt issuance costs	(211,409)
Amortization of issuance premium	836,058
Amortization of deferred charge on refunding	(372,569)
Gain on debt refunding	<u>(270,459)</u>
	<u><u>\$ 5,499,490</u></u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Compensated absences	\$ (299,989)	\$ 34,602
Accrued interest	16,999	-
	<u>\$ (282,990)</u>	<u>\$ 34,602</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	\$ 686,275
Add: Loss from costs in excess of charges to business-type activities	<u>(81,395)</u>
	<u>\$ 604,880</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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	\$ (231,797)
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>81,395</u>
	<u><u>\$ (150,402)</u></u>

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

**Budgetary Information**

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 \$1,780,278 in the general fund, and no changes in the school operating fund.

**Note 4. Deposits and Investments**

**Deposits**

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

**Investments**

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

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

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

Investment Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
Federal Agency Bonds and Notes	\$ 9,010,290	AAA	3.81
Corporate Bonds	2,027,500	AAA	1.52
Mutual Funds	518,617	AA- to AA	N/A
LGIP	314,670	AAAm	0.12
SNAP	14,870,195	AAAm	N/A
Total investments	<u>\$ 26,741,272</u>		

\* - Average Maturity in Years

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 4. Deposits and Investments**

**Investments (Continued)**

**Concentration of Credit Risk:**

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

<u>Issuer</u>	<u>Percent of Total Portfolio</u>
SNAP	55.61%
Federal National Mortgage Association	22.46%
General Electric Capital Corporation	7.58%

**Interest Rate Risk:**

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

	<u>Component Units</u>		
	<u>Primary Government</u>	<u>School Board</u>	<u>Winchester Parking Authority</u>
Deposits and investments:			
Cash on hand	\$ 3,475	\$ -	\$ -
Deposits	20,312,359	6,790,198	357,993
Investments	23,265,390	3,327,757	148,125
	<u>\$ 43,581,224</u>	<u>10,117,955</u>	<u>\$ 506,118</u>
Statement of net assets:			
Cash	\$ 19,670,059	\$ 6,465,263	\$ 357,993
Investments	8,129,490	2,713,785	148,125
Restricted cash	14,300,904	-	-
Fiduciary:			
Cash and cash equivalents	645,775	324,935	-
Investments	834,996	613,972	-
	<u>\$ 43,581,224</u>	<u>\$ 10,117,955</u>	<u>\$ 506,118</u>

**Restricted Cash:**

Restricted cash consists of unspent bond proceeds related to the Series 2011B bond issuance.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 5. Due from Other Governments**

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

	<b>Primary Government</b>	<b>Component Unit – School Board</b>
Commonwealth of Virginia:		
State sales tax	\$ -	\$ 597,529
Title VI-B	-	110,063
Title I	-	181,552
Other state school funds	-	559,873
Local sales tax	1,381,091	-
Transit grants	458,339	-
Welfare grants	466,323	-
Communication tax	181,256	-
State Revenue Sharing - VDOT	268,275	-
Community development block grant	202,817	-
Other state funds	1,652,906	-
Total due from the Commonwealth	<u>4,611,007</u>	<u>1,449,017</u>
Frederick County:		
Joint Judicial Center – debt service	158,315	-
Joint Judicial Center – operating expenses	164,334	-
Total due from other governments	<u><u>\$ 4,933,656</u></u>	<u><u>\$ 1,449,017</u></u>

**Note 6. Promise to Give**

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

Receivable in less than one year	\$ 192,120
Receivable in one to five years	849,807
Receivable in five to ten years	485,000
Receivable in ten to fifteen years	293,435
Receivable in fifteen to twenty years	10,500
Total unconditional promises to give	1,830,862
Less discounts to present value	(419,156)
Net unconditional promises to give	<u><u>\$ 1,411,706</u></u>

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

**Primary Government**

Due to general fund from:

Non-major governmental funds	\$ 364,000
Water and sewer fund	<u>554,000</u>

Total due to general fund from other funds for cash advances	<u><u>\$ 918,000</u></u>
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**Component Unit – School Board**

Due to school operating fund from:

Federal grants fund	<u>\$ 229,718</u>
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Total due to school operating fund from other funds for cash advances	<u><u>\$ 229,718</u></u>
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Inter-fund transfers for the year ended June 30, consisted of the following:

**Primary Government**

Transfers to general fund from:

Water and sewer fund	\$ 1,600,000
Non-major governmental funds	<u>67,332</u>

Total transfers to general fund	<u><u>\$ 1,667,332</u></u>
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Transfers to non-major governmental funds from:

General fund	<u><u>\$ 3,576,123</u></u>
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Transfers to school capital improvement fund from:

School operating fund	<u><u>\$ 1,545,122</u></u>
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Transfers to non-major governmental funds from:

School operating fund	<u><u>\$ 300,000</u></u>
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**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

**Note 8. Capital Assets**

**Primary Government**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital asset, not being depreciated:				
Land	\$ 4,285,693	\$ 66,817	\$ (33,270)	\$ 4,319,240
Construction in progress	168,385	215,724	(16,731)	367,378
Total capital assets not being depreciated	<u>4,454,078</u>	<u>282,541</u>	<u>(50,001)</u>	<u>4,686,618</u>
Capital assets, being depreciated:				
Buildings	29,919,840	-	-	29,919,840
Improvements other than buildings	6,335,829	103,360	-	6,439,189
Infrastructure	61,046,323	408,185	(10,000)	61,444,508
Equipment	11,350,942	831,689	(299,914)	11,882,717
Total capital assets being depreciated	<u>108,652,934</u>	<u>1,343,234</u>	<u>(309,914)</u>	<u>109,686,254</u>
Less accumulated depreciation for:				
Buildings	(8,354,807)	(612,022)	-	(8,966,829)
Improvements other than buildings	(2,997,894)	(169,336)	-	(3,167,230)
Infrastructure	(15,309,317)	(2,339,828)	10,000	(17,639,145)
Equipment	(7,621,219)	(905,087)	280,412	(8,245,894)
Total accumulated depreciation	<u>(34,283,237)</u>	<u>(4,026,273)</u>	<u>290,412</u>	<u>(38,019,098)</u>
Total capital assets being depreciated, net	<u>74,369,697</u>	<u>(2,683,039)</u>	<u>(19,502)</u>	<u>71,667,156</u>
Governmental activities capital assets, net	<u>\$ 78,823,775</u>	<u>\$ (2,400,498)</u>	<u>\$ (69,503)</u>	<u>\$ 76,353,774</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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	\$ 134,243
Judicial administration	174,108
Public safety	505,628
Public works	2,789,687
Health and welfare	18,567
Parks, recreation, and cultural	395,745
Community development	<u>8,295</u>
Total depreciation expense – governmental activities	<u>\$ 4,026,273</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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	36,524,091	2,431,272	(36,240,982)	2,714,381
Total capital assets not being depreciated	<u>37,725,576</u>	<u>2,431,272</u>	<u>(36,240,982)</u>	<u>3,915,866</u>
Capital assets, being depreciated:				
Treatment plants	3,718,119	41,256,920	-	44,975,039
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	93,018,345	5,989,007	(249,966)	98,757,386
Equipment	2,627,098	73,681	(16,744)	2,684,035
FWSA purchased capacity	27,403,547	-	-	27,403,547
Total capital assets being depreciated	<u>126,885,946</u>	<u>47,319,608</u>	<u>(266,710)</u>	<u>173,938,844</u>
Less accumulated depreciation for:				
Treatment plants	(2,030,229)	(452,443)	-	(2,482,672)
Improvements other than buildings	(113,396)	(455)	-	(113,851)
Infrastructure	(20,631,768)	(1,433,770)	102,563	(21,962,975)
Equipment	(1,152,122)	(190,008)	16,744	(1,325,386)
FWSA purchased capacity	(5,345,598)	(1,370,178)	-	(6,715,776)
Total accumulated depreciation	<u>(29,273,113)</u>	<u>(3,446,854)</u>	<u>119,307</u>	<u>(32,600,660)</u>
Total capital assets being depreciated, net	<u>97,612,834</u>	<u>43,872,754</u>	<u>(147,403)</u>	<u>141,338,184</u>
Business-type activities capital assets, net	<u>\$ 135,338,410</u>	<u>\$ 46,304,026</u>	<u>\$ (36,388,385)</u>	<u>\$ 145,254,050</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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	\$ 3,446,854
Total depreciation expense – business-type activities	<u>\$ 3,446,854</u>

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

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

**Construction Commitments:**

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

	<b><u>Total Contracts</u></b>	<b><u>Total Payments</u></b>	<b><u>Future Amounts to be Expended</u></b>
Water and sewer fund:			
Amherst Project	\$ 5,037,403	\$ 2,293,082	\$ 2,744,321
North End Project	5,071,637	3,482,956	1,588,681
Total	<u>\$ 10,109,040</u>	<u>\$ 5,776,038</u>	<u>\$ 4,333,002</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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	<u>-</u>	<u>489,764</u>	<u>-</u>	<u>489,764</u>
Total capital assets not being depreciated	<u>2,307,970</u>	<u>489,764</u>	<u>-</u>	<u>2,797,734</u>
Capital assets, being depreciated:				
Buildings	129,421,433	184,188	(5,272)	129,600,349
Improvements other than buildings	2,204,523	284,353	-	2,488,876
Equipment	<u>5,944,117</u>	<u>371,774</u>	<u>(144,253)</u>	<u>6,171,638</u>
Total capital assets being depreciated	<u>137,570,073</u>	<u>840,315</u>	<u>(149,525)</u>	<u>138,260,863</u>
Less accumulated depreciation for:				
Buildings	(19,234,035)	(2,521,861)	5,272	(21,750,624)
Improvements other than buildings	(1,753,765)	(38,939)	-	(1,792,704)
Equipment	<u>(4,197,534)</u>	<u>(392,330)</u>	<u>129,450</u>	<u>(4,460,414)</u>
Total accumulated depreciation	<u>(25,185,334)</u>	<u>(2,953,130)</u>	<u>134,722</u>	<u>(28,003,742)</u>
Total capital assets being depreciated, net	<u>112,384,739</u>	<u>(2,112,815)</u>	<u>(14,803)</u>	<u>110,257,121</u>
School board capital assets, net	<u><u>\$ 114,692,709</u></u>	<u><u>\$ (1,623,051)</u></u>	<u><u>\$ (14,803)</u></u>	<u><u>\$ 113,054,855</u></u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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
Construction in progress	59,352	-	(59,352)	-
	<u>71,037</u>	<u>-</u>	<u>(59,352)</u>	<u>11,685</u>
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	662,448	90,519	(8,324)	744,643
	<u>10,470,026</u>	<u>90,519</u>	<u>(8,324)</u>	<u>10,552,221</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(1,280,952)	(194,849)	-	(1,475,801)
Improvements other than buildings	(55,888)	(291)	-	(56,179)
Equipment	(163,055)	(56,727)	8,324	(211,458)
	<u>(1,499,895)</u>	<u>(251,867)</u>	<u>8,324</u>	<u>(1,743,438)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>8,970,131</u>	<u>(161,348)</u>	<u>-</u>	<u>8,808,783</u>
Parking Authority capital assets, net	<u>\$ 9,041,168</u>	<u>\$ (161,348)</u>	<u>\$ (59,352)</u>	<u>\$ 8,820,468</u>

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

Governmental activities:	
School Board – Education	<u>\$ 2,953,130</u>
Business-type activities:	
Parking Authority – Public works	<u>\$ 251,867</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 9. Deferred Revenue**

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 1,995,183	\$ -	\$ 1,995,183
Deferred joint judicial commission, representing uncollected debt service billings (General Fund)	158,315	-	158,315
Deferred EMS transportation charges, representing uncollected EMS billings (Special Revenue Fund)	151,250	-	151,250
Property taxes paid in advance, representing property taxes not yet due (General Fund)	<u>-</u>	<u>799,634</u>	<u>799,634</u>
Total deferred revenue for governmental funds	<u>\$ 2,304,748</u>	<u>\$ 799,634</u>	<u>\$ 3,104,382</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 10. Long-Term Debt**

**Primary Government**

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

<b><u>Governmental Activities</u></b>		
<b><u>General Obligation Bonds</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2013	\$ 5,947,447	\$ 3,563,488
2014	5,960,007	3,339,789
2015	5,575,624	3,100,838
2016	5,433,713	2,859,255
2017	5,625,858	2,617,934
2018-2022	30,427,223	9,024,031
2023-2027	25,353,917	2,662,812
2028-2032	525,001	13,125
	<b><u>\$ 84,848,790</u></b>	<b><u>\$ 27,181,272</u></b>

<b><u>Business-type Activities</u></b>						
<b><u>General Obligation Bonds</u></b>		<b><u>Revenue Bonds</u></b>		<b><u>Obligations Payable FWSA</u></b>		
<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	
2013	\$ 1,825,261	\$ 943,779	\$ 1,715,000	\$ 3,247,700	\$ 1,527,186	\$ 740,832
2014	1,900,293	869,451	2,437,220	3,204,202	1,473,467	686,516
2015	1,823,606	790,320	2,538,195	3,102,309	1,530,483	629,429
2016	1,810,855	709,260	2,649,197	2,988,803	1,585,769	566,641
2017	1,960,522	627,969	2,775,231	2,861,204	684,043	518,871
2018-2022	8,897,234	1,779,765	15,972,787	12,151,226	3,292,407	2,208,331
2023-2027	3,841,084	387,252	19,953,737	7,691,635	3,105,849	1,621,963
2028-2032	-	-	17,057,663	2,212,379	3,258,499	959,308
2033-2037	-	-	1,490,000	35,931	1,782,000	430,150
2038-2039	-	-	-	-	840,599	41,446
	<b><u>\$ 22,058,855</u></b>	<b><u>\$ 6,107,796</u></b>	<b><u>\$ 66,589,030</u></b>	<b><u>\$ 37,495,389</u></b>	<b><u>\$ 19,080,302</u></b>	<b><u>\$ 8,403,487</u></b>



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Primary Government (Continued)**

