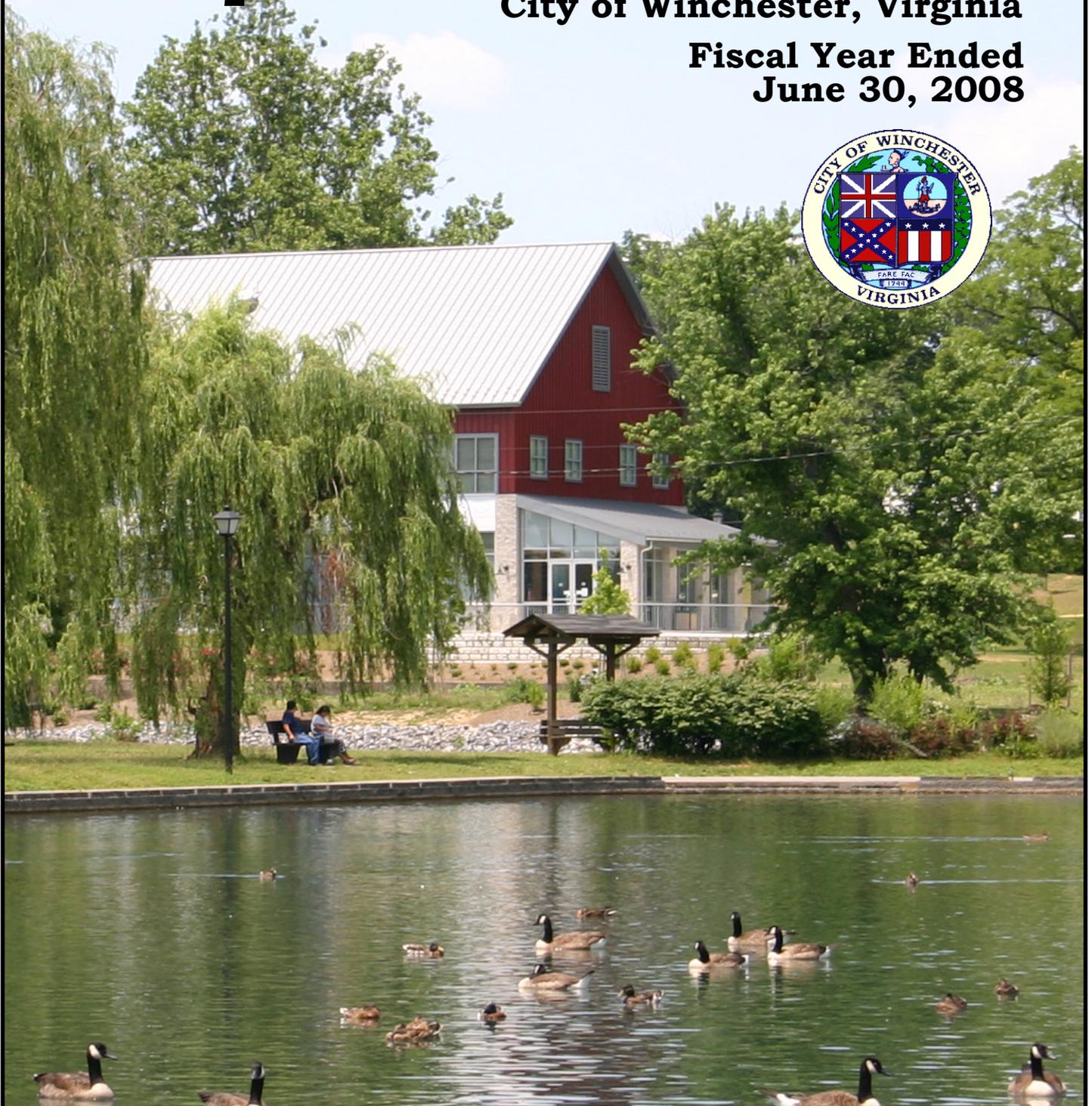


Comprehensive Annual Financial Report

City of Winchester, Virginia

Fiscal Year Ended
June 30, 2008



The cover picture is of Wilkins Lake, with the newly constructed Davis Hall in the background. Wilkins Lake is located within the Jim Barnett Park and is maintained and operated by the Winchester Parks and Recreation Department. The man made lake was originally completed and dedicated in 1984. The lake is stocked with trout and the public is welcome to fish. Davis Hall is a part of the Shenandoah University campus and was dedicated in May 2008. Davis Hall is home to the Winchester-Frederick County Visitor's Center and the Shenandoah Valley Battlefield Foundation Civil War Orientation Center. The City gratefully thanks Ms. Amy Simmons for the use of her photography for this cover.

CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

Prepared By:
City of Winchester
Finance Department

**CITY OF WINCHESTER, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	<u>Exhibits</u>	<u>Pages</u>
<i>INTRODUCTORY SECTION</i>		
Officials		i
Organizational Chart		ii
Letter of Transmittal		iii-vii
Certificate of Achievement		viii
<i>FINANCIAL SECTION</i>		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-11
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Assets	1	12
Statement of Activities	2	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	6	17-18
Statement of Net Assets – Proprietary Funds	7	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	8	20
Statement of Cash Flows – Proprietary Funds	9	21-22
Statement of Fiduciary Net Assets – Fiduciary Funds	10	23
Notes to Financial Statements		24-47
<u>Required Supplementary Information:</u>		
Schedule of Funding Progress for Defined Benefit Pension Plan	11	48
<u>Other Supplementary Information:</u>		
Combining Statements and Individual Fund Schedules:		
Governmental Funds		49
Combining Balance Sheet – Nonmajor Governmental Funds	12	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	13	51
Combining Balance Sheet – Nonmajor Special Revenue Funds	14	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds	15	53
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	16	54-55
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – School Bond Debt Service Fund	17	56
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects Funds	18	57