**Changes in Long-Term Debt**

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 90,109,540	\$ 27,217,364	\$ 32,478,114	\$ 84,848,790	\$ 5,947,447
Unamortized bond premium	1,613,005	3,995,350	836,058	4,772,297	422,670
Unamortized deferred amounts on refunding	(326,231)	(3,746,484)	(372,569)	(3,700,146)	(358,349)
Compensated absences	1,940,967	385,302	77,000	2,249,269	77,000
Net OPEB obligation	591,077	258,000	-	849,077	-
Governmental activities long-term liabilities	<u>\$ 93,928,358</u>	<u>\$ 28,109,532</u>	<u>\$ 33,018,603</u>	<u>\$ 89,019,287</u>	<u>\$ 6,088,768</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	\$ 23,779,501	\$ 4,487,636	\$ 6,208,282	\$ 22,058,855	\$ 1,825,261
Revenue bonds	47,610,000	20,224,030	1,245,000	66,589,030	1,715,000
Obligations payable	20,221,937	-	1,141,635	19,080,302	1,527,186
Unamortized bond premium	2,446,386	3,225,279	448,119	5,223,546	376,099
Unamortized deferred amounts on refunding	(234,076)	(612,114)	(100,843)	(745,347)	(93,970)
Compensated absences	174,600	31,993	15,000	191,593	15,000
Business-type activities long-term liabilities	<u>\$ 93,998,348</u>	<u>\$ 27,356,824</u>	<u>\$ 8,957,193</u>	<u>\$ 112,397,979</u>	<u>\$ 5,364,576</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, \$28,690 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund and special revenue funds.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Primary Government (Continued)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
<b><u>Details of Long-Term Indebtedness</u></b>		
General Obligation Bonds:		
\$10,000,000 General Obligation Public Improvement Bonds, Series of 1999A, issued June 16, 1999, maturing annually beginning June 1, 2000 through June 3, 2019, interest payable semi-annually at 4.86% Purpose: General and Utilities capital projects	\$ 2,301,322	\$ 2,301,322
\$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	2,503,050	3,601,950
\$6,320,000 General Obligation Public Improvement Refunding Bonds, Series of 2002B, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2014, interest payable semi-annually at 3.30%. Purpose: Utilities and School capital projects	1,228,000	307,000
\$9,595,000 General Obligation Public Improvement Bonds, Series of 2003, issued December 18, 2003, maturing annually beginning September 1, 2004 through September 1, 2015, interest payable semi-annually at 3.79% Purpose: General, Utilities and School capital projects	832,167	357,833
\$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, 2020, interest payable semi-annually at 3.77%. Purpose: General, Utilities, and School capital projects	10,776,887	4,558,114
\$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	18,050,000	2,865,000

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Primary Government (Continued)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
<b><u>Details of Long-Term Indebtedness (Continued)</u></b>		
\$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	\$ 15,745,000	\$ 3,580,000
\$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	6,195,000	-
\$31,705,000 General Obligation Public Improvement and Refunding Bond, Series 2011, issued September 8, 2011, maturing annually beginning September 1, 2012 through September 1, 2023, interest payable semi-annually at rates of 2.0-4.0%. Purpose: General, Utilities, and School capital projects	<u>27,217,364</u>	<u>4,487,636</u>
Total General Obligation Bonds	<u><u>\$ 84,848,790</u></u>	<u><u>\$ 22,058,855</u></u>
<b>Revenue Bonds:</b>		
\$12,100,000 Virginia Resources Authority Revenue Bond, Series of 2008, issued November 21, 2008, maturing annually beginning October 1, 2010 through October 1, 2028 interest payable semi-annually at rates of 3.125-5.375%. Purpose: Utilities capital projects	\$ -	\$ 11,250,000
\$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	-	11,095,000

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Primary Government (Continued)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
<b><u>Details of Long-Term Indebtedness (Continued)</u></b>		
\$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	-	11,855,000
\$12,165,000 Virginia Resources Authority Revenue Bond, Series of 2010C, issued November 1, 2010, maturing annually beginning October 1, 2012 through October 1, 2031 interest payable semi-annually at rates of 4.200%-6.041%. Purpose: Utilities capital projects	-	12,165,000
\$1,500,000 Virginia Resources Authority Revenue Bond, Series 2011A, issued October 25, 2011, maturing semi-annually beginning September 1, 2013 through September 1, 2042, interest payable semi-annually at 3.00%. Balance of bond is based on principal advances made by the City not to exceed \$1,500,000. At June 30, 2012, the City was still able to request advances of \$745,970	-	754,030
\$19,470,000 Virginia Resources Authority Revenue Bond, Series 2011B, issued October 16, 2011, maturing annually beginning October 1, 2013 through October 1, 2032, interest payable semi-annually at rates of 3.44%-5.125%. Purpose: Utilities capital projects.	-	19,470,000
Total Revenue Bonds	<u>\$ -</u>	<u>\$ 66,589,030</u>
<b>Obligations Payable – FWSA:</b>		
\$26,452,442 FWSA Opequen Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2038 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects	<u>\$ -</u>	<u>\$ 19,080,302</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Frederick-Winchester Service Authority (FWSA) treatment plant rights

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

**Current Year Refunding of Debt**

In September 2011, the City issued \$31,705,000 in general obligation bonds with an average interest rate of 4.00%. These bonds were issued to refund approximately \$31,410,000 in outstanding bonds including bond issuances in 2002, and partial refunding of bonds issued in 2003, 2004, and 2005. The net proceeds of the refunding were \$36,350,037 (including \$4,645,037 in bond premium and payment of \$277,060 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from the new debt with the difference between the reacquisition price and the net carrying amount of the old debt being deferred and amortized over the life of the new debt in proportion to the stated interest due on the new debt. Approximately \$28,910,000 remains outstanding at June 30, 2012 related to the partially defeased bonds described above.

The City refunded these bonds to reduce its total debt service over the next 12 years by \$1,397,126 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,221,025.

**School Board**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities - School Board</b>					
Compensated absences	\$ 1,333,066	\$ 197,398	\$ 232,000	\$ 1,298,464	\$ 232,000
School board long-term liabilities	\$ 1,333,066	\$ 197,398	\$ 232,000	\$ 1,298,464	\$ 232,000

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Long-Term Debt (Continued)**

**Parking Authority**

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

	<u>Parking Authority</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 165,000	\$ 414,588
2014	175,000	406,938
2015	180,000	398,500
2016	190,000	389,250
2017	200,000	379,500
2018-2022	1,160,000	1,733,250
2023-2027	1,480,000	1,404,500
2028-2032	1,885,000	986,125
2033-2037	2,410,000	451,750
2038	<u>555,000</u>	<u>13,875</u>
	<u>\$ 8,400,000</u>	<u>\$ 6,578,276</u>

**Changes in Long-Term Debt**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Business-type Activities – Component Unit Parking Authority</b>					
Revenue bond	\$ 8,560,000	\$ -	\$ 160,000	\$ 8,400,000	\$ 165,000
Unamortized bond premium	266,106	-	16,038	250,068	15,760
Compensated absences	<u>31,560</u>	<u>7,626</u>	<u>-</u>	<u>39,186</u>	<u>-</u>
Parking authority long-term liabilities	<u>\$ 8,857,666</u>	<u>\$ 7,626</u>	<u>\$ 176,038</u>	<u>\$ 8,689,254</u>	<u>\$ 180,760</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

\$ 8,400,000

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 11. Contingent Liabilities**

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

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

**Note 12. Virginia Retirement System**

Plan Description

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Plan Description (continued)

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2012 was 9.34% of annual covered payroll. The School Board contribution rate for 2012 was 8.16% of annual covered payroll of non-professional employees, and 6.33% to the teacher cost-sharing pool.

The School Board's required contributions to the teacher cost-sharing pool were \$1,528,934 for 2012, \$2,129,064 for 2011, and \$1,478,296 for 2010. In each year, the School Board contributed 100% of the required contributions.



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Annual Pension Cost

For 2012, the City and School Board's annual pension cost was equal to the required and actual contributions.

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

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2012	\$ 1,924,048	100%	\$ -
June 30, 2011	\$ 1,854,902	100%	\$ -
June 30, 2010	\$ 1,878,179	100%	\$ -

**Three-Year Trend Information**  
**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, 2012	\$ 149,625	100%	\$ -
June 30, 2011	\$ 239,975	100%	\$ -
June 30, 2010	\$ 145,131	100%	\$ -

The 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 members and \$2.25% per year for Plan members. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.2% and 81.9% funded for the City and the School Board (non-professional employees), respectively. The actuarial accrued liability for benefits was \$80,339,762 and \$5,978,413, and the actuarial value of assets was \$61,204,572 and \$4,898,052, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,135,190 and \$1,080,361 for the City and the School Board (non-professional employees), respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$20,700,320 and \$1,840,586, and ratio of the UAAL to the covered payroll was 92.4% and 58.7% for the City and the School Board (non-professional employees).

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

**VRS Health Insurance Credit**

Plan Description

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**VRS Health Insurance Credit (Continued)**

Funding Policy and Annual Benefit Contribution

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute actuarial percentage of their annual reported compensation of the VRS for the retiree health insurance credit. The City and the School Board (non-professional employees) have assumed this contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2012 was 0.15% of annual covered payroll. The School Board contribution rate for 2012 was 0.34% of annual covered payroll of non-professional employees.

Actuarial Methods and Assumptions

The required contributions for the City and the School Board (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2009 using the entry age normal cost method. The actuarial assumptions at June 30, 2009 included (a) 7.50% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City and the School Board (non-professional) assets are equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 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, 2012	\$ 30,900	100%	\$ -
June 30, 2011	\$ 29,790	100%	\$ -
June 30, 2010	\$ 68,152	100%	\$ -

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 6,231	100%	\$ -
June 30, 2011	\$ 6,200	100%	\$ -
June 30, 2010	\$ 10,068	100%	\$ -

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**VRS Health Insurance Credit (Continued)**

Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the VRS health insurance credit program was 52.5% and 56.2% funded. The actuarial liability for the City and School Board (non-professional employees) benefits were \$493,667 and \$75,474 respectively, and the actuarial value of assets was \$259,346 and \$42,446, resulting in an unfunded actuarial liability (UAAL) of \$234,321 and \$33,028 for the City and the School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$16,747,717 and \$1,840,586, and ratio of the UAAL to the covered payroll was 1.4% and 1.8% for the City and the School Board (non-professional employees).

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

**Note 13. Risk Management**

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

The City and School Board are partially self-insured for health and dental insurance coverage for their respective employees, and account for the uninsured risks of loss within Internal Service Funds. From the Internal Service Funds, the City and School Board pay up to the annual stop loss limit of \$75,000 and \$90,000 per person, respectively, and purchase commercial insurance for claims in excess of such limits. The City and School Board make payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. Excess amounts accumulated are reserved for the possibility of future catastrophic losses. As of July 1, 2012 the School Board is no longer self insured for health insurance claims.

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

<b>Three-Year Trend Information - City</b>				
<b>Fiscal Year Ending</b>	<b>Beginning Liability</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Ending Liability</b>
June 30, 2012	\$ 275,715	\$ 2,645,823	\$ 3,209,853	\$ 288,315
June 30, 2011	458,064	2,609,478	3,343,257	275,715
June 30, 2010	583,857	3,127,047	3,039,840	458,064

<b>Three-Year Trend Information – School Board</b>				
<b>Fiscal Year Ending</b>	<b>Beginning Liability</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Ending Liability</b>
June 30, 2012	\$ 467,000	\$ 4,439,384	\$ 4,556,384	\$ 350,000
June 30, 2011	411,593	4,195,551	4,140,144	467,000
June 30, 2010	409,096	3,532,478	3,529,981	411,593

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 14. Related Party Transactions**

During 2012, the City paid \$31,625 and \$3,133 to Buettner Tire Distributors, Inc. and Gearclean, Inc., respectively, for automobile repair services and fire and rescue equipment testing. The City also paid \$23,757 to Master Media Group, Inc. for marketing, advertising, and printing services. Three members of the City's Common Council had economic interests in these businesses.

Additionally, the Human Services department has a 15 year lease for property that commenced during 2011 with a company in which a Council member is a partial owner. The City paid \$484,250 during 2012. The lease calls for monthly lease payments of \$40,000 per month and an initial deposit of \$40,000 is being held by the company.

**Note 15. Other Post-employment Benefits**

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$210,000 for 2012.

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution	\$ 470,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	<u>(26,000)</u>
Annual OPEB cost	468,000
Contributions made	<u>(210,000)</u>
Increase in net OPEB obligation	258,000
Net OPEB obligation – beginning of year	<u>591,077</u>
Net OPEB obligation – end of year	<u><u>\$ 849,077</u></u>

Trend Information

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

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2012	\$ 468,000	44.9%	\$ 849,077
June 30, 2011	\$ 443,000	56.2%	\$ 591,077
June 30, 2010	\$ 397,000	49.9%	\$ 397,000

Funded Status and Funding Progress

The funding status of the plan as of September 1, 2011 was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,543,000
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,543,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%
Covered Payroll (Active Plan Members)	\$ 20,700,320
UAAL as a Percentage of Covered Payroll	31.6%

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Funding Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the September 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The closed amortization method and a 30-year amortization period are being used. The remaining amortization period at September 1, 2011 was 27 years.

The following additional simplifying assumptions were made:

*Coverage Status and Age of Spouse* – Actual coverage status is used; females assumed 3 years younger than male spouse. Employees with individual coverage are assumed to elect individual coverage in retirement, those with spouse/family coverage assumed to continue this coverage at retirement.

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

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

*Economic Assumptions* – Medical claims are assumed to decrease from 7.5% to 4.6% per year. While medical costs have increased by a rate well in excess of 7.5% in recent years, prevailing practice is to assume that these increases will slow in the future. This is based on the macroeconomic assumption that if they do not moderate, medical expenses will consume an unacceptable percentage of the gross national product. The long-term assumption selected is consistent with the Centers for Medicare and Medicaid Services office of the actuary's assumption for per-capita increases in medical costs.



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Actuarial Methods and Assumptions (Continued)

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

**Note 16. Fund Balances**

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Nonspendable:		
Prepays	\$ -	\$ 40,000
Long-term portion of notes receivable		150,000
Inventories	7,081	-
Total nonspendable	7,081	190,000
Restricted for:		
Public safety	476,780	-
Total restricted	476,780	-
Committed to:		
Community development	1,300,000	-
Total committed	1,300,000	-
Assigned to:		
Judicial administration	8,651	92,441
Public safety	9,809	490,664
Public works	-	374,132
Health and welfare	-	168,399
Parks, recreation and cultural	-	78,092
Community development	45,952	-
Subsequent year appropriation	5,346,000	1,968,917
Total assigned	5,410,412	3,172,645
Unassigned	15,145,625	-
Total fund balance	\$ 22,339,898	\$ 3,362,645

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 17. Subsequent Events**

In August 2012, the City issued \$28,635,000 in General Obligation Public Improvement Refunding Bonds, Series 2012. The issuance resulted in a net premium of approximately \$6,035,000. The bonds are being issued to refund on a current basis certain maturities of the City's General Obligation Public Improvement Bonds, Series 2001 and advance refund certain maturities of the City's General Obligation Public Improvement and Refunding Bonds, Series 2004, 2005, and 2006. The amount to be refunded approximates \$30,465,000. Interest will be due semi-annually beginning September 1, 2012 at rates ranging from 3.00%-5.00%.