FINANCIAL SECTION (Continued)ExhibitsPagesOther Supplementary Information: (cont'd)

Internal Service Funds		58
Combining Statement of Net Assets	19	59
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	20	60
Combining Statement of Cash Flows	21	61
 Fiduciary Funds		62
Combining Statement of Fiduciary Net Assets – Agency Funds	22	63
Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	23	64
 Discretely Presented Component Unit School Board		65
Balance Sheet – Governmental Funds	24	66
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	25	67
Statement of Net Assets – Proprietary Funds	26	68
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	27	69
Statement of Cash Flows – Proprietary Funds	28	70
Statement of Fiduciary Net Assets	29	71
Statement of Changes in Fiduciary Net Assets	30	72
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund	31	73
Combining Balance Sheet – Nonmajor Governmental Funds	32	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	33	75
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	34	76
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds	35	77
Combining Statement of Net Assets – Internal Service Funds	36	78
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	37	79
Combining Statement of Cash Flows – Internal Service Funds	38	80
Combining Statement of Fiduciary Net Assets – Private-Purpose Trust Funds	39	81
Combining Statement of Changes in Fiduciary Net Assets – Private- Purpose Trust Funds	40	82
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	41	83
 Discretely Presented Component Unit Parking Authority		84
Statement of Net Assets – Parking Authority Fund	42	85
Statement of Revenues, Expenses, and Changes in Fund Net Asset – Parking Authority Fund	43	86
Statement of Cash Flows – Parking Authority Fund	44	87
 Capital Assets Used in the Operation of Governmental Funds		
Schedule by Function and Activity	45	88
Schedule of Changes by Function and Activity	46	89
	<u>Schedules</u>	<u>Pages</u>
Supplemental Data:		
Schedule of Revenues – Budget and Actual – Governmental Funds and Discretely Presented Component Unit School Board	1	90-97
Schedule of Expenditures – Budget and Actual – Governmental Funds and Discretely Presented Component Unit School Board	2	98-103

STATISTICAL SECTION	<u>Tables</u>	<u>Pages</u>
Narrative		104
Net Assets by Component	1	105
Changes in Net Assets	2	106-107
Fund Balances of Governmental Funds	3	108
Changes in Fund Balances of Governmental Funds	4	109
Assessed Value and Actual Value of Taxable Property	5	110
Direct Property Tax Rates	6	111
Principal Property Taxpayers	7	112
Property Tax Levies and Collections	8	113
Ratios of Outstanding Debt by Type	9	114
Ratios of Net General Bonded Debt Outstanding	10	115
Direct and Overlapping Governmental Activities Debt	11	116
Legal Debt Margin Information	12	117
Demographic and Economic Statistics	13	118
Principal Employers	14	119
Full-time Equivalent City Government Employees by Function	15	120
Operating Indicators by Function	16	121
Capital Assets Statistics by Function	17	122

SINGLE AUDIT SECTION

	<u>Pages</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	123-124
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	125-126
Schedule of Findings and Questioned Costs	127
Schedule of Expenditures of Federal Awards	128-131
Notes to Schedule of Expenditures of Federal Awards	132
Summary of State and Local Compliance Matters	133

INTRODUCTORY SECTION

CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor
Charles T. Gaynor, President
Carolyn T. Griffin, Vice President
Jeffrey B. Buettner, Vice Mayor

Michael L. Butler
Evan H. Clark
Timothy S. Coyne
Richard S. Helm

Arthur H. Major
Stewart R. Masters
L. D. Rick Nelson

OFFICIALS

J. Brannon Godfrey, Jr., 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
John G. Russell III, Commissioner of Revenue
Alexander R. Iden, Commonwealth's Attorney

OTHER OFFICIALS

Sharen E. Gromling
William R. Rice
John C. Knight
James W. Deskins

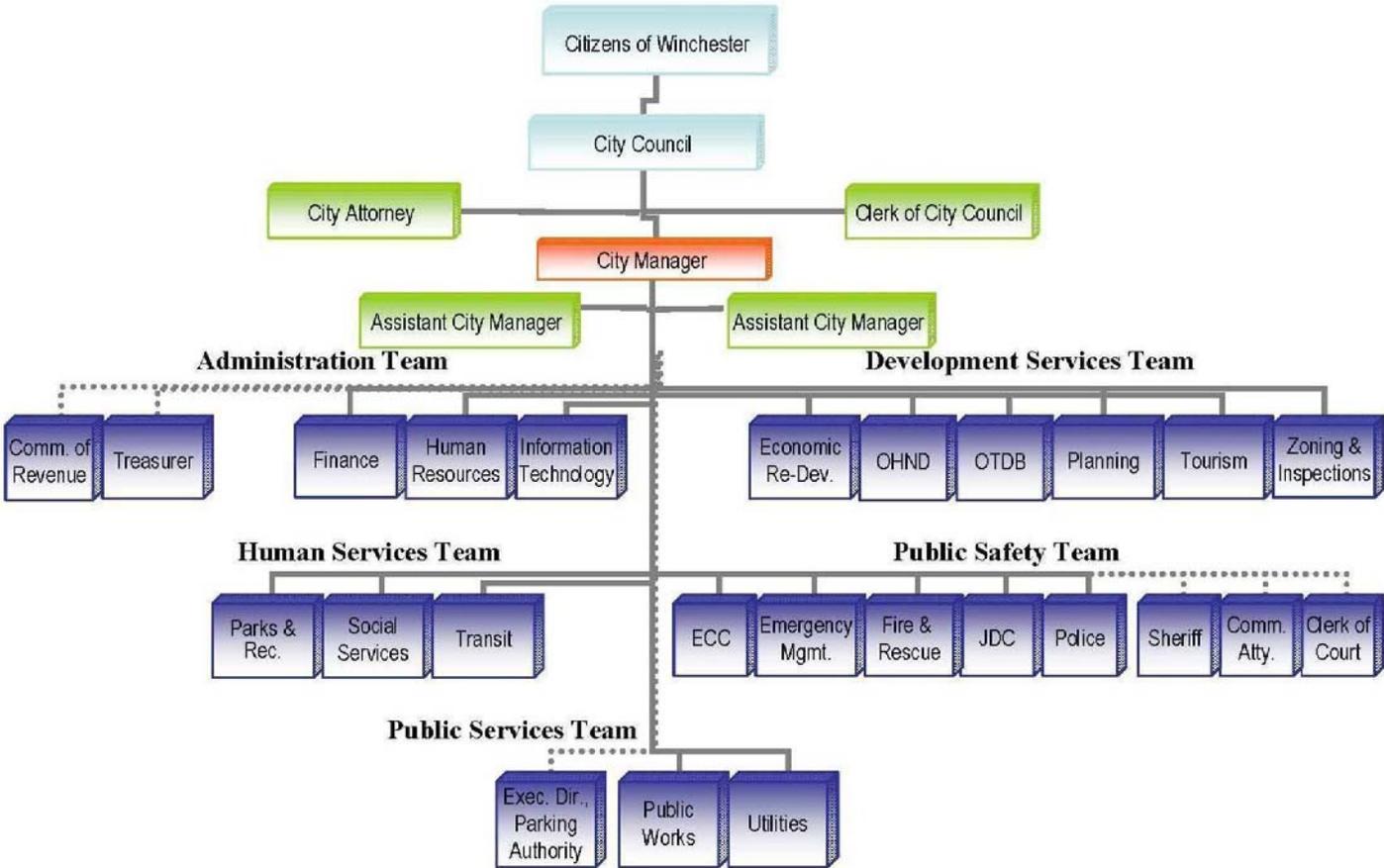
Mary M. Blowe
Frank E. Wright
Thomas D. Lloyd

Anthony C. Williams
Karen B. Helm

Bradley S. Veach
Timothy A. Youmans
David H. White
Thomas E. Hoy
Carla Taylor
Dennis W. Kellison
Joyce S. Braithwaite
Gary E. Longerbeam

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

City of Winchester Organization Chart





CITY OF WINCHESTER, VIRGINIA

Rouss City Hall
15 North Cameron Street
Winchester, VA 22601

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

November 19, 2008

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, 2008 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 Didawick & Knopp, P.C. performed the City of Winchester's audit for the fiscal year ended June 30, 2008. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

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

Profile of the City of Winchester

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.2 square miles and serves a population of 25,733. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, 97 miles away.

The City of Winchester has a Council/Manager form of government. The eleven member Council consists of a Mayor and ten 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 other related services such as urgent care clinics, home health services, a childcare facility, and transport services. The Winchester Medical Center is a non-profit, regional referral hospital, serving the tri-state region surrounding the City. The 411-bed facility offers a full range of inpatient and outpatient diagnostic, medical, surgical and rehabilitative services.

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 80 programs of study at the undergraduate, graduate, doctorate and professional levels in six schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, and School of Continuing Education.

The City of Winchester, the Winchester Public Schools, and Shenandoah University jointly operate Winchester Community Television on cable television channel 20. The purpose of this channel is to inform and educate the public about such information as the City's programs and services, Council actions, and scheduled meetings. The channel began operations in February 1996 and is supported through contributions from the participating organizations. The City also maintains a web page at www.winchesterva.gov, which provides an additional means of communicating with the public about the City's programs and services. The Winchester Public Schools maintains a web page at www.wps.k12.va.us, which provides information about the programs and services of the school system.

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 34.3% 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, Circuit City, Michael's, Old Navy, and Border's. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Big K-Mart, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of specialty shops and restaurants. There are also several anchorless strip centers and one life style center that houses Ann Taylor, Jos A Banks Clothier, and other high end retail stores. The City also is home to several national chain restaurants. In addition, the City has several class A office buildings serving the professional services sector and business service entities.

The City's Economic Redevelopment Department and other regional economic organizations collaborate to stimulate economic growth in the City and the surrounding areas. The current efforts of the Economic Redevelopment Department include the development of a new economic strategic plan and market analysis designed to identify future economic opportunities along with recommendations for incentives to facilitate such development. The City has also been successful in obtaining grant funding for Redevelopment activities. The City is participating with the US Department of Housing and Urban Development through the Community Development Block Grant Entitlement Program which provides ongoing annual funding. The major focus of the Community Development Block Grant Entitlement Funds is to encourage and support expanded homeownership opportunities and the rehabilitation of single-family homes within the City of Winchester.

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.

Long-term Financial Planning

Unreserved, undesignated fund balance in the general fund (37% 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 2028. Factored into the financial planning model are the future major capital projects. The City will need to purchase new Emergency communications equipment and towers to meet new communications regulations which will cost approximately \$6,000,000 million in FY 2009/2010. Renovations of John Kerr Elementary School will be a consideration for a future bond issue of approximately \$10 million. Operational costs for the newly renovated facilities will increase as the renovations are completed at a total approximate cost of \$1,000,000. The school renovations should take us well into the future to provide a quality education to all students in the City. With the increase in needs for human service programs, the City may fund a new or renovated social services building within the next five years.