In August 2012, the City awarded a contract to Consolidated Electric Service in the amount of \$310,397 for the City Hall Generator Project. This project consists of the installation of a gas powered generator and all switches, including the installation of a concrete pad, connections to the gas and electrical systems, and a fenced enclosure for the generator. All work related to this project is expected to be completed in 2013.

In August 2012, the City awarded a contract to Lantz Construction Company in the amount of \$806,324 for the New Winchester Transit Office Building Construction Project. Construction of this new office building is to begin in September 2012 with anticipated completion by February 2013.

In October 2012, the City entered into a contract with Lantz Construction Company in the amount of \$1,118,000 for the demolition and structural stabilization of the historic Taylor Hotel. This is the first phase of this project which is expected to be completed by January 2013 when Phase two of the project will begin.

**Note 18. New Accounting Standards**

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 18. New Accounting Standards (Continued)**

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

**GASB Statement No. 65**, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

**GASB Statement No. 66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The statement will be effective for the year ending June 30, 2014.

**GASB Statement No. 67**, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement will be effective for the year ending June 30, 2014.

**GASB Statement No. 68**, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This statement will be effective for the year ending June 30, 2015.

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

## REQUIRED SUPPLEMENTARY INFORMATION

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

<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, 2009	\$ 58,987,278	\$ 68,332,284	\$ 9,345,006	86.3%	\$ 20,470,820	45.7%
June 30, 2010	59,652,664	76,183,079	16,530,415	78.3%	20,053,084	82.4%
June 30, 2011	61,204,572	80,339,762	19,135,190	76.2%	20,700,320	92.4%
<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, 2009	\$ 4,488,789	\$ 4,994,502	\$ 505,713	89.9%	\$ 1,982,067	25.5%
June 30, 2010	4,664,275	5,582,402	918,127	83.6%	1,803,499	50.9%
June 30, 2011	4,898,052	5,978,413	1,080,361	81.9%	1,840,586	58.7%
<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
June 30, 2009	\$ 144,542	\$ 409,938	\$ 265,396	35.3%	\$ 20,470,820	1.3%
June 30, 2010	211,970	463,797	251,827	45.7%	20,053,084	1.3%
June 30, 2011	259,346	493,667	234,321	52.5%	16,747,717	1.4%
<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
June 30, 2009	\$ 20,709	\$ 67,285	\$ 46,576	30.8%	\$ 1,982,067	2.3%
June 30, 2010	31,864	72,176	40,312	44.1%	1,803,499	2.2%
June 30, 2011	42,446	75,474	33,028	56.2%	1,840,586	1.8%
<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 1, 2009	\$ -	\$ 4,417,000	\$ 4,417,000	0.0%	\$ 16,282,810	27.1%
September 1, 2011	-	\$ 6,543,000	\$ 6,543,000	0.0%	20,700,320	31.6%

COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

### CAPITAL PROJECTS FUND

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



**CITY OF WINCHESTER, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012**

Exhibit 12

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash	\$ 1,319,417	\$ 1,297,317	\$ 2,616,734
Investments	553,887	544,681	1,098,568
Accounts receivable, net	169,984	-	169,984
Notes receivable	150,000	-	150,000
Prepays	40,000	-	40,000
Due from other governments	<u>1,192,937</u>	<u>284,920</u>	<u>1,477,857</u>
 Total assets	 <u>\$ 3,426,225</u>	 <u>\$ 2,126,918</u>	 <u>\$ 5,553,143</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,350,649	\$ 108,639	\$ 1,459,288
Accrued payroll	215,960	-	215,960
Due to other funds	364,000	-	364,000
Deferred revenue	<u>151,250</u>	<u>-</u>	<u>151,250</u>
 Total liabilities	 <u>2,081,859</u>	 <u>108,639</u>	 <u>2,190,498</u>
Fund balances:			
Nonspendable	190,000	-	190,000
Assigned	<u>1,154,366</u>	<u>2,018,279</u>	<u>3,172,645</u>
 Total fund balances	 <u>1,344,366</u>	 <u>2,018,279</u>	 <u>3,362,645</u>
 Total liabilities and fund balances	 <u>\$ 3,426,225</u>	 <u>\$ 2,126,918</u>	 <u>\$ 5,553,143</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**

Exhibit 13

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Revenues from use of money and property	\$ 12,383	\$ -	\$ 12,383
Charges for services	1,047,258	-	1,047,258
Miscellaneous	165,454	-	165,454
Recovered costs	37,836	31,305	69,141
Intergovernmental:			
Commonwealth	6,244,437	1,843,041	8,087,478
Federal	2,916,424	27,950	2,944,374
Total revenues	<u>10,423,792</u>	<u>1,902,296</u>	<u>12,326,088</u>
<b>EXPENDITURES</b>			
Current:			
Judicial administration	34,669	-	34,669
Public safety	864,430	45,758	910,188
Public works	6,173,372	384,886	6,558,258
Health and welfare	6,645,065	-	6,645,065
Parks, recreation, and culture	-	212,175	212,175
Community development	220,863	-	220,863
Total expenditures	<u>13,938,399</u>	<u>642,819</u>	<u>14,581,218</u>
Excess of expenditures over revenues	<u>(3,514,607)</u>	<u>1,259,477</u>	<u>(2,255,130)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,501,123	75,000	3,576,123
Transfers out	-	(67,332)	(67,332)
Total other financing sources	<u>3,501,123</u>	<u>7,668</u>	<u>3,508,791</u>
Net change in fund balances	(13,484)	1,267,145	1,253,661
Fund balance - beginning	<u>1,357,850</u>	<u>751,134</u>	<u>2,108,984</u>
Fund balance - ending	<u>\$ 1,344,366</u>	<u>\$ 2,018,279</u>	<u>\$ 3,362,645</u>

**CITY OF WINCHESTER, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2012**

Exhibit 14

	Human Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Bus Fund	Total
<b>ASSETS</b>							
Cash	\$ 188,201	\$ 625,439	\$ 388,903	\$ 62,933	\$ 53,534	\$ 407	\$ 1,319,417
Investments	79,016	262,592	163,282	26,422	22,476	99	553,887
Accounts receivable, net	-	-	152,526	-	17,073	385	169,984
Notes receivable	-	-	150,000	-	-	-	150,000
Prepays	40,000	-	-	-	-	-	40,000
Due from other governments	466,323	268,275	-	-	-	458,339	1,192,937
Total assets	<u>\$ 773,540</u>	<u>\$ 1,156,306</u>	<u>\$ 854,711</u>	<u>\$ 89,355</u>	<u>\$ 93,083</u>	<u>\$ 459,230</u>	<u>\$ 3,426,225</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 461,924	\$ 835,770	\$ 39,956	\$ 6,225	142	\$ 6,632	\$ 1,350,649
Accrued payroll	103,217	57,646	22,841	5,038	500	26,718	215,960
Due to other funds	-	-	-	-	-	364,000	364,000
Deferred revenue	-	-	151,250	-	-	-	151,250
Total liabilities	<u>565,141</u>	<u>893,416</u>	<u>214,047</u>	<u>11,263</u>	<u>642</u>	<u>397,350</u>	<u>2,081,859</u>
Fund balances:							
Nonspendable	40,000	-	150,000	-	-	-	190,000
Assigned	168,399	262,890	490,664	78,092	92,441	61,880	1,154,366
Total fund balances	<u>208,399</u>	<u>262,890</u>	<u>640,664</u>	<u>78,092</u>	<u>92,441</u>	<u>61,880</u>	<u>1,344,366</u>
Total liabilities and fund balances	<u>\$ 773,540</u>	<u>\$ 1,156,306</u>	<u>\$ 854,711</u>	<u>\$ 89,355</u>	<u>\$ 93,083</u>	<u>\$ 459,230</u>	<u>\$ 3,426,225</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, 2012**

Exhibit 15

	Human Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Bus Fund	Total
<b>REVENUES</b>							
Revenues from use of money and property	\$ -	\$ 7,111	\$ 4,205	\$ 477	\$ 590	\$ -	\$ 12,383
Charges for services	-	-	893,135	-	53,762	100,361	1,047,258
Miscellaneous	1,880	7,180	-	146,068	-	10,326	165,454
Recovered costs	-	37,836	-	-	-	-	37,836
Intergovernmental:							
Commonwealth	2,407,630	3,707,428	-	-	-	129,379	6,244,437
Federal	2,200,004	145,465	-	-	-	570,955	2,916,424
Total revenues	<u>4,609,514</u>	<u>3,905,020</u>	<u>897,340</u>	<u>146,545</u>	<u>54,352</u>	<u>811,021</u>	<u>10,423,792</u>
<b>EXPENDITURES</b>							
Current:							
Judicial administration	-	-	-	-	34,669	-	34,669
Public safety	-	-	864,430	-	-	-	864,430
Public works	-	5,177,523	-	-	-	995,849	6,173,372
Health and welfare	6,645,065	-	-	-	-	-	6,645,065
Community development	-	-	-	220,863	-	-	220,863
Total expenditures	<u>6,645,065</u>	<u>5,177,523</u>	<u>864,430</u>	<u>220,863</u>	<u>34,669</u>	<u>995,849</u>	<u>13,938,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,035,551)</u>	<u>(1,272,503)</u>	<u>32,910</u>	<u>(74,318)</u>	<u>19,683</u>	<u>(184,828)</u>	<u>(3,514,607)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	<u>1,979,396</u>	<u>1,225,000</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>196,227</u>	<u>3,501,123</u>
Total other financing sources (uses)	<u>1,979,396</u>	<u>1,225,000</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>196,227</u>	<u>3,501,123</u>
Net change in fund balances	(56,155)	(47,503)	32,910	26,182	19,683	11,399	(13,484)
Fund balance - beginning	<u>264,554</u>	<u>310,393</u>	<u>607,754</u>	<u>51,910</u>	<u>72,758</u>	<u>50,481</u>	<u>1,357,850</u>
Fund balance - ending	<u>\$ 208,399</u>	<u>\$ 262,890</u>	<u>\$ 640,664</u>	<u>\$ 78,092</u>	<u>\$ 92,441</u>	<u>\$ 61,880</u>	<u>\$ 1,344,366</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, 2012**

	Human Services Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	1,880	1,880
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	3,241,033	3,322,361	2,407,630	(914,731)
Federal	2,079,967	2,200,412	2,200,004	(408)
Total revenues	<u>5,321,000</u>	<u>5,522,773</u>	<u>4,609,514</u>	<u>(913,259)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	7,668,000	7,904,099	6,645,065	1,259,034
Community development	-	-	-	-
Total expenditures	<u>7,668,000</u>	<u>7,904,099</u>	<u>6,645,065</u>	<u>1,259,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,347,000)</u>	<u>(2,381,326)</u>	<u>(2,035,551)</u>	<u>345,775</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,347,000	2,381,326	1,979,396	(401,930)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>2,347,000</u>	<u>2,381,326</u>	<u>1,979,396</u>	<u>(401,930)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (56,155)</u>	<u>\$ (56,155)</u>

	Win-Fred Convention and Visitors Bureau Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 477	\$ 477
Charges for services	-	-	-	-
Miscellaneous	130,500	130,500	146,068	15,568
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>130,500</u>	<u>130,500</u>	<u>146,545</u>	<u>16,045</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community development	231,000	231,000	220,863	10,137
Total expenditures	<u>231,000</u>	<u>231,000</u>	<u>220,863</u>	<u>10,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,500)</u>	<u>(100,500)</u>	<u>(74,318)</u>	<u>26,182</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,500	100,500	100,500	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>100,500</u>	<u>100,500</u>	<u>100,500</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,182</u>	<u>\$ 26,182</u>

Highway Maintenance Fund				Emergency Medical Services Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 7,111	\$ 7,111	\$ 5,000	\$ 5,000	\$ 4,205	\$ (795)
-	-	-	-	840,000	840,000	893,135	53,135
-	-	7,180	7,180	-	-	-	-
-	-	37,836	37,836	-	-	-	-
3,076,000	3,706,326	3,707,428	1,102	-	-	-	-
-	139,446	145,465	6,019	-	-	-	-
3,076,000	3,845,772	3,905,020	59,248	845,000	845,000	897,340	52,340
-	-	-	-	-	-	-	-
-	-	-	-	884,000	1,034,000	864,430	169,570
3,801,000	5,070,772	5,177,523	(106,751)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,801,000	5,070,772	5,177,523	(106,751)	884,000	1,034,000	864,430	169,570
(725,000)	(1,225,000)	(1,272,503)	(47,503)	(39,000)	(189,000)	32,910	221,910
725,000	1,225,000	1,225,000	-	39,000	189,000	-	(189,000)
-	-	-	-	-	-	-	-
725,000	1,225,000	1,225,000	-	39,000	189,000	-	(189,000)
\$ -	\$ -	\$ (47,503)	\$ (47,503)	\$ -	\$ -	\$ 32,910	\$ 32,910
Law Library Fund				Bus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 590	\$ 590	\$ -	\$ -	\$ -	\$ -
30,000	30,000	53,762	23,762	90,500	90,500	100,361	9,861
-	-	-	-	-	-	10,326	10,326
-	-	-	-	-	-	-	-
-	-	-	-	127,900	127,900	129,379	1,479
-	-	-	-	533,600	533,600	570,955	37,355
30,000	30,000	54,352	24,352	752,000	752,000	811,021	59,021
30,000	42,000	34,669	7,331	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,005,000	1,005,000	995,849	(9,151)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30,000	42,000	34,669	7,331	1,005,000	1,005,000	995,849	(9,151)
-	(12,000)	19,683	31,683	(253,000)	(253,000)	(184,828)	68,172
-	12,000	-	(12,000)	253,000	253,000	196,227	(56,773)
-	-	-	-	-	-	-	-
-	12,000	-	(12,000)	253,000	253,000	196,227	(56,773)
\$ -	\$ -	\$ 19,683	\$ 19,683	\$ -	\$ -	\$ 11,399	\$ 11,399

**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, 2012**

Exhibit 17

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Recovered costs	\$ 18,000	18,000	\$ 31,305	\$ 13,305
Intergovernmental:				
Commonwealth	300,000	300,000	1,843,041	1,543,041
Federal	800,000	800,000	27,950	(772,050)
Total revenues	<u>1,118,000</u>	<u>1,118,000</u>	<u>1,902,296</u>	<u>784,296</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	1,000,000	1,000,000	45,758	954,242
Public works	1,360,000	1,360,000	384,886	975,114
Parks, recreation and culture	537,000	469,668	212,175	257,493
Total expenditures	<u>2,897,000</u>	<u>2,829,668</u>	<u>642,819</u>	<u>2,186,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,779,000)</u>	<u>(1,711,668)</u>	<u>1,259,477</u>	<u>2,971,145</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,779,000	1,779,000	75,000	(1,704,000)
Transfer out	-	(67,332)	(67,332)	-
Total other financing sources and uses	<u>1,779,000</u>	<u>1,711,668</u>	<u>7,668</u>	<u>(1,704,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,267,145</u>	<u>\$ 1,267,145</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, 2012**