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

The City of Winchester is currently in the middle of a project to upgrade equipment at the Percy D. Miller water treatment plant. The upgrades consist of the following components (and the percent of the project completion as of 10/31/08):

- Flocculation and Sedimentation Equipment Replacement (100% complete)
- Installation of Backup Generator (25% complete)
- Replace Gas Chlorine Feed System with Liquid Chlorine Feed System (40% complete)

The total project cost is approximately \$7 million and the expected project completion date for all components is the summer of 2009.

The City is also nearing the completion of designing additional upgrades at the water treatment plant to improve the reliability of the facility, replace old equipment that has reached the end of its useful life, and ensure that the facility meets all existing and future water quality standards. The estimated cost of this project is approximately \$20 million and the project will take approximately 2 years to construct.

The City operates one of the oldest water distribution systems in the United States and many existing water mains are over 150 years old. Recently, the City started on a \$6.5 million project that will replace approximately 2 miles of water and sewer mains in the northeastern portion of the City. The City plans to continue with similar projects in the future to replace its aged infrastructure.

Transportation improvements have been identified as a priority by City Council. The City is currently in the initial phase of a project that will upgrade approximately 40 existing traffic signals in the City. The total cost of the project will exceed \$6 million and includes approximately \$1.7 million in state funds and \$600,000 in federal funds. The City is also starting on the initial design phase of Hope Drive Extension. This roadway will be an east-west arterial in the southern part of the City. The estimated project cost is \$8.4 million and construction could begin as soon as 2010.

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, 2007. This was the sixteenth 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,


J. Brannon Godfrey
City Manager


Mary M. Blowe
Finance Director


Celeste R. Broadstreet
Assistant 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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Common 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 (the "City"), as of and for the year ended June 30, 2008, 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* 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, 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, 2008, 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 19, 2008, 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 the 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.

Management's Discussion and Analysis and Schedule of Funding Progress for Defined Benefit Pension Plan on pages 3 through 11 and 48, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic 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 State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City's.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dielawick & Knapp, P.C.

November 19, 2008



**City of Winchester, Virginia
Managements Discussion and Analysis
Fiscal Year Ended June 30, 2008**

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, 2008. 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 2008 by \$21.4 million (net assets).
- The City's total net assets increased approximately \$0.4 million over the course of this year's operations. Net assets of governmental activities increased \$0.4 million and net assets of business-type activities remained at the same level as the prior year. The increase in net assets by the governmental activities is the result of increased property tax revenues to support school construction.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30.6 million, a decrease of \$3.2 million in comparison with the prior year. Approximately 99% of this amount, \$30.2 million, is available for spending at the government's discretion (undesignated fund balance).
- As of the close of the current fiscal year, the unreserved fund balance of the City's general fund was \$26.8 million, a decrease of \$2.1 million in comparison with the prior year. This amount represents 36.7% of total general fund expenditures.
- The City's total debt increased by \$0.6 million, or 0.5%, during the current fiscal year due to the issuance of new debt primarily for school 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.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

activities). The governmental activities of the City include: general government; judicial administration; public safety; public works; health and welfare; and recreation and cultural. The business-type activities of the City include water and sewer and bus operations.

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

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

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

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

The City maintains fourteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and capital improvements fund, which are considered major funds. Data from the other twelve 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 a biennial appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget.

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

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements

because the resources of those funds are not available to support the City's own programs. The City has four fiduciary funds: the Northern Shenandoah Valley CSA Trust Fund, Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and Northwestern Regional Juvenile Detention Center Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 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 48 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 \$21.4 million at the close of fiscal year 2008.

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.

Table 1
City of Winchester's Net Assets
Fiscal Year ended June 30, 2008
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2008	2007	2008	2007	2008	2007	2008	2007
Assets								
Current and other assets	\$ 41.4	\$ 44.7	\$ 11.9	\$ 15.3	\$ 53.3	\$ 60.0	\$ 23.2	\$ 32.7
Capital assets	60.1	54.3	57.8	54.6	117.9	108.9	106.0	88.8
Total Assets	101.5	99.0	69.7	69.9	171.2	168.9	129.2	121.5
Liabilities								
Current and other liabilities	13.6	12.8	3.9	2.7	17.5	15.5	10.4	13.3
Long-term liabilities	105.0	103.7	27.3	28.7	132.3	132.4	0.6	0.5
Total Liabilities	118.6	116.5	31.2	31.4	149.8	147.9	11.0	13.8
Net Assets								
Invested in capital assets, net of related debt	42.3	35.9	35.0	32.0	77.3	67.9	106.0	88.8
Restricted	0.1	0.2			0.1	0.2	3.7	2.1
Unrestricted net assets	(59.5)	(53.6)	3.5	6.5	(56.0)	(47.1)	8.5	16.8
Total Net Assets-as adjusted (Note 19)	\$ (17.1)	\$ (17.5)	\$ 38.5	\$ 38.5	\$ 21.4	\$ 21.0	\$ 118.2	\$ 107.7

Governmental activities. As shown in Table 2, net assets for governmental activities increased from \$(17.5) million at the end of FY2007 to \$(17.1) million at the end of FY2008. The major reason for the increase is due to the fact that the City increased the property tax rate for school construction projects. 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 \$71.9 million and the total net assets for the primary government would be \$110.4 million.