Exhibit 18

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,629,584	\$ 27,794	\$ 598,004	\$ 2,255,382
Investments	556,710	11,669	251,073	819,452
Accounts receivable, net	102,556	1,382	-	103,938
Prepays	13,000	-	-	13,000
Inventories	-	108,675	-	108,675
Total current assets	<u>2,301,850</u>	<u>149,520</u>	<u>849,077</u>	<u>3,300,447</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	-	19,502	-	19,502
Total assets	<u>2,301,850</u>	<u>169,022</u>	<u>849,077</u>	<u>3,319,949</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	873,290	15,057	-	888,347
Accrued payroll	2,410	10,542	-	12,952
Total current liabilities	<u>875,700</u>	<u>25,599</u>	<u>-</u>	<u>901,299</u>
Noncurrent liabilities:				
Compensated absences	3,817	24,873	-	28,690
Net OPEB obligation	-	-	849,077	849,077
Total noncurrent liabilities	<u>3,817</u>	<u>24,873</u>	<u>849,077</u>	<u>877,767</u>
Total liabilities	<u>879,517</u>	<u>50,472</u>	<u>849,077</u>	<u>1,779,066</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	19,502	-	19,502
Unrestricted	1,422,333	99,048	-	1,521,381
Total net assets	<u>\$ 1,422,333</u>	<u>\$ 118,550</u>	<u>\$ -</u>	<u>\$ 1,540,883</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, 2012**

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,454,310	\$ 1,357,476	\$ 258,000	\$ 6,069,786
Total operating revenues	<u>4,454,310</u>	<u>1,357,476</u>	<u>258,000</u>	<u>6,069,786</u>
<b>OPERATING EXPENSES</b>				
Personal services	64,016	269,626	258,000	591,642
Contractual services	-	196,949	-	196,949
Other supplies and expenses	-	854,826	-	854,826
Insurance claims and expenses	3,748,619	-	-	3,748,619
Depreciation	-	1,525	-	1,525
Total operating expenses	<u>3,812,635</u>	<u>1,322,926</u>	<u>258,000</u>	<u>5,393,561</u>
Operating income	<u>641,675</u>	<u>34,550</u>	<u>-</u>	<u>676,225</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	<u>10,037</u>	<u>13</u>	<u>-</u>	<u>10,050</u>
Change in net assets	651,712	34,563	-	686,275
Total net assets - beginning	<u>770,621</u>	<u>83,987</u>	<u>-</u>	<u>854,608</u>
Total net assets - ending	<u>\$ 1,422,333</u>	<u>\$ 118,550</u>	<u>\$ -</u>	<u>\$ 1,540,883</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2012**

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from internal services provided	\$ 4,352,774	\$ 1,368,594	\$ 258,000	\$ 5,979,368
Cash paid to suppliers	-	(1,106,326)	-	(1,106,326)
Cash paid to employees	(62,129)	(261,746)	-	(323,875)
Premiums paid	(3,765,703)	-	-	(3,765,703)
Net cash provided by operating activities	524,942	522	258,000	783,464
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	10,037	13	-	10,050
Net cash provided by investing activities	10,037	13	-	10,050
Net increase in cash and cash equivalents	534,979	535	258,000	793,514
Cash and cash equivalents - beginning of year	1,651,315	38,928	591,077	2,281,320
Cash and cash equivalents - end of year	\$ 2,186,294	\$ 39,463	\$ 849,077	\$ 3,074,834
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 1,629,584	\$ 27,794	\$ 598,004	\$ 2,255,382
Cash equivalents - Investments	556,710	11,669	251,073	819,452
Total	\$ 2,186,294	\$ 39,463	\$ 849,077	\$ 3,074,834
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 641,675	\$ 34,550	\$ -	\$ 676,225
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	1,525	-	1,525
(Increase) decrease in accounts receivable	(101,536)	11,118	-	(90,418)
(Increase) decrease in inventory	-	12,129	-	12,129
Increase (decrease) in accounts payable	(17,084)	(66,680)	-	(83,764)
Increase (decrease) in accrued payroll	223	1,231	-	1,454
Increase (decrease) in net OPEB obligation	-	-	258,000	258,000
Increase (decrease) in compensated absences	1,664	6,649	-	8,313
Total adjustments	(116,733)	(34,028)	258,000	107,239
Net cash provided by operating activities	\$ 524,942	\$ 522	\$ 258,000	\$ 783,464

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## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**June 30, 2012**

Exhibit 21

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
<b>ASSETS</b>				
Cash	\$ 12,921	\$ -	\$ 632,854	\$ 645,775
Investments	-	569,291	265,705	834,996
Accounts receivable	-	-	149,259	149,259
Prepays	-	2,000	-	2,000
Total assets	<u>\$ 12,921</u>	<u>\$ 571,291</u>	<u>\$ 1,047,818</u>	<u>\$ 1,632,030</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 25,021	\$ 25,021
Accrued payroll	-	-	81,444	81,444
Amounts held for human services clients	12,921	-	-	12,921
Amounts held for NRJA	-	571,291	-	571,291
Amounts held for NRJDC	-	-	941,353	941,353
Total liabilities	<u>\$ 12,921</u>	<u>\$ 571,291</u>	<u>\$ 1,047,818</u>	<u>\$ 1,632,030</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2012**

Exhibit 22

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Special Welfare Fund</b>				
Assets:				
Cash	\$ 11,868	\$ 1,053	\$ -	\$ 12,921
Accounts receivable	449	-	449	-
Total Assets	<u>\$ 12,317</u>	<u>\$ 1,053</u>	<u>\$ 449</u>	<u>\$ 12,921</u>
Liabilities:				
Amounts held for human services clients	\$ 12,317	\$ 604	\$ -	\$ 12,921
Total Liabilities	<u>\$ 12,317</u>	<u>\$ 604</u>	<u>\$ -</u>	<u>\$ 12,921</u>
<b>Northwestern Regional Jail Authority</b>				
<b>Construction Fund</b>				
Assets:				
Investments	\$ 569,835	\$ 1,138,562	\$ 1,139,106	\$ 569,291
Prepays	-	2,000	-	2,000
Total Assets	<u>\$ 569,835</u>	<u>\$ 1,140,562</u>	<u>\$ 1,139,106</u>	<u>\$ 571,291</u>
Liabilities:				
Amounts held for NRJA	\$ 569,835	\$ 1,140,562	\$ 1,139,106	\$ 571,291
Total Liabilities	<u>\$ 569,835</u>	<u>\$ 1,140,562</u>	<u>\$ 1,139,106</u>	<u>\$ 571,291</u>
<b>Northwestern Regional Juvenile Detention</b>				
<b>Center Fund</b>				
Assets:				
Cash	\$ 837,138	\$ 2,209,410	\$ 2,413,694	\$ 632,854
Investments	382,192	-	116,487	265,705
Accounts receivable	8,303	1,415,897	1,274,941	149,259
Total Assets	<u>\$ 1,227,633</u>	<u>\$ 3,625,307</u>	<u>\$ 3,805,122</u>	<u>\$ 1,047,818</u>
Liabilities:				
Accounts payable	\$ 18,925	\$ 2,403,046	\$ 2,396,950	\$ 25,021
Accrued payroll	73,720	7,724	-	81,444
Amounts held for NRJDC	1,134,988	1,214,537	1,408,172	941,353
Total Liabilities	<u>\$ 1,227,633</u>	<u>\$ 3,625,307</u>	<u>\$ 3,805,122</u>	<u>\$ 1,047,818</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash	\$ 849,006	\$ 2,210,463	\$ 2,413,694	\$ 645,775
Investments	952,027	1,138,562	1,255,593	834,996
Accounts receivable	8,752	1,415,897	1,275,390	149,259
Prepays	-	2,000	-	2,000
Total Assets	<u>\$ 1,809,785</u>	<u>\$ 4,766,922</u>	<u>\$ 4,944,677</u>	<u>\$ 1,632,030</u>
Liabilities:				
Accounts payable	\$ 18,925	\$ 2,403,046	\$ 2,396,950	\$ 25,021
Accrued payroll	73,720	7,724	-	81,444
Amounts held for human services clients	12,317	604	-	12,921
Amounts held for NRJA	569,835	1,140,562	1,139,106	571,291
Amounts held for NRJDC	1,134,988	1,214,537	1,408,172	941,353
Total Liabilities	<u>\$ 1,809,785</u>	<u>\$ 4,766,473</u>	<u>\$ 4,944,228</u>	<u>\$ 1,632,030</u>



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

### **MAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

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

#### **CAPITAL PROJECTS FUNDS**

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

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

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

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

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

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

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

**INTERNAL SERVICE FUNDS**

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

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

**FIDUCIARY FUNDS**

**PRIVATE-PURPOSE TRUST FUNDS**

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

**AGENCY FUNDS**

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

**CITY OF WINCHESTER, VIRGINIA  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
GOVERNMENTAL FUNDS  
June 30, 2012**

Exhibit 23

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,775,128	\$ 533,384	\$ 1,943,743	\$ 883,442	\$ 5,135,697
Investments	745,080	223,522	816,083	370,880	2,155,565
Receivables, net:					
Accounts	-	-	-	24,559	24,559
Promises to give	-	1,411,706	-	-	1,411,706
Due from other funds	229,718	-	-	-	229,718
Due from other governments	895,965	-	64,468	488,584	1,449,017
Inventories	-	-	-	22,121	22,121
<b>Total assets</b>	<b>\$ 3,645,891</b>	<b>\$ 2,168,612</b>	<b>\$ 2,824,294</b>	<b>\$ 1,789,586</b>	<b>\$ 10,428,383</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 222,210	\$ 51,319	\$ 212,020	\$ 268,820	\$ 754,369
Accrued payroll	3,412,384	-	-	359,904	3,772,288
Due to other funds	-	-	-	229,718	229,718
Deferred revenue	10,121	1,411,706	-	-	1,421,827
<b>Total liabilities</b>	<b>3,644,715</b>	<b>1,463,025</b>	<b>212,020</b>	<b>858,442</b>	<b>6,178,202</b>
<b>Fund balances:</b>					
Nonspendable	-	-	-	22,121	22,121
Assigned	1,176	705,587	2,612,274	909,023	4,228,060
<b>Total fund balances</b>	<b>1,176</b>	<b>705,587</b>	<b>2,612,274</b>	<b>931,144</b>	<b>4,250,181</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,645,891</b>	<b>\$ 2,168,612</b>	<b>\$ 2,824,294</b>	<b>\$ 1,789,586</b>	

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.	113,023,354
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,421,827
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.	1,565,536
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,298,464)
<b>Net assets of governmental activities</b>	<b>\$ 118,962,434</b>

**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, 2012**

Exhibit 24

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenues from use of money and property	\$ 49,191	\$ 6,101	\$ 12,072	\$ 6,449	\$ 73,813
Charges for services	200,462	-	-	668,640	869,102
Miscellaneous	200,638	244,882	7,301	4,807	457,628
Recovered costs	127,521	-	87,795	-	215,316
Intergovernmental revenues:					
Local	25,351,902	-	-	-	25,351,902
Commonwealth	16,670,696	-	-	34,097	16,704,793
Federal	-	-	-	4,119,248	4,119,248
Total revenues	<u>42,600,410</u>	<u>250,983</u>	<u>107,168</u>	<u>4,833,241</u>	<u>47,791,802</u>
<b>EXPENDITURES</b>					
Current:					
Education	40,755,407	-	-	5,105,021	45,860,428
Capital projects	-	306,050	1,448,246	-	1,754,296
Total expenditures	<u>40,755,407</u>	<u>306,050</u>	<u>1,448,246</u>	<u>5,105,021</u>	<u>47,614,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,845,003</u>	<u>(55,067)</u>	<u>(1,341,078)</u>	<u>(271,780)</u>	<u>177,078</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,545,122	300,000	1,845,122
Transfers out	(1,845,122)	-	-	-	(1,845,122)
Total other financing sources (uses)	<u>(1,845,122)</u>	<u>-</u>	<u>1,545,122</u>	<u>300,000</u>	<u>-</u>
Net change in fund balances	(119)	(55,067)	204,044	28,220	177,078
Fund balances - beginning	<u>1,295</u>	<u>760,654</u>	<u>2,408,230</u>	<u>902,924</u>	
Fund balances - ending	<u>\$ 1,176</u>	<u>\$ 705,587</u>	<u>\$ 2,612,274</u>	<u>\$ 931,144</u>	

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,316,883) exceeded depreciation (\$2,943,488) in the current period.	(1,626,605)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(67,300)
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.	(39,529)
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.	<u>34,602</u>
Change in net assets of governmental activities	<u>\$ (1,521,754)</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, 2012**

Exhibit 25

EXHIBIT 22

	School Operating Fund			Variance with
	Budgeted Amounts			Final Budget -
	Original	Final	Actual	Favorable
				(Unfavorable)
<b>REVENUES</b>				
Revenue from use of money and property	\$ 95,000	\$ 95,000	\$ 49,191	\$ (45,809)
Charges for services	81,843	81,843	200,462	118,619
Miscellaneous	24,400	149,294	200,638	51,344
Recovered costs	84,000	84,000	127,521	43,521
Intergovernmental:				
Local	25,351,902	25,351,902	25,351,902	-
Commonwealth	16,049,767	16,083,270	16,670,696	587,426
Total revenues	<u>41,686,912</u>	<u>41,845,309</u>	<u>42,600,410</u>	<u>755,101</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>41,686,912</u>	<u>41,845,309</u>	<u>40,755,407</u>	<u>1,089,902</u>
Total expenditures	<u>41,686,912</u>	<u>41,845,309</u>	<u>40,755,407</u>	<u>1,089,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,845,003</u>	<u>1,845,003</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,845,122)</u>	<u>(1,845,122)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,845,122)</u>	<u>(1,845,122)</u>
Net change in fund balances	\$ -	\$ -	\$ (119)	\$ (119)

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**

Exhibit 26

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash	\$ 393,220	\$ -	\$ 490,222	\$ 883,442
Investments	165,060	-	205,820	370,880
Accounts receivable	24,559	-	-	24,559
Due from other governments	-	488,584	-	488,584
Inventories	22,121	-	-	22,121
Total assets	<u>\$ 604,960</u>	<u>\$ 488,584</u>	<u>\$ 696,042</u>	<u>\$ 1,789,586</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,797	\$ 7,908	\$ 259,115	\$ 268,820
Accrued payroll	108,946	250,958	-	359,904
Due to other funds	-	229,718	-	229,718
Total liabilities	<u>110,743</u>	<u>488,584</u>	<u>259,115</u>	<u>858,442</u>
Fund balances:				
Nonspendable	22,121	-	-	22,121
Assigned	472,096	-	436,927	909,023
Total fund balances	<u>494,217</u>	<u>-</u>	<u>436,927</u>	<u>931,144</u>
Total liabilities and fund balances	<u>\$ 604,960</u>	<u>\$ 488,584</u>	<u>\$ 696,042</u>	<u>\$ 1,789,586</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, 2012**

Exhibit 27

	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	\$ 2,873	\$ -	\$ 3,576	\$ 6,449
Charges for services	668,640	-	-	668,640
Miscellaneous	4,807	-	-	4,807
Intergovernmental revenues:				
Commonwealth	34,097	-	-	34,097
Federal	1,307,867	2,811,381	-	4,119,248
Total revenues	<u>2,018,284</u>	<u>2,811,381</u>	<u>3,576</u>	<u>4,833,241</u>
<b>EXPENDITURES</b>				
Current:				
Education	1,847,921	2,811,381	445,719	5,105,021
Total expenditures	<u>1,847,921</u>	<u>2,811,381</u>	<u>445,719</u>	<u>5,105,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>170,363</u>	<u>-</u>	<u>(442,143)</u>	<u>(271,780)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	300,000	300,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Net change in fund balances	170,363	-	(142,143)	28,220
Fund balance - beginning	<u>323,854</u>	<u>-</u>	<u>579,070</u>	<u>902,924</u>
Fund balance - ending	<u>\$ 494,217</u>	<u>\$ -</u>	<u>\$ 436,927</u>	<u>\$ 931,144</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, 2012**

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 1,500	\$ 1,500	\$ 2,873	\$ 1,373
Charges for services	727,616	727,616	668,640	(58,976)
Miscellaneous	5,000	5,000	4,807	(193)
Intergovernmental:				
Commonwealth	34,089	34,089	34,097	8
Federal	1,009,900	1,136,987	1,307,867	170,880
Total revenues	<u>1,778,105</u>	<u>1,905,192</u>	<u>2,018,284</u>	<u>113,092</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>1,778,105</u>	<u>1,905,192</u>	<u>1,847,921</u>	<u>57,271</u>
Total expenditures	<u>1,778,105</u>	<u>1,905,192</u>	<u>1,847,921</u>	<u>57,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>170,363</u>	<u>170,363</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,363</u>	<u>\$ 170,363</u>

School Federal Grants Fund				School Textbook Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,576	\$ 3,576
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,940,804	3,351,013	2,811,381	(539,632)	-	-	-	-
2,940,804	3,351,013	2,811,381	(539,632)	-	-	3,576	3,576
2,940,804	3,351,013	2,811,381	539,632	300,000	579,070	445,719	133,351
2,940,804	3,351,013	2,811,381	539,632	300,000	579,070	445,719	133,351
-	-	-	-	(300,000)	(579,070)	(442,143)	136,927
-	-	-	-	300,000	579,070	300,000	(279,070)
-	-	-	-	300,000	579,070	300,000	(279,070)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (142,143)	\$ (142,143)

**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, 2012**

	School Fundraising Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ 2,500	\$ 2,500	\$ 6,101	\$ 3,601
Miscellaneous	197,500	938,154	244,882	(693,272)
Recovered costs	-	-	-	-
Total revenues	<u>200,000</u>	<u>940,654</u>	<u>250,983</u>	<u>(689,671)</u>
<b>EXPENDITURES</b>				
Capital projects	<u>200,000</u>	<u>940,654</u>	<u>306,050</u>	<u>634,604</u>
Total expenditures	<u>200,000</u>	<u>940,654</u>	<u>306,050</u>	<u>634,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(55,067)</u>	<u>(55,067)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,067)</u>	<u>\$ (55,067)</u>

## Exhibit 29

School Capital Improvement Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	
\$ -	\$ -	\$ 12,072	\$ 12,072
-	-	7,301	7,301
-	-	87,795	87,795
-	-	107,168	107,168
53,000	2,118,817	1,448,246	670,571
53,000	2,118,817	1,448,246	670,571
(53,000)	(2,118,817)	(1,341,078)	777,739
53,000	2,118,817	1,545,122	(573,695)
53,000	2,118,817	1,545,122	(573,695)
\$ -	\$ -	\$ 204,044	\$ 204,044

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2012**

Exhibit 30

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,271,465	\$ 58,101	\$ 1,329,566
Investments	533,826	24,394	558,220
Receivables, net	1,733	-	1,733
Prepays	19,762	-	19,762
Total current assets	<u>1,826,786</u>	<u>82,495</u>	<u>1,909,281</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	31,501	31,501
Total assets	<u>1,826,786</u>	<u>113,996</u>	<u>1,940,782</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	350,389	24,857	375,246
Total liabilities	<u>350,389</u>	<u>24,857</u>	<u>375,246</u>
<b>NET ASSETS</b>			
Invested in capital assets	-	31,501	31,501
Unrestricted	1,476,397	57,638	1,534,035
Total net assets	<u>\$ 1,476,397</u>	<u>\$ 89,139</u>	<u>\$ 1,565,536</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, 2012**

Exhibit 31

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,350,697	\$ 1,149,381	\$ 5,500,078
Miscellaneous	47,925	-	47,925
Total operating revenues	<u>4,398,622</u>	<u>1,149,381</u>	<u>5,548,003</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	673,976	673,976
Contractual services	-	254,427	254,427
Other supplies and expenses	-	222,584	222,584
Insurance claims and expenses	4,439,384	-	4,439,384
Depreciation	-	9,642	9,642
Total operating expenses	<u>4,439,384</u>	<u>1,160,629</u>	<u>5,600,013</u>
Operating loss	<u>(40,762)</u>	<u>(11,248)</u>	<u>(52,010)</u>
<b>NONOPERATING REVENUES</b>			
Investment earnings	<u>12,337</u>	<u>144</u>	<u>12,481</u>
Total nonoperating revenues	<u>12,337</u>	<u>144</u>	<u>12,481</u>
Change in net assets	(28,425)	(11,104)	(39,529)
Total net assets - beginning	<u>1,504,822</u>	<u>100,243</u>	<u>1,605,065</u>
Total net assets - ending	<u>\$ 1,476,397</u>	<u>\$ 89,139</u>	<u>\$ 1,565,536</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, 2012**

Exhibit 32

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from internal services provided	\$ 4,422,156	\$ 1,149,445	\$ 5,571,601
Cash paid to suppliers	-	(511,971)	(511,971)
Cash paid to employees	-	(673,976)	(673,976)
Premiums paid	(4,556,075)	-	(4,556,075)
Net cash used in operating activities	(133,919)	(36,502)	(170,421)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	12,337	144	12,481
Net cash provided by investing activities	12,337	144	12,481
Net decrease in cash and cash equivalents	(121,582)	(36,358)	(157,940)
Cash and cash equivalents - beginning of year	1,926,873	118,853	2,045,726
Cash and cash equivalents - end of year	<u>\$ 1,805,291</u>	<u>\$ 82,495</u>	<u>\$ 1,887,786</u>
Cash and cash equivalents at end of year is comprised of the following:			
Cash	\$ 1,271,465	\$ 58,101	\$ 1,329,566
Cash equivalents - Investments	533,826	24,394	558,220
Total	<u>\$ 1,805,291</u>	<u>\$ 82,495</u>	<u>\$ 1,887,786</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss	\$ (40,762)	\$ (11,248)	\$ (52,010)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	-	9,642	9,642
Loss on disposal of assets	-	1,607	1,607
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	23,534	64	23,598
Increase (decrease) in accounts payable	(116,691)	(36,567)	(153,258)
Total adjustments	(93,157)	(25,254)	(118,411)
Net cash used in operating activities	<u>\$ (133,919)</u>	<u>\$ (36,502)</u>	<u>\$ (170,421)</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2012**

Exhibit 33

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ASSETS</b>				
Investments	\$ 407,628	\$ 38,990	\$ 70,998	\$ 517,616
Total assets	<u>\$ 407,628</u>	<u>\$ 38,990</u>	<u>\$ 70,998</u>	<u>\$ 517,616</u>
<b>NET ASSETS</b>				
Held in trust for scholarships	<u>\$ 407,628</u>	<u>\$ 38,990</u>	<u>\$ 70,998</u>	<u>\$ 517,616</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, 2012**

Exhibit 34

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ADDITIONS</b>				
Gifts and contributions	\$ 37,425	\$ 3,800	\$ 35,077	\$ 76,302
Investment earnings:				
Interest	39	-	109	148
Dividends	14,679	537	-	15,216
Net change in fair value of investments	(2,551)	1,239	-	(1,312)
Total additions	<u>49,592</u>	<u>5,576</u>	<u>35,186</u>	<u>90,354</u>
<b>DEDUCTIONS</b>				
Administrative expenses	5,092	718	-	5,810
Scholarships awarded	44,258	9,800	36,000	90,058
Total deductions	<u>49,350</u>	<u>10,518</u>	<u>36,000</u>	<u>95,868</u>
Change in net assets	242	(4,942)	(814)	(5,514)
Net assets - beginning	<u>407,386</u>	<u>43,932</u>	<u>71,812</u>	<u>523,130</u>
Net assets - ending	<u>\$ 407,628</u>	<u>\$ 38,990</u>	<u>\$ 70,998</u>	<u>\$ 517,616</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, 2012**

Exhibit 35

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>School Employee Benefits Fund</b>				
Assets:				
Cash	\$ 260,620	\$ 64,315	\$ -	\$ 324,935
Investments	79,703	16,653	-	96,356
Total Assets	<u>\$ 340,323</u>	<u>\$ 80,968</u>	<u>\$ -</u>	<u>\$ 421,291</u>
Liabilities:				
Accounts payable	<u>\$ 340,323</u>	<u>\$ 80,968</u>	<u>\$ -</u>	<u>\$ 421,291</u>
Total Liabilities	<u>\$ 340,323</u>	<u>\$ 80,968</u>	<u>\$ -</u>	<u>\$ 421,291</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, 2012**

	Exhibit 36
	Parking Authority Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 357,993
Investments	148,125
Accounts receivable, net	4,565
Total current assets	<u>510,683</u>
Noncurrent assets:	
Deferred charges	174,400
Capital assets:	
Nondepreciable	11,685
Depreciable, net	8,808,783
Total capital assets, net	<u>8,820,468</u>
Total noncurrent assets	<u>8,994,868</u>
Total assets	<u>9,505,551</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	4,684
Accrued payroll	12,620
Accrued interest payable	173,329
Revenue bonds payable	180,760
Total current liabilities	<u>371,393</u>
Noncurrent liabilities:	
Compensated absences	39,186
Revenue bonds payable	8,469,308
Total noncurrent liabilities	<u>8,508,494</u>
Total liabilities	<u>8,879,887</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	344,800
Unrestricted	280,864
Total net assets	<u>\$ 625,664</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, 2012**

	Exhibit 37
	Parking Authority Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 912,755
Miscellaneous	4,099
Total operating revenues	<u>916,854</u>
<b>OPERATING EXPENSES</b>	
Personal services	352,086
Contractual services	48,636
Other supplies and expenses	133,260
Depreciation	251,867
Total operating expenses	<u>785,849</u>
Operating income	<u>131,005</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	3,244
Interest and fiscal charges	<u>(414,064)</u>
Total nonoperating revenues (expenses)	<u>(410,820)</u>
Change in net assets	(279,815)
Total net assets - beginning	<u>905,479</u>
Total net assets - ending	<u>\$ 625,664</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**  
**ENTERPRISE FUND**  
**For the Year Ended June 30, 2012**

	Exhibit 38
	Parking Authority Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 915,986
Cash paid to suppliers	(216,748)
Cash paid to employees	(344,592)
Net cash provided by operating activities	<u>354,646</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(406,064)
Principal paid on capital debt	(160,000)
Interest paid on capital debt	(421,898)
Net cash used by capital and related financing activities	<u>(987,962)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>3,244</u>
Net cash provided by investing activities	<u>3,244</u>
Net decrease in cash and cash equivalents	(630,072)
Cash and cash equivalents - beginning of year	<u>1,136,190</u>
Cash and cash equivalents - end of year	<u>\$ 506,118</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 357,993
Cash equivalents - Investments	<u>148,125</u>
Total	<u>\$ 506,118</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 131,005
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	251,867
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(869)
Increase (decrease) in accounts payable	(34,851)
Increase (decrease) in accrued payroll	(132)
Increase (decrease) in compensated absences	<u>7,626</u>
Total adjustments	<u>223,641</u>
Net cash provided by operating activities	<u>\$ 354,646</u>

**SUPPLEMENTAL DATA.**



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## STATISTICAL SECTION

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

Contents	Pages
<i>Financial Trends – Tables 1 – 4</i> These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time. ....	97-103
<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. ....	104-107
<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. ....	108-112
<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 .....	113-114
<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.....	115-117

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 Ten Fiscal Years**  
**(accrual basis of accounting)**