Table 2
Changes in the City of Winchester's Net Assets
Fiscal Year ended June 30, 2008
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues								
Program Revenues								
Charges for services	\$ 3.7	\$ 3.9	\$ 16.0	\$ 14.7	\$ 19.7	\$ 18.6	\$ 1.0	\$ 1.0
Operating grants and contributions	9.3	9.7	0.5	0.4	9.8	10.1	18.0	17.4
Capital grants and contributions	0.7	1.5	0.2	1.8	0.9	3.3	7.5	22.5
General Revenues								
Property taxes	33.3	29.4	-	-	33.3	29.4	-	-
Sales taxes	9.8	10.3	-	-	9.8	10.3	-	-
Other taxes	18.0	18.2	-	-	18.0	18.2	-	-
Grants and contributions not restricted to specific programs	3.7	4.5	-	-	3.7	4.5	-	-
Unrestricted investment earnings	1.4	1.3	0.3	0.6	1.7	1.9	1.1	1.2
Other	0.5	0.9	-	0.1	0.5	1.0	30.7	28.8
Total revenues	\$ 80.4	\$ 79.7	\$ 17.0	\$ 17.6	\$ 97.4	\$ 97.3	\$ 58.3	\$ 70.9
Expenses								
General government administration	5.0	4.6	-	-	5.0	4.6	-	-
Judicial administration	2.0	2.3	-	-	2.0	2.3	-	-
Public safety	16.8	15.5	-	-	16.8	15.5	-	-
Public works	7.9	5.9	-	-	7.9	5.9	-	-
Health and welfare	7.7	7.7	-	-	7.7	7.7	-	-
Education	32.6	45.0	-	-	32.6	45.0	47.8	44.7
Parks, recreation and culture	3.0	2.4	-	-	3.0	2.4	-	-
Community development	2.2	1.9	-	-	2.2	1.9	-	-
Interest on long-term debt	4.6	4.2	-	-	4.6	4.2	-	-
Water and sewer	-	-	14.4	12.9	14.4	12.9	-	-
Bus service	-	-	0.8	0.9	0.8	0.9	-	-
Total expenses	81.8	89.5	15.2	13.8	97.0	103.3	47.8	44.7
Increase (decrease) in net assets								
before transfers	(1.4)	(9.8)	1.8	3.8	0.4	(6.0)	10.5	26.2
Transfers	1.8	1.5	(1.8)	(1.5)	-	-	-	-
Increase (decrease) in net assets	0.4	(8.3)	-	2.3	0.4	(6.0)	10.5	26.2
Net Assets - July 1, 2007								
as adjusted (Note 19)	(17.5)	(9.2)	38.5	36.2	21.0	27.0	107.7	81.5
Net Assets - June 30, 2008	\$ (17.1)	\$ (17.5)	\$ 38.5	\$ 38.5	\$ 21.4	\$ 21.0	\$ 118.2	\$ 107.7

As shown in Table 2, the City’s revenues from governmental activities totaled \$80.4 million for FY2008, an increase of \$0.7 million from FY2007. As shown in Figure A, the City received 75.7% of its revenue from taxes. The major source of revenue for the City was property taxes (\$33.3 million or 41.4%), composed of real estate, personal property taxes, and machinery and tools taxes. The City’s assessed value of taxable real property for FY2008 increased by approximately 0.01% from the prior year. While property taxes increased \$3.9 million from the prior year, all other revenues sources decreased by approximately \$3.2 million due to the slowing economy. The City will use the increase in revenue to offset the upcoming increase in debt service payments due to the school construction projects started in FY2004 and continuing into FY2009.

The City’s expenses from governmental activities totaled \$81.8 million (Table 2) for the fiscal year ended June 30, 2008. As shown in Figure B, education was the largest expense at \$32.6 million or 39.9%, a decrease of \$12.4 million from FY2007. This decrease in education expense is due to a decrease in the City’s transfer of bond proceeds to the School Board to fund school construction. Public safety was the second largest expense at \$16.8 million or 20.5%.

Figure A
Revenues by Source – Governmental Activities

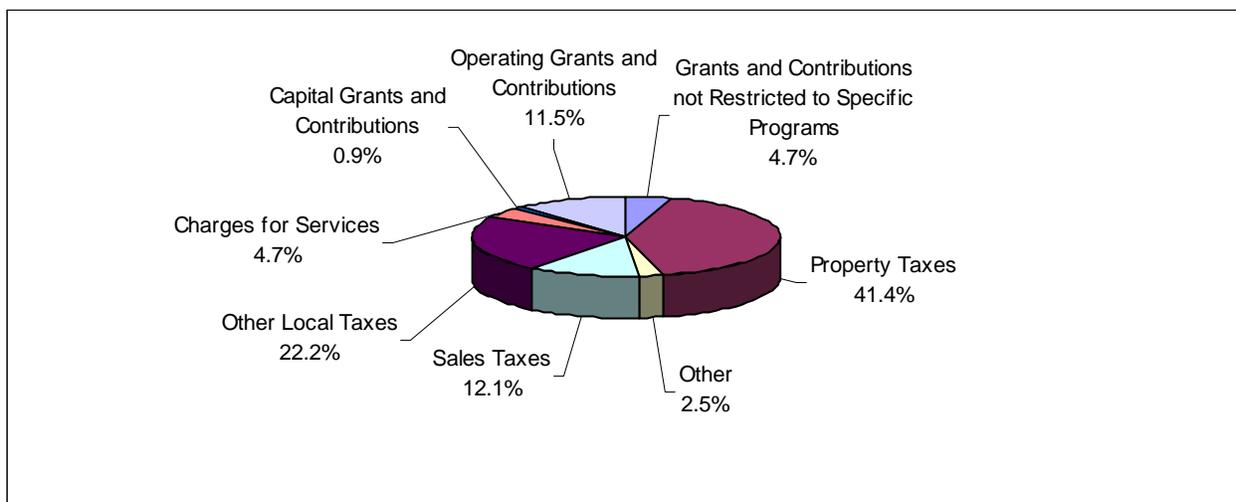
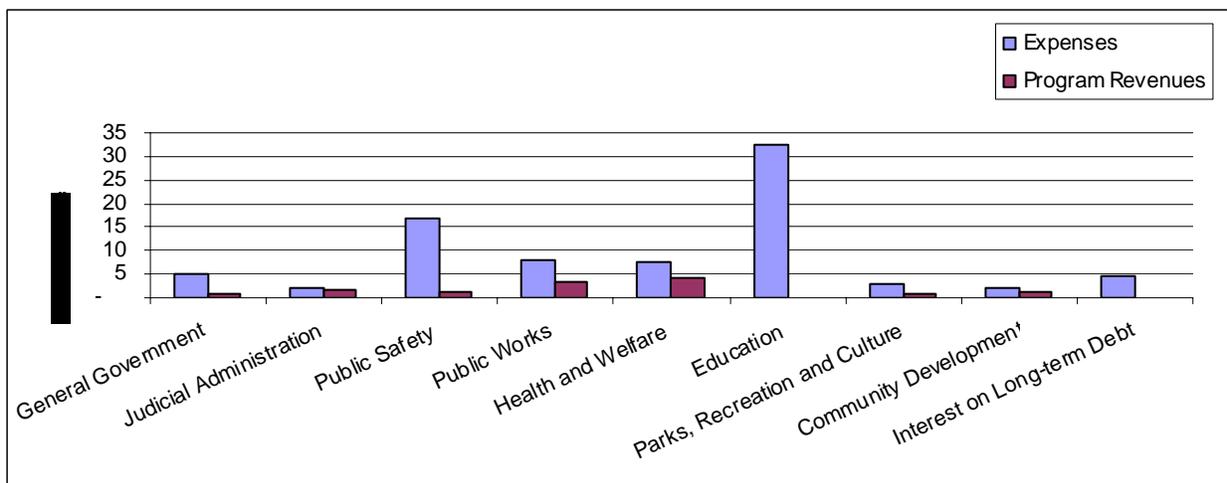