Table 1

	2003	2004	2005	2006	2007	2008	2009(1)	2010 (1)	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 7,748,390	\$ 23,709,296	\$ 27,530,372	\$ 31,894,578	\$ 35,925,618	\$ 42,291,055	\$ 44,602,441	\$ 62,512,145	\$ 62,402,348	\$ 61,206,102
Restricted		-	-	-	217,166	102,003	49,876	-	-	-
Unrestricted	<u>15,373,006</u>	<u>(2,745,524)</u>	<u>(16,610,067)</u>	<u>(41,078,838)</u>	<u>(53,683,445)</u>	<u>(58,705,920)</u>	<u>(59,010,599)</u>	<u>(58,030,587)</u>	<u>(50,945,522)</u>	<u>(43,717,783)</u>
Total governmental activities net assets	<u>\$ 23,121,396</u>	<u>\$ 20,963,772</u>	<u>\$ 10,920,305</u>	<u>\$ (9,184,260)</u>	<u>\$ (17,540,661)</u>	<u>\$ (16,312,862)</u>	<u>\$ (14,358,282)</u>	<u>\$ 4,481,558</u>	<u>\$ 11,456,826</u>	<u>\$ 17,488,319</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 27,093,874	\$ 28,384,032	\$ 30,128,483	\$ 32,310,319	\$ 32,018,014	\$ 35,012,184	\$ 36,807,871	\$ 44,278,901	\$ 43,480,262	\$ 48,176,844
Restricted		-	-	2,000	2,000	2,000	2,000	-	-	-
Unrestricted	<u>4,411,056</u>	<u>4,182,606</u>	<u>7,464,431</u>	<u>3,904,997</u>	<u>6,531,712</u>	<u>3,555,389</u>	<u>5,579,913</u>	<u>380,107</u>	<u>917,995</u>	<u>(443,640)</u>
Total business-type activities net assets	<u>\$ 31,504,930</u>	<u>\$ 32,566,638</u>	<u>\$ 37,592,914</u>	<u>\$ 36,217,316</u>	<u>\$ 38,551,726</u>	<u>\$ 38,569,573</u>	<u>\$ 42,389,784</u>	<u>\$ 44,659,008</u>	<u>\$ 44,398,257</u>	<u>\$ 47,733,204</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 34,842,264	\$ 52,093,328	\$ 57,658,855	\$ 64,204,897	\$ 67,943,632	\$ 77,303,239	\$ 81,410,312	\$ 106,791,046	\$ 105,882,610	\$ 109,382,946
Restricted		-	-	2,000	219,166	104,003	51,876	-	-	-
Unrestricted	<u>19,784,062</u>	<u>1,437,082</u>	<u>(9,145,636)</u>	<u>(37,173,841)</u>	<u>(47,151,733)</u>	<u>(55,150,531)</u>	<u>(53,430,686)</u>	<u>(57,650,480)</u>	<u>(50,027,527)</u>	<u>(44,161,423)</u>
Total primary government net assets	<u>\$ 54,626,326</u>	<u>\$ 53,530,410</u>	<u>\$ 48,513,219</u>	<u>\$ 27,033,056</u>	<u>\$ 21,011,065</u>	<u>\$ 22,256,711</u>	<u>\$ 28,031,502</u>	<u>\$ 49,140,566</u>	<u>\$ 55,855,083</u>	<u>\$ 65,221,523</u>
<b>School Board Component Unit</b>										
Invested in capital assets, net of related debt	\$ 18,574,602	\$ 22,990,095	\$ 42,682,558	\$ 70,713,467	\$ 88,843,037	\$ 104,213,868	\$ 112,430,425	\$ 116,460,222	\$ 114,692,709	\$ 113,054,855
Restricted	<u>1,517,504</u>	<u>2,626,304</u>	<u>-</u>	<u>-</u>	<u>2,096,290</u>	<u>3,731,987</u>	<u>1,767,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted	<u>3,292,060</u>	<u>2,802,246</u>	<u>4,965,488</u>	<u>10,815,973</u>	<u>16,779,217</u>	<u>8,553,970</u>	<u>2,173,262</u>	<u>3,881,107</u>	<u>5,791,479</u>	<u>5,907,579</u>
Total governmental activities net assets	<u>\$ 23,384,166</u>	<u>\$ 28,418,645</u>	<u>\$ 47,648,046</u>	<u>\$ 81,529,440</u>	<u>\$ 107,718,544</u>	<u>\$ 116,499,825</u>	<u>\$ 116,371,414</u>	<u>\$ 120,341,329</u>	<u>\$ 120,484,188</u>	<u>\$ 118,962,434</u>

Notes:

- (1) These totals are as previously reported. A prior period adjustment was required in 2010 and 2011 which modified these amounts.

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

Table 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,962,960	\$ 3,618,293	\$ 3,757,763	\$ 4,101,357	\$ 4,611,199	\$ 4,963,448	\$ 4,646,225	\$ 4,023,701	\$ 3,951,051	\$ 4,450,987
Judicial administration	1,584,831	1,545,183	1,327,540	2,061,174	2,347,350	2,014,178	2,763,951	2,884,754	2,935,921	2,937,196
Public safety	10,452,560	11,199,311	12,392,777	14,541,554	15,534,200	16,781,824	18,323,978	17,585,438	17,771,948	18,061,684
Public works	4,605,814	5,185,182	5,212,319	5,296,991	5,871,189	7,940,266	7,067,534	7,766,233	9,257,342	11,502,592
Health and welfare	6,161,955	6,291,811	6,652,692	6,880,841	7,689,247	7,705,538	7,579,302	7,246,742	7,730,706	7,659,067
Education	20,872,530	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157
Parks, recreation, and culture	1,816,474	2,494,978	2,352,025	2,187,433	2,385,028	2,968,842	3,354,192	3,413,062	3,461,791	3,525,459
Community development	1,488,120	1,539,404	2,449,154	1,906,853	1,920,305	2,173,272	1,850,299	1,653,859	2,414,352	2,077,685
Interest on long-term debt	1,630,065	1,837,773	2,077,447	3,388,365	4,184,083	4,640,407	4,610,500	4,249,316	4,036,885	3,436,706
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>	<u>76,938,189</u>	<u>79,034,533</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	17,132,555	19,207,251
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>	<u>17,132,555</u>	<u>19,207,251</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>	<u>\$ 94,070,744</u>	<u>\$ 98,241,784</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	\$ 276,960	\$ 269,955
Judicial administration	310,478	329,628	418,589	383,212	371,968	359,633	204,413	630,433	781,054	837,066
Public safety	120,547	137,440	109,541	127,567	1,008,032	895,701	888,450	992,875	1,031,282	961,651
Public works	300,956	370,730	358,752	480,784	615,990	603,778	1,064,374	341,284	788,258	1,193,772
Health and welfare	65,008	60,934	71,228	71,388	78,634	83,304	90,838	75,357	70,083	61,555
Parks, recreation, and culture	501,522	567,817	588,779	591,651	593,557	620,699	607,476	781,612	732,187	777,314
Community development	429,877	617,696	636,958	616,498	557,807	444,174	277,349	441,569	312,354	279,155
Operating grants and contributions	8,312,733	8,511,231	8,335,248	9,302,094	9,680,995	9,306,894	8,931,591	10,225,614	11,927,468	13,093,099
Capital grants and contributions	-	346,440	1,317,918	484,819	1,497,526	723,220	1,835,430	16,184,324	36,524	1,904,428
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>	<u>15,956,170</u>	<u>19,377,995</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	19,636,840	20,219,861
Bus service	87,652	71,071	66,376	84,029	67,579	60,070	79,959	89,482	-	-
Operating grants and contributions	324,511	323,019	392,920	449,306	415,530	542,664	560,688	-	-	-
Capital grants and contributions	-	314,144	2,496,444	401,660	1,828,777	178,293	3,412,273	1,583,104	498,821	3,882,896
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>	<u>20,135,661</u>	<u>24,102,757</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>	<u>\$ 36,091,831</u>	<u>\$ 43,480,752</u>

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

Table 2 (Cont'd)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (41,033,038)	\$ (49,186,098)	\$ (65,221,047)	\$ (84,463,931)	\$ (74,430,174)	\$ (68,058,313)	\$ (63,425,141)	\$ (44,311,616)	\$ (60,982,019)	\$ (59,656,538)
Business-type activities	1,766,864	2,667,248	6,637,057	1,863,850	3,176,327	1,536,724	5,038,019	2,970,478	3,003,106	4,895,506
Total primary government net expense	<u>\$ (39,266,174)</u>	<u>\$ (46,518,850)</u>	<u>\$ (58,583,990)</u>	<u>\$ (82,600,081)</u>	<u>\$ (71,253,847)</u>	<u>\$ (66,521,589)</u>	<u>\$ (58,387,122)</u>	<u>\$ (41,341,138)</u>	<u>\$ (57,978,913)</u>	<u>\$ (54,761,032)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Property taxes	17,368,001	17,499,244	20,654,729	25,468,425	29,385,425	33,279,510	34,178,174	34,168,510	33,797,432	34,768,213
Sales taxes	8,791,276	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685
Utility taxes	3,123,810	3,262,250	3,394,446	3,433,690	2,832,613	2,015,744	1,991,193	1,915,234	1,987,027	1,616,764
Business license taxes	4,311,145	4,739,154	5,400,295	5,983,072	5,901,109	5,727,230	5,458,468	5,236,568	5,451,253	5,678,324
Franchise taxes	431,927	923,194	1,057,007	543,864	557,228	276,598	293,529	329,097	349,004	302,554
Hotel and meals taxes	3,426,565	3,737,769	5,032,624	5,598,277	5,845,108	5,739,369	5,021,594	5,375,860	5,671,611	5,999,862
E-911 taxes	554,297	618,392	651,115	579,235	-	-	-	-	-	-
Communication sales taxes	-	-	-	-	886,730	2,423,466	2,277,662	2,207,059	2,260,141	2,142,639
Other local taxes	1,606,576	1,187,763	1,468,133	2,182,526	2,187,954	1,720,639	2,129,896	1,598,674	1,762,905	1,529,900
Sale of right-of-way	-	-	-	-	-	-	-	-	250,000	386,296
Unrestricted grants and contributions	3,497,399	3,620,250	3,752,212	3,959,529	4,472,972	3,735,644	3,626,897	2,831,277	2,997,533	3,007,083
Investment earnings	208,968	59,384	205,740	875,864	1,322,717	1,458,202	460,609	281,219	146,478	138,851
Miscellaneous	475,516	417,124	414,694	459,032	799,216	512,011	527,737	-	4,304	31,860
Gain on sale of capital assets	43,465	378,716	-	734,856	70,364	-	22,781	-	-	-
Transfers	90,000	1,404,342	1,819,869	3,677,307	1,500,277	1,819,967	1,354,150	1,864,000	3,321,749	1,600,000
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>	<u>66,085,965</u>	<u>65,688,031</u>
Business-type activities:										
Investment earnings	108,332	70,916	195,569	400,403	567,522	273,073	125,725	56,010	12,746	32,925
Miscellaneous	17,306	25,051	13,519	37,456	134,639	28,017	10,617	53,060	45,146	6,516
Transfers	(90,000)	(1,404,342)	(1,819,869)	(3,677,307)	(1,500,277)	(1,819,967)	(1,354,150)	(1,864,000)	(3,321,749)	(1,600,000)
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>	<u>(3,263,857)</u>	<u>(1,560,559)</u>
Total primary government	<u>\$ 43,964,583</u>	<u>\$ 46,075,102</u>	<u>\$ 52,513,305</u>	<u>\$ 61,150,922</u>	<u>\$ 65,244,653</u>	<u>\$ 66,936,876</u>	<u>\$ 64,161,913</u>	<u>\$ 61,442,126</u>	<u>\$ 62,822,108</u>	<u>\$ 64,127,472</u>
<b>Change in Net Assets</b>										
Governmental activities	2,895,907	(1,802,621)	(11,096,961)	(20,073,561)	(8,387,405)	397,440	1,954,580	18,885,440	5,103,946	6,031,493
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	(260,751)	3,334,947
Total primary government	<u>\$ 4,698,409</u>	<u>\$ (443,748)</u>	<u>\$ (6,070,685)</u>	<u>\$ (21,449,159)</u>	<u>\$ (6,009,194)</u>	<u>\$ 415,287</u>	<u>\$ 5,774,791</u>	<u>\$ 20,100,988</u>	<u>\$ 4,843,195</u>	<u>\$ 9,366,440</u>

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

Table 2 (Cont'd)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
School Board Component Unit:										
Education	\$ 34,734,639	\$ 36,697,616	\$ 39,729,723	\$ 42,043,989	\$ 44,755,582	\$ 47,890,837	\$ 51,428,596	\$ 47,296,567	\$ 48,837,882	\$ 49,246,256
Total School Board component unit expenses	<u>34,734,639</u>	<u>36,697,616</u>	<u>39,729,723</u>	<u>42,043,989</u>	<u>44,755,582</u>	<u>47,890,837</u>	<u>51,428,596</u>	<u>47,296,567</u>	<u>48,837,882</u>	<u>49,246,256</u>
<b>Program Revenues</b>										
School Board Component Unit:										
Charges for services:										
Education	804,049	881,307	915,437	949,126	963,824	924,387	957,618	880,847	880,295	869,102
Operating grants and contributions	13,092,918	13,714,468	15,551,702	16,524,727	17,422,798	18,058,555	19,567,683	21,252,219	19,926,049	20,824,041
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	2,216,821	390,328
Total School Board component unit revenues	<u>14,410,485</u>	<u>20,857,764</u>	<u>36,303,894</u>	<u>51,163,681</u>	<u>40,888,537</u>	<u>26,560,907</u>	<u>21,996,364</u>	<u>25,164,911</u>	<u>23,023,165</u>	<u>22,083,471</u>
<b>Net (Expense)/Revenue</b>										
School Board Component Unit	<u>(20,324,154)</u>	<u>(15,839,852)</u>	<u>(3,425,829)</u>	<u>9,119,692</u>	<u>(3,867,045)</u>	<u>(21,329,930)</u>	<u>(29,432,232)</u>	<u>(22,131,656)</u>	<u>(25,814,717)</u>	<u>(27,162,785)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
School Board Component Unit:										
Payment from City of Winchester	20,845,230	21,135,323	21,975,750	23,481,698	25,056,307	26,920,190	27,901,103	25,386,902	25,351,902	25,351,902
Investment earnings	197,189	76,553	424,115	998,705	1,211,760	1,110,082	216,949	165,518	79,639	73,813
Miscellaneous	149,827	243,789	246,617	281,299	3,788,082	3,815,962	1,185,769	145,137	236,623	215,316
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>	<u>25,668,164</u>	<u>25,641,031</u>
<b>Change in Net Assets</b>										
School Board Component Unit	<u>\$ 868,092</u>	<u>\$ 5,615,813</u>	<u>\$ 19,229,401</u>	<u>\$ 33,881,394</u>	<u>\$ 26,189,104</u>	<u>\$ 10,516,304</u>	<u>\$ (128,411)</u>	<u>\$ 3,565,901</u>	<u>\$ (146,553)</u>	<u>\$ (1,521,754)</u>



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

Table 3

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Pre-GASB 54 implementation:</b>								
General Fund								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,465
Unreserved	<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>\$ 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	\$ 117,459	\$ 117,459	\$ 126,832	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Unreserved, reported in:								
Special revenue funds	1,392,992	1,201,214	1,286,541	1,468,954	1,704,636	1,820,531	-	1,811,642
Capital projects funds	1,590,093	1,559,751	950,751	6,847,195	2,969,046	1,842,195	4,279,791	824,558
Debt service funds	<u>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>\$ 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>
	<u>2011</u>	<u>2012</u>						
<b>Post-GASB 54 implementation:</b>								
General Fund								
Nonspendable	\$ 11,950	\$ 7,081						
Restricted	441,131	476,780						
Committed	950,000	1,300,000						
Assigned	931,312	5,410,412						
Unassigned	<u>18,651,925</u>	<u>15,145,625</u>						
Total general fund	<u>\$ 20,986,318</u>	<u>\$ 22,339,898</u>						
All Other Governmental Funds								
Nonspendable	\$ 40,000	\$ 190,000						
Restricted	-	-						
Committed	-	-						
Assigned	2,068,984	3,172,645						
Unassigned	<u>-</u>	<u>-</u>						
Total all other governmental funds	<u>\$ 2,108,984</u>	<u>\$ 3,362,645</u>						