Figure B
Expenses and Program Revenues – Governmental Activities



Business-type activities. The City’s business-type activities include the water and sewer fund and the bus service fund. The net assets of these business-type activities totaled \$38.5 million (Table 2) the same as the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility and transit fees, which totaled \$16.0 million or 94.0% of the total revenues for business-type activities. Capital grants and contributions decreased 1.6 million from the prior year mainly due to a decrease in contributed capital in the form of water & sewer infrastructure to the City. Expenses of the business-type activities totaled \$15.2 million (Table 2) an increase of \$1.4 million from the prior year. This increase in expenses is due to increased costs associated with the water and sewer operations.

Figure C
Revenues by Source – Business-type Activities

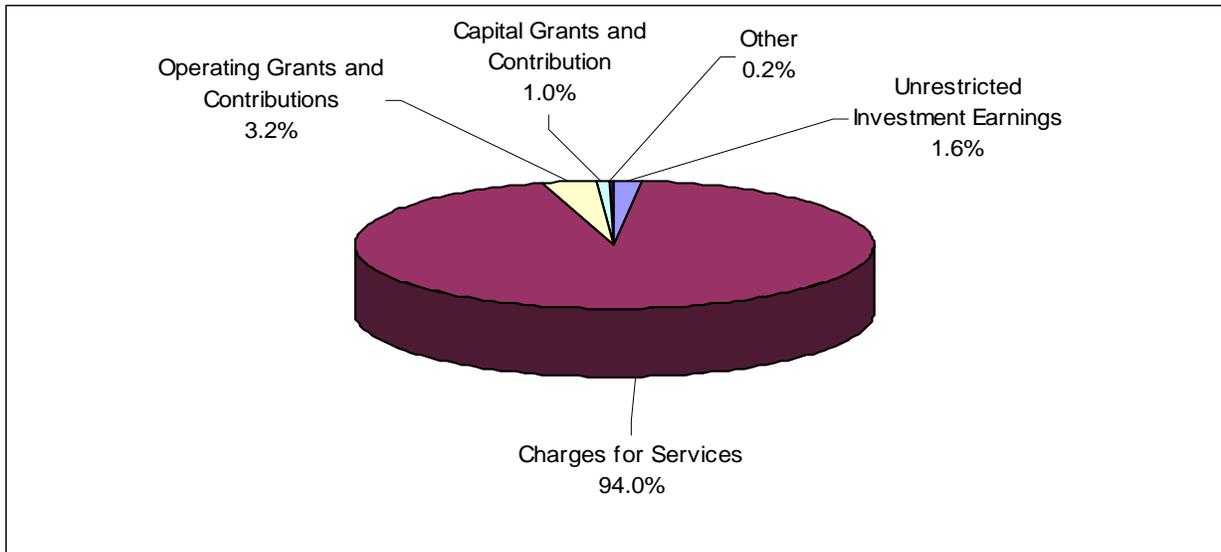
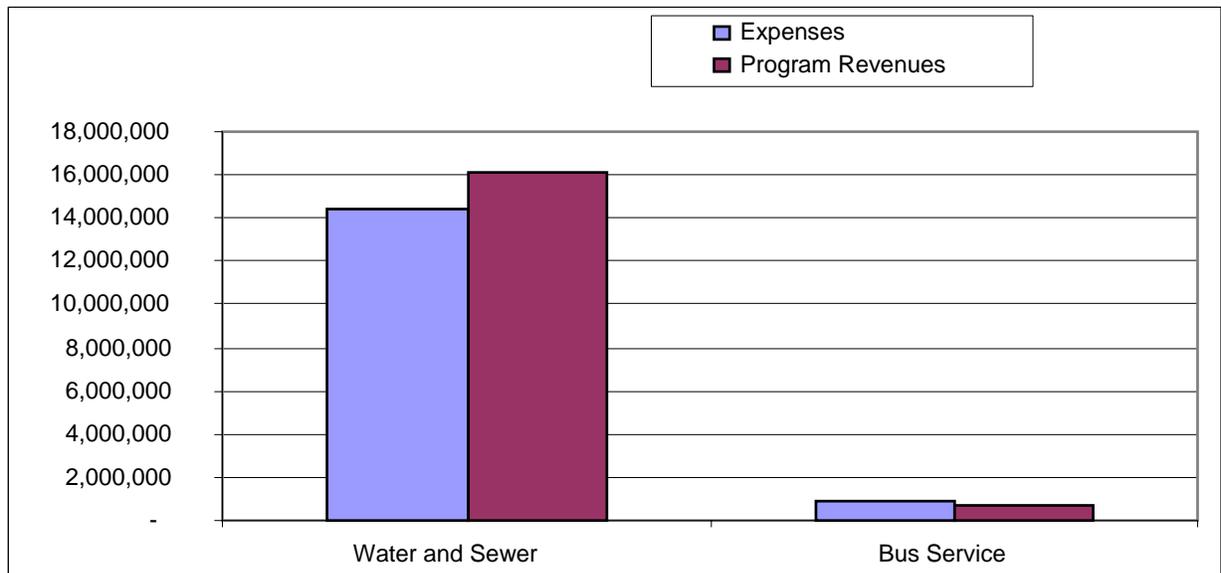


Figure D
Expenses and Program Revenues – Business-type Activities



Financial Analysis of the City's Funds

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

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

For the fiscal year ended June 30, 2008, the City's governmental funds reported combined fund balances of \$30.6 million, a decrease of \$3.2 million in comparison with the prior year. Approximately \$30.2 million of the combined total fund balances constitutes unreserved fund balance, which is generally available for spending at the City's discretion.

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2008, the unreserved, undesignated fund balance of the general fund was \$26.4 million, while total fund balance reached \$26.8 million. Unreserved, undesignated fund balance represents 36.2% of total general fund expenditures, as a measure of the general fund's liquidity.

The fund balance of the City's general fund decreased by \$2.1 million during the current fiscal year, primarily due to the allocation of reserves for capital improvement projects, such as traffic flow improvements on Valley Avenue and Pleasant Valley Road.

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, 2008, amounted to \$3.4 million, a decrease of \$3.0 million from the prior year. The decrease in the water and sewer can be mainly attributed to the spending of bond proceeds related to construction projects. Unrestricted net assets of the City's bus service fund amounted to \$0.2 million, a slight increase from the prior year. The total decrease in unrestricted net assets for both funds was \$2.9 million.

General Fund Budgetary Highlights

City Council revised the City budget three times over the course of the year. The difference between the original budget and the final amended budget for the general fund was an increase of \$2.2 million, including the following:

- \$0.4 million supplemental appropriation for the transfer of capital lease proceeds to the School Board for the purchase of new school buses.
- \$0.7 million supplemental appropriation for completion of capital projects from FY2007.
- \$0.3 million supplemental appropriation for increased debt service payments.
- \$0.2 million supplemental appropriation to the Housing Fund to provide housing assistance and rehabilitation assistance o employees and local citizens.

Actual revenues fell short of final budget amounts by \$0.2 million, while actual expenditures were \$2.0 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes fell short of estimated revenues by \$0.5 million, mainly due to the decreases in sales tax revenue. This decrease is the result of the slowing economy and the growth in retail in the surrounding areas.
- Revenues from use of money and property exceeded estimated revenues by \$0.6 million, due to the increase in interest earnings on investments.
- Actual combined general government, public safety, public works, parks, recreation and cultural, and community development expenditures were \$1.7 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.

Capital Assets and Debt Administration

Capital assets. The City of Winchester's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$117.9 million net of depreciation, which represents an increase of \$8.9 million, or 8.2% 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:

- Completion of the Valley Avenue road improvement project totaled \$2.8 million.
- Completion of the Joint Judicial Center Roof replacement and HVAC system improvements totaled \$1.5 million.
- Completion of the Pleasant Valley road traffic signal upgrade project totaled \$1.5 million.

Table 3 summarizes the City's capital assets as of June 30, 2007 and 2008.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2008

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,205,485	\$ 3,130,582	\$ 1,451,070	\$ 1,451,070	\$ 4,656,555	\$ 4,581,652
Construction in progress	4,971,790	4,368,744	4,354,933	427,117	9,326,723	4,795,861
Buildings	15,447,342	14,161,870	2,228,565	2,315,685	17,675,907	16,477,555
Improvements other than buildings	2,514,540	2,761,248	6,806	7,261	2,521,346	2,768,509
Infrastructure	29,488,122	25,941,051	47,997,083	48,899,210	77,485,205	74,840,261
Machinery & Equipment	4,489,387	4,021,005	1,798,543	1,533,679	6,287,930	5,554,684
Total capital assets	\$ 60,116,666	\$ 54,384,500	\$ 57,837,000	\$ 54,634,022	\$ 117,953,666	\$ 109,018,522

Long-term debt. As shown in Table 4, the City of Winchester had total bonded debt and capital leases outstanding of \$138.1 million, for the fiscal year ended June 30, 2008, an increase of \$0.6 million from the fiscal year ended June 30, 2007. This entire amount is backed by the full faith and credit of the City, with \$28.5 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2008, the City retired \$7.2 million of outstanding principal and issued \$7.8 million of new long-term debt. The City issued \$7.2 million of general obligation public improvement bonds to finance school construction and recreation improvements. 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, 2008

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 108,829,805	\$ 106,846,181	\$ 28,523,974	\$ 29,886,536	\$ 137,353,779	\$ 136,732,717
Capital Lease Agreements	834,745	819,884	-	-	834,745	819,884
Total capital assets	\$ 109,664,550	\$ 107,666,065	\$ 28,523,974	\$ 29,886,536	\$ 138,188,524	\$ 137,552,601

The City's General Obligation Bonds in prior bond issues have been rated AA by Standard & Poor's Corporation, and Aa3 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 \$342.3 million. As of June 30, 2008, the City's total debt applicable to the limitation totaled \$135.6 million, leaving a legal debt margin of \$206.6 million.