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

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

Table 4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
General property taxes	\$ 17,174,708	\$ 17,904,992	\$ 20,502,718	\$ 25,041,195	\$ 29,701,648	\$ 33,045,144	\$ 33,704,350	\$ 33,821,252	\$ 33,942,158	\$ 34,607,227
Sales taxes	8,791,276	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685
Other local taxes	13,454,320	14,468,522	17,003,620	18,320,664	18,210,742	17,903,046	17,172,342	16,662,492	17,481,942	17,270,042
Permits, privilege fees, and regulatory licenses	433,236	621,027	639,874	619,646	560,761	450,188	285,131	392,290	292,644	252,950
Fines and forfeitures	171,173	185,477	274,987	221,123	203,206	171,521	159,077	147,721	221,715	274,147
Revenues from use of money and property	208,570	86,646	226,866	897,306	1,357,831	1,504,587	529,863	439,521	315,006	292,403
Charges for services	732,614	827,070	834,354	843,209	1,420,091	1,698,424	1,760,787	1,706,059	1,846,033	1,963,310
Miscellaneous	387,757	382,337	391,358	436,721	763,945	465,622	444,901	453,621	764,927	1,157,315
Recovered costs	670,731	647,694	650,470	776,667	903,114	887,583	1,454,804	979,769	1,045,223	930,667
Intergovernmental	11,810,132	12,477,171	12,575,431	13,646,660	13,697,391	13,849,118	14,393,918	14,754,690	14,737,288	17,742,776
Total revenues	53,834,517	57,136,831	63,372,900	71,697,884	77,099,785	79,722,606	77,942,204	76,746,973	78,733,464	82,976,522
<b>Expenditures</b>										
General government administration	2,566,622	3,201,756	3,140,752	3,445,735	3,907,048	4,420,565	3,999,143	3,803,786	3,690,586	4,304,202
Judicial administration	1,511,492	1,609,089	1,661,817	1,929,431	2,266,027	2,537,903	2,574,148	2,690,827	2,768,905	2,838,387
Public safety	10,387,188	11,041,207	12,505,214	14,851,908	15,745,426	16,592,044	17,907,345	16,963,980	17,471,623	18,028,989
Public works	5,139,949	5,878,314	5,645,313	6,994,174	7,592,466	9,579,042	8,611,361	10,526,541	6,958,722	9,708,681
Health and welfare	6,168,712	6,270,468	6,678,900	6,852,789	7,675,658	7,728,686	7,542,126	7,205,135	7,727,186	7,697,084
Education (1)	20,872,530	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157
Parks, recreation, and culture	1,974,719	2,239,955	2,125,648	2,702,534	2,941,953	3,898,630	3,716,933	3,877,809	3,117,656	3,364,141
Community development	1,490,323	1,560,657	2,456,570	1,922,337	1,897,862	2,247,515	1,757,737	1,574,376	2,332,049	2,109,601
Capital projects	1,826,167	583,013	744,593	1,004,599	2,866,617	2,466,646	2,027,584	-	-	-
Debt service:										
Principal retirement	2,837,627	3,101,293	3,511,299	4,290,832	4,860,328	5,702,316	5,544,227	5,829,665	5,760,991	5,519,489
Interest and fiscal charges	1,620,693	1,669,686	1,763,091	3,048,509	4,136,444	4,592,251	4,690,387	4,343,895	4,132,168	3,435,326
Bond issuance costs	27,542	105,029	297,686	260,168	142,965	98,552	-	-	-	235,527
Advance refunding escrow	88,892	-	129,378	-	-	-	-	-	-	-
Total expenditures	56,512,456	64,189,061	82,105,605	104,132,865	99,006,030	92,504,310	86,295,531	82,232,128	79,338,079	82,624,584
Excess of revenues over (under) expenditures	(2,677,939)	(7,052,230)	(18,732,705)	(32,434,981)	(21,906,245)	(12,781,704)	(8,353,327)	(5,485,155)	(604,615)	351,938

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

Table 4 (Cont'd)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Other Financing Sources (Uses)</b>										
Sale of property	\$ 43,465	\$ 382,758	\$ 7,004	\$ 752,455	\$ 82,493	\$ 1,520	\$ 43,198	\$ -	\$ 250,000	\$ 386,296
Insurance recoveries	-	-	-	59,303	13,416	14,015	18,576	114,754	4,304	31,860
Bonds issued	8,736,000	6,710,000	28,172,590	39,000,000	19,260,000	7,200,000	-	-	-	27,217,364
Premium on debt	-	61,315	620,625	1,230,047	772,124	88,710	-	-	-	3,995,350
Capital lease	-	242,595	766,308	282,000	360,425	441,500	-	-	-	-
Payment to refunded bond escrow agent	(5,056,000)	-	(9,952,868)	-	-	-	-	-	-	(30,975,567)
Transfers in	3,409,678	3,651,075	4,715,464	6,848,646	6,919,733	9,642,156	7,650,015	7,980,231	5,433,719	5,243,455
Transfers out	(3,319,678)	(2,246,733)	(2,895,595)	(3,800,775)	(5,419,456)	(7,847,350)	(6,295,865)	(6,336,231)	(3,589,786)	(3,643,455)
Total other financing sources and uses	3,813,465	8,801,010	21,433,528	44,371,676	21,988,735	9,540,551	1,415,924	1,758,754	2,098,237	2,255,303
Net change in fund balances	\$ 1,135,526	\$ 1,748,780	\$ 2,700,823	\$ 11,936,695	\$ 82,490	\$ (3,241,153)	\$ (6,937,403)	\$ (3,726,401)	\$ 1,493,622	\$ 2,607,241
Debt service as a percentage of noncapital expenditures (2)	8.7%	7.9%	7.2%	7.7%	10.0%	12.3%	12.8%	13.3%	12.6%	11.3%

Notes:

- (1) Education expenditures include the City's contribution to the School Board Component Unit.

**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		
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	0.86
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	0.83
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	3,721,925,386	0.86
2008	2,209,123,962	1,151,495,700	0.68	62,548,699	0.65	184,820,863	4.5	8,814	4.5	116,719,433	1.3	197,956	0.68	3,724,915,427	0.89
2009 (2)	1,930,786,600	1,145,085,600	0.77	62,322,900	0.68	183,336,720	4.5	10,493	4.5	109,391,904	1.3	192,756	0.77	3,431,126,973	0.98
2010	1,937,277,200	1,138,605,300	0.77	67,087,131	0.77	178,115,588	4.5	16,957	4.5	124,891,288	1.3	202,056	0.77	3,446,195,520	0.98
2011 (2)	1,590,890,500	1,129,950,300	0.86	64,741,641	0.86	186,501,554	4.5	11,236	4.5	124,891,288	1.3	202,056	0.86	3,097,188,575	1.10
2012	1,603,736,800	1,139,679,400	0.95	72,272,617	0.95	102,458,341	4.5	5,494	4.5	120,805,964	1.3	158,888	0.95	3,039,117,504	1.08

Notes:

- (1) Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
- (2) General reassessment of real property completed for the 2003, 2005, 2007, 2009 and 2011 tax year.
- (3) Real Property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

Source:

City of Winchester, Commissioner of the Revenue

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

Table 6

Fiscal Year	City Direct Rates (2)				Total Direct Rate
	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	
2003	0.49	0.02	0.25	0.07	0.83
2004	0.54	0.02	0.25	0.06	0.86
2005	0.55	0.01	0.21	0.05	0.83
2006	0.60	0.01	0.28	0.06	0.95
2007	0.59	0.01	0.22	0.04	0.86
2008	0.61	0.01	0.22	0.04	0.89
2009	0.69	0.01	0.24	0.04	0.98
2010	0.69	0.01	0.23	0.05	0.98
2011	0.76	0.02	0.27	0.05	1.10
2012	0.86	0.02	0.15	0.05	1.08

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>	December 31, 2011			December 31, 2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Mayflower Apple Blossom, LP	\$ 45,217,100	1	1.66%	\$ 35,562,300	1	1.89%
Walmart Realty CO	23,733,000	2	0.87%	16,340,700	7	0.87%
P D K Winchester, LC	21,322,200	3	0.78%	-		-
Cole MT Winchester, LC	21,257,500	4	0.78%	-		-
DDRM Apple Blossom Corners, LLC.	16,440,400	5	0.60%	-		-
National Fruit Product Co., Inc.	14,589,400	6	0.53%	15,994,700	8	0.85%
Lowe's Home Center, Inc.	12,665,400	7	0.46%	-		-
Loveless Homes X, LLC	12,596,000	8	0.46%	-		-
Pleasant Valley Market Place, LLC	12,462,500	9	0.46%	-		-
Rubbermaid Commerical Prod. Inc.	10,989,400	10	0.40%	15,473,100	9	0.82%
Winchester Medical Center, Inc.	-		-	27,992,100	2	1.49%
Pine Motor Co., Inc. Etal.	-		-	19,107,600	3	1.02%
Dev. Diversified Realty Corp.	-		-	16,951,200	6	0.90%
Aikens Investments/HWA et. Al	-		-	17,861,600	4	0.95%
Melco, Inc.	-		-	17,417,600	5	0.93%
Glaize Developments, Inc.	-		-	15,068,400	10	0.80%
Total	\$ 191,272,900		7.00%	\$ 197,769,300		10.52%

Source:

City of Winchester, Commissioner of Revenue Office

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	\$ 18,718,770	\$	1,875,460	\$ 20,594,230	\$ 17,686,635	94.49%	\$ 2,649,089	\$ 20,335,724	98.74%
2004	19,391,170		1,802,160	21,193,330	18,547,957	95.65%	2,453,677	21,001,634	99.10%
2005	20,766,491		2,013,703	22,780,194	19,893,140	95.79%	2,648,056	22,541,196	98.95%
2006	25,705,020		2,802,593	28,507,613	24,280,467	94.46%	3,773,927	28,054,394	98.41%
2007	29,728,314		2,850,749	32,579,063	28,477,374	95.79%	2,160,600	30,637,974	94.04%
2008	32,280,468		2,877,353	35,157,821	31,240,872	96.78%	2,168,130	33,409,002	95.03%
2009	32,726,042		-	32,726,042	31,632,098	96.66%	1,093,944	32,726,042	100.00%
2010	35,759,290		-	35,759,290	34,285,769	95.88%	1,473,521	35,759,290	100.00%
2011	35,941,324		-	35,941,324	32,347,826	90.00%	1,448,421	33,796,247	94.03%
2012	34,060,423		-	34,060,423	33,158,805	97.35%	-	33,158,805	97.35%

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	Revenue	General	Revenue	Obligations			
	Obligation Bonds	Bonds	Obligation Bonds	Bonds	Payable			
2003	\$ 35,936,575	-	\$ 18,771,515	-	-	\$ 54,708,090	8.09%	2,270
2004	39,747,433	-	20,835,285	-	-	60,582,718	9.08%	2,479
2005	55,393,281	-	21,751,067	-	-	77,144,348	11.66%	3,157
2006	90,474,179	-	26,662,924	-	-	117,137,103	15.49%	4,663
2007	105,263,817	-	29,886,248	-	-	135,150,065	16.78%	5,349
2008	107,244,423	-	28,497,851	-	-	135,742,274	16.08%	5,275
2009	101,700,196	-	27,022,523	23,920,000	8,163,355	160,806,074	18.04%	6,209
2010	95,870,531	-	25,444,814	36,215,000	7,232,324	164,762,669	18.41%	6,259
2011	90,109,540	-	23,779,501	47,610,000	20,221,937	181,720,978	20.34%	6,934
2012	84,848,790	-	22,058,855	66,589,030	19,080,302	192,576,977	21.45%	7,242

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)
2003	35,936,575	811,011	35,125,564	1.96%	1,457
2004	39,747,433	639,959	39,107,474	1.78%	1,601
2005	55,393,281	482,877	54,910,404	2.44%	2,247
2006	90,474,179	342,947	90,131,232	3.31%	3,588
2007	105,263,817	217,166	105,046,651	3.69%	4,158
2008	107,244,423	102,003	107,142,420	2.88%	4,164
2009	101,700,196	49,876	101,650,320	2.73%	3,925
2010	95,870,531	-	95,870,531	2.79%	3,642
2011	90,109,540	-	90,109,540	2.61%	3,439
2012	84,848,790	-	84,848,790	2.79%	3,191

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, 2012**

Table 11

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Winchester</u>	<u>Amount Applicable to City of Winchester</u>
City of Winchester	\$ 84,848,790	100%	\$ 84,848,790

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 190,332,033	\$ 197,272,100	\$ 244,649,841	\$ 254,940,417	\$ 342,079,042	\$ 342,316,836	\$ 302,560,266	\$ 314,296,963	\$ 278,558,244	\$ 281,568,882
Total net debt applicable to limit	<u>53,260,133</u>	<u>59,942,759</u>	<u>76,661,471</u>	<u>116,794,156</u>	<u>134,932,899</u>	<u>135,640,271</u>	<u>128,672,843</u>	<u>121,315,345</u>	<u>113,889,041</u>	<u>106,907,645</u>
Legal debt margin	<u>\$ 137,071,900</u>	<u>\$ 137,329,341</u>	<u>\$ 167,988,370</u>	<u>\$ 138,146,261</u>	<u>\$ 207,146,143</u>	<u>\$ 206,676,565</u>	<u>\$ 173,887,423</u>	<u>\$ 192,981,618</u>	<u>\$ 164,669,203</u>	<u>\$ 174,661,237</u>
Total net debt applicable to the limit as a percentage of debt limit	35.82%	27.98%	30.39%	31.34%	45.81%	39.44%	39.62%	42.53%	40.89%	37.97%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed Value of Real Property	\$ 2,815,688,817
Debt Limit - 10%	281,568,882
Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>106,907,645</u>
Legal Debt Margin	<u>\$ 174,661,237</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		Net Available Revenue	Debt Service		Coverage	
	Charges and Other	Less: Operating Expenses		Principal	Interest		
2009	\$ 17,632,035	\$ 12,955,277	\$ 4,676,758	\$ -	\$ 230,006	20.33	
2010	18,282,412	11,301,236	6,981,176	-	1,093,351	6.39	
2011	19,681,986	11,662,219	8,019,767	770,000	1,779,020	4.51	
2012	20,226,377	12,299,426	7,926,951	1,245,000	2,383,018	3.33	

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

Notes:

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

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

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
2003	24,100	\$ 676,318	\$ 28,063	35.2	75.4%	23.7%	3,517	3.30%
2004	24,434	667,244	27,308	35.2	75.4%	23.7%	3,567	2.90%
2005	24,434	661,770	27,084	35.2	75.4%	23.7%	3,631	3.30%
2006	25,119	756,182	30,104	35.2	75.4%	23.7%	3,756	2.80%
2007	25,265	805,625	31,887	35.2	75.4%	23.7%	3,708	3.10%
2008	25,733	844,325	32,811	36.0	75.4%	23.7%	3,652	4.60%
2009	25,897	891,297	34,417	35.7	75.4%	23.7%	3,714	8.70%
2010	26,322	894,790	33,994	35.2	75.4%	23.7%	3,745	7.20%
2011	26,203	893,365	34,094	37.4	78.1%	28.1%	3,829	7.30%
2012	26,587	897,737	33,766	35.1	79.7%	29.7%	3,979	6.60%

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, 2011</u>			<u>December 31, 2002</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	7.34%	500 - 999	3	3.89%
Shenandoah University	500 - 999	2	3.67%	500 - 999	7	3.89%
Winchester City Public Schools	500 - 999	3	3.67%	500 - 999	4	3.89%
Rubbermaid Commerical Products	500 - 999	4	3.67%	1,000 and over	2	7.78%
Wal Mart	500 - 999	5	3.67%	500 - 999	8	3.89%
U.S. Department of Defense	500 - 999	6	3.67%	-	-	-
City of Winchester	500 - 999	7	3.67%	-	-	-
Osullivan Films Inc.	250 - 499	8	1.83%	-	-	-
Grafton School, Inc.	250 - 499	9	1.83%	-	-	-
Axiom Staffing Group	250 - 499	10	1.83%	-	-	-
Winchester Medical Center	-	-	-	1,000 and over	1	7.78%
Lear Operations Corporation	-	-	-	500 - 999	6	3.89%
Kohl's Department Stores	-	-	-	500 - 999	5	3.89%
Kraft Foods	-	-	-	500 - 999	9	3.89%
Polyone Engineered Films	-	-	-	500 - 999	10	3.89%
Total	4,750		34.85%	6,000		46.68%

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 Seven Fiscal Years (1)**

Table 16

	Full-Time Equivalent Employees as of June 30						
	2006	2007	2008	2009	2010	2011	2012
<b><u>Function/Program</u></b>							
General government administration	45	46	46	43	41	37	39
Judicial administration	38	38	38	42	41	46	46
Public safety	228	243	234	200	204	219	223
Public works	39	59	60	58	59	61	59
Health and welfare	45	41	43	43	44	46	44
Parks, recreation, and culture	50	40	50	53	52	58	55
Community development	13	20	19	14	13	13	11
Water and sewer	60	64	67	61	58	66	66
Bus service	15	13	13	13	13	14	14
Parking authority	12	10	8	8	8	8	6
Schools	685	685	687	687	683	677	687
 Total	 1,230	 1,259	 1,265	 1,222	 1,216	 1,245	 1,250

**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 for last seven fiscal years. Data will be added until a 10 year comparison is achieved.

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

Table 17

<b>Function</b>	<b>Fiscal Year</b>						
	2006	2007	2008	2009	2010	2011	2012
General Government							
Building permits issued	780	762	600	486	470	942	1,508
Building inspections conducted (commercial and residential)	11,904	11,858	10,074	8,154	8,186	7,342	6,987
Police							
Physical arrests	4,855	3,567	2,701	3,231	2,611	2,854	4,090
Parking violations	8,524	8,048	7,647	7,429	6,634	7,128	5,977
Traffic violations	5,168	4,531	4,087	4,524	3,709	4,070	5,406
Fire							
Emergency responses	5,560	5,623	5,498	5,470	5,377	5,549	5,781
Structure fires	70	56	54	60	45	87	43
On-site fire inspections	378	97	143	334	361	388	360
Fire suppression inspection tests	112	167	106	152	112	45	64
Refuse Collection							
Refuse collected (tons per year -- residential and non-residential)	8,696.24	7,578.50	7,117.36	6,649.11	6,537	6,430	6,520
Recyclables collected (tons per year -- does not include cardboard or yard waste)	1,922.52	2,014.29	2,031.84	2,116.81	2,908	2,931	3,252
Recyclable scrap	-	10.72	19.18	8.88	21	20	18
Other Public Works							
Street resurfacing (miles)	2	5	3	7.4	7	1.1	1.8
Parks and Recreation							
Shelter permits issued	493	448	681	472	821	839	911
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	34,457	30,126	38,061	43,154	48,108	49,774	47,201
Racquetball court users (2)	2,774	1,341	1,345	1,196	2,474	2,407	2,324
Indoor fitness room users (2)	7,280	6,077	8,136	5,167	13,487	9,901	9,316
Water							
Average daily production	7.3 mgd	7.9 mgd	7.9 mgd	6.85 mgd	6.34 mgd	6.43 mgd	6.83 mgd
New connections	179	38	55	32	42	40	28
Total connections	10,930	10,824	10,879	10,911	10,953	10,993	11,021
Water main breaks	58	55	60	56	30	55	40
Average daily consumption	5.8 mgd	5.9 mgd	6.1 mgd	5.25 mgd	4.8 mgd	4.9 mgd	4.67 mgd
Wastewater							
Average daily flow (12 month period)	4.4 mgd	4.9 mgd	4.8 mgd	4.6 mgd	5.37 mgd	4.8 mgd	4.52 mgd
Peak Flow (12 month period)	9.8 mgd	9.7 mgd	9.8 mgd	9.8 mgd	8.45 mgd	9.8 mgd	23.1 mgd
Transit							
Passenger trips	149,796	148,169	139,672	130,494	120,656	128,876	136,501
Schools							
Number of teachers, Elementary (K-4)	142	132	121	121	131	143	143
Number of teachers, Middle 5-8)	85	99	99	99	94	90	97
Number of teachers, Secondary (9-12)	94	100	102	102	99	96	96
Number of students, Elementary (K-4)	1,712	1,417	1,447	1,529	1,605	1,649	1,684
Number of students, Middle (5-8)	817	1,101	1,063	1,073	1,074	1,084	1,178
Number of students, Secondary (9-12)	1,113	1,190	1,142	1,112	1,066	1,096	1,117

Source: Various Departments in the City

Notes:

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



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

Table 18

<b>Function</b>	<b>Fiscal Year</b>						
	2006	2007	2008	2009	2010	2011	2012
Police							
Stations	1	1	1	1	1	1	1
SubStations	1	1	1	1	1	1	2
Patrol cars	67	74	76	77	76	76	79
Fire							
Fire Stations	4	4	4	4	4	4	4
Refuse Collection							
Collection Trucks	8	8	7	7	7	7	7
Other Public Works							
Streets (miles)	284	205	205	219	221	221	221
Streetlights	72	72	72	63	63	63	63
Traffic signals	62	64	63	60	56	56	56
Parks and Recreation							
Number of parks	15	15	15	15	14	14	14
Acreage	240.65	248.19	248.19	248.19	247.83	247.83	247.83
Playgrounds	11	10	10	10	9	9	9
Community centers	1	1	1	1	1	1	1
Baseball/softball diamonds	8	9	8	9	9	9	9
Soccer/football fields	5	5	5	6	6	6	9
Basketball courts	7	7	7	7	7	7	7
Tennis courts	7	7	7	7	7	7	8
Volleyball court	1	1	1	1	1	-	-
Horseshoe courts	26	24	24	24	24	24	24
Water							
Miles of water mains	171.98	125.00	125.00	125.00	125.00	126.00	126.00
Fire hydrants	1,082	1,082	1,082	1,082	1,085	1,085	1,085
Water storage capacity	11.1 mg	11 mg	11 mg	11 mg	11mg	12mg	12mg
Wastewater							
Miles of storm sewers	79.60	79.60	79.60	81.00	82.00	82.00	82.00
Miles of sanitary sewers	121.69	121.69	121.69	121.69	121.69	121.69	121.69
Opequon wastewater treatment capacity (2)	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	7.1 mgd	7.1 mgd
Transit							
Minibuses	9	8	8	7	7	7	7
Trolleys	2	2	2	2	2	2	2
Vans	2	2	2	2	2	2	2
Schools							
Attendance Centers, Elementary	4	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1	1
Number of classrooms, Elementary	164	164	123	123	123	123	127
Number of classrooms, Middle	85	90	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95	95

Source: Various Departments in the City

Notes:

- (1) Information is only available for last seven 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 9, 2012. 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**

Management of the City is responsible for establishing and maintaining effective 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.

*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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, these can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. **We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined previously.**

## **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 12-2.**

We noted certain matters that we reported to management of the City in a separate letter dated November 9, 2012.

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 9, 2012

**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 *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, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an 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 12-1.**

## 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 the response.**

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 9, 2012

**CITY OF WINCHESTER, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2012**

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, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** 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*.
3. **No instances of noncompliance** material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion** on all major federal programs.
6. The audit disclosed **one audit finding relating to major programs**.
7. The major programs of the City are:

<u>Name of Program</u>	<u>CFDA #</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Temporary Assistance for Needy Families	93.558
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Special Education – Grants to States	84.027
ARRA - Special Education – Grants to States	84.391
Special Education – Preschool Grants	84.173
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389
Community Development Block Grants/Entitlement Grants	14.218
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596

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



**CITY OF WINCHESTER, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None

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

**12-1: Capitalization Grants for Drinking Water State Revolving Funds – CFDA 66.468**

*Condition:*

We noted that the first quarter utilization report was not filed by the October 15, 2011 due date and was instead filed on October 27, 2011.

*Recommendation:*

We recommend that the City implement a process to ensure that reports are filed on or before their stated due dates.

*Management's Response:*

The auditee concurs with this recommendation and added that they notified the State ahead of time to make them aware that the City would be filing this report late.

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

**12-2: Commonwealth of Virginia Disclosure Statements**

*Condition:*

Four out of thirty-six members of City appointed governing bodies did not file statements of economic interest by the deadline as set forth by the *Code of Virginia*.

*Recommendation:*

Steps should be taken to ensure that these statements are filed and in a timely manner.

*Management's Response:*

The auditee concurs with this recommendation.

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2012**

<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	\$ 379,792
Department of Forestry:		
Cooperative Forestry Assistance	10.664	4,500
Department of Corrections:		
National School Lunch Program	10.555	26,691
Commonwealth of Virginia Department of Agriculture and Consumer Services		
National School Lunch Program	10.555	955,680
National School Lunch Program - Commodities	10.555	97,831
School Breakfast Program	10.553	281,317
Total School Lunch Cluster		1,334,828
ARRA - Child Nutrition Discretionary Grant	10.579	12,950
Fresh Fruits and Vegetables Program	10.582	57,920
Total U.S. Department of Agriculture		1,816,681
<b>U.S. Department of Homeland Security</b>		
Pass-through payments:		
Department of Emergency Management:		
FEMA Disaster Assistance	97.036	161,032
State Homeland Security Grant Program	97.073	127,702
Total U.S. Department of Homeland Security		288,734
<b>U.S. Department of Housing and Urban Development</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	488,500
Total U.S. Department of Housing and Urban Development		488,500
<b>Environmental Protection Agency</b>		
Direct payments:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	1,516,582
Total Environmental Protection Agency		1,516,582
<b>U.S. Department of Justice</b>		
Direct payments:		
NVRDTF Gang Grant	16.580	74,068
COPS Hiring Recovery Program (CHRP) Grant	16.710	225,090
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	75,032
Violence Against Women Formula Grant	16.588	17,176
Sexual Assault Services Grant	16.017	4,659
Edward Byrne Memorial Justice Assistance Grant Program:		
Safe Streets Initiative	16.738	2,186
Byrne JAG Program	16.738	8,993
Law Enforcement Fitness Program	16.738	19,876
VEST Reimbursement Program	16.607	8,415
Total U.S. Department of Justice		435,495
<b>National Endowment for the Arts</b>		
Pass-through payments:		
Virginia Commission for the Arts		
Promotion of the Arts Partnership Agreements	45.025	5,000
Total National Endowment for the Arts		5,000
<b>U.S. Department of Transportation</b>		
Direct payments:		
Federal Transit - Capital Investment Grants	20.500	33,437
ARRA - Federal Transit - Capital Investments Grants	20.500	103,481
Federal Transit - Formula Grants	20.507	434,037
Total Federal Transit Cluster		570,955
Pass-through payments:		
Virginia Department of Motor Vehicles		
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	30,466
Virginia Department of Transportation		
Highway Planning and Construction	20.600	13,497
State and Community Highway Safety	20.607	15,936
Total Highway Safety Cluster		59,899
Total U.S. Department of Transportation		630,854

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**For the Year Ended June 30, 2012**

<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	\$ 827
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I - Grants to Local Educational Agencies	84.010	971,995
ARRA - Title I - Grant to States	84.389	8,237
Total Title I Cluster		980,232
Special Education - Grants to States	84.027	1,026,486
Special Education - Preschool Grants	84.173	30,446
ARRA - Special Education Grants to States	84.391	8,845
Total Special Education Cluster		1,065,777
Safe and Drug-free Schools and Communities - State Grants	84.186	2,376
21st Century Community Learning Centers	84.287	228,713
English Language Acquisition Grants	84.365	82,878
Improving Teacher Quality State Grants	84.367	164,589
Education Technology State Grants	84.318	420
Vocational Education - Basic Grants to States	84.048	78,404
Education Jobs Fund Grant	84.410	208,048
Department of Behavioral Health and Developmental Services		
Early Intervention	84.181	218,501
ARRA - Early Intervention	84.393	35,929
Total U.S. Department of Education		3,066,694
<b>Department of Health and Human Services:</b>		
Pass-through Payments:		
Department of Human Services:		
Promoting Safe and Stable Families	93.556	15,949
Temporary Assistance to Needy Families	93.558	366,366
Refugee and Entrant Assistance	93.566	1,690
Low Income Home Energy Assistance	93.568	21,516
Child Care and Development Block Grant	93.575	121,428
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	161,120
Total Child Care Assistance Cluster		282,548
Chafee Education and Training Vouchers Program	93.599	5,906
Child Welfare Services	93.645	950
Foster Care - Title IV-E	93.658	231,205
Adoption Assistance	93.659	196,254
Social Service Block Grant	93.667	205,686
Chafee Foster Care Independence Program	93.674	9,123
Medical Assistance Program	93.778	10,930
State Children's Insurance Program	93.767	231,533
Total U.S. Department of Health and Human Services		1,579,656
Total Expenditures of Federal Awards		\$ 9,828,196

**Notes to the Schedule of Expenditures of Federal Awards**

**Note 1: Basis of Presentation**

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

**Note 2: Non-Cash Assistance**

The City of Winchester participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity distributions of \$97,831 from the National School Lunch Program.