Economic Factors and Next Year's Budgets and Rates

- City staff will continue to be looking into ways to redevelop existing structures and eliminate blight throughout the City in an effort to create affordable housing for all and ensure a high level of public safety. Our Housing choice voucher program will be revamped to help assist more citizens.
- Economic development continues to be an ongoing effort and priority within the City. Currently, a project is ongoing to replace the old utility infrastructure on Berryville Avenue. This project will also increase the water pressure in that part of the City that will allow for this major commercial corridor to redevelop. In addition, the traffic signals are being upgraded on Berryville Avenue, Valley Avenue, and throughout the downtown area. This project will significantly improve traffic flow in these commercial areas that should be a large benefit for the businesses. Finally, the City is beginning on the final design of Hope Drive Extension. This will be an east-west arterial in the southern part of the City that will provide for significant commercial development in this corridor.
- The real estate tax rate may be adjusted based on an increase (or decrease) in assessments. The next real estate reassessments will be effective January 1, 2009. With the softening of the nation wide real estate market values are likely to decrease in our area.
- City of Winchester created a Other Post Employment Benefits (OPEB) fund to account for our actuarial liability for future health insurance costs.
- For the month of June 2008, the City's unemployment rate was 4.6%, compared to the State's 4.2% and Federal rate of 5.7%.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2008

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash	\$ 8,001,473	\$ 814,276	\$ 8,815,749	\$ 1,906,524	\$ 320,752
Investments	22,665,428	7,680,973	30,346,401	18,222,720	9,442,716
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	1,778,003	-	1,778,003	-	-
Accounts	1,871,550	2,959,498	4,831,048	153,856	2,868
Promises to give	-	-	-	1,845,641	-
Due from other governments	3,040,864	436,926	3,477,790	1,074,452	-
Due from component unit	2,864,825	-	2,864,825	-	-
Internal balances	298,987	(298,987)	-	-	-
Inventories	137,945	172,074	310,019	43,685	-
Deferred charges	733,788	152,673	886,461	-	220,213
Capital assets not being depreciated:					
Land	3,205,485	1,451,070	4,656,555	2,307,970	11,685
Construction in progress	4,971,790	4,354,933	9,326,723	9,412,432	1,297,954
Capital assets, net of accumulated depreciation:					
Buildings and system	15,447,342	2,228,565	17,675,907	91,749,714	950,298
Improvements other than buildings	2,514,540	6,806	2,521,346	248,493	1,899
Machinery and equipment	4,489,387	1,798,543	6,287,930	2,234,668	39,853
Infrastructure	29,488,122	47,997,083	77,485,205	-	-
Total assets	<u>101,509,529</u>	<u>69,754,433</u>	<u>171,263,962</u>	<u>129,200,155</u>	<u>12,288,238</u>
LIABILITIES					
Accounts payable and other current liabilities	4,248,048	2,144,488	6,392,536	7,473,386	742,305
Accrued interest payable	1,144,667	310,569	1,455,236	-	184,221
Due to primary government	-	-	-	2,864,825	-
Unearned revenue	1,956,772	-	1,956,772	-	-
Noncurrent liabilities:					
Due within one year	6,305,826	1,465,106	7,770,932	19,000	156,788
Due in more than one year	<u>104,997,437</u>	<u>27,264,697</u>	<u>132,262,134</u>	<u>608,096</u>	<u>9,207,211</u>
Total liabilities	<u>118,652,750</u>	<u>31,184,860</u>	<u>149,837,610</u>	<u>10,965,307</u>	<u>10,290,525</u>
NET ASSETS					
Invested in capital assets, net of related debt	42,291,055	35,012,184	77,303,239	105,953,277	1,003,735
Restricted for:					
Debt service	102,003	-	102,003	-	-
Capital projects	-	2,000	2,000	3,731,987	-
Unrestricted	<u>(59,536,279)</u>	<u>3,555,389</u>	<u>(55,980,890)</u>	<u>8,549,584</u>	<u>993,978</u>
Total net assets	<u>\$ (17,143,221)</u>	<u>\$ 38,569,573</u>	<u>\$ 21,426,352</u>	<u>\$ 118,234,848</u>	<u>\$ 1,997,713</u>

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				
	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
Primary government:									
Governmental activities:									
General government	\$ 4,963,448	\$ 732,219	\$ 301,845	\$ -	\$ (3,929,384)		\$ (3,929,384)		
Judicial administration	2,014,178	359,633	1,442,866	-	(211,679)		(211,679)		
Public safety	16,781,824	895,701	535,782	24,175	(15,326,166)		(15,326,166)		
Public works	7,940,266	603,778	2,570,688	64,510	(4,701,290)		(4,701,290)		
Health and welfare	7,705,538	83,304	4,165,167	-	(3,457,067)		(3,457,067)		
Education	32,640,160	-	-	-	(32,640,160)		(32,640,160)		
Parks, recreation and culture	2,968,842	620,699	5,000	176,288	(2,166,855)		(2,166,855)		
Community development	2,173,272	444,174	285,546	458,247	(985,305)		(985,305)		
Interest on long-term debt	4,640,407	-	-	-	(4,640,407)		(4,640,407)		
Total governmental activities	<u>81,827,935</u>	<u>3,739,508</u>	<u>9,306,894</u>	<u>723,220</u>	<u>(68,058,313)</u>		<u>(68,058,313)</u>		
Business-type activities:									
Water and sewer	14,427,989	16,036,767	-	71,626	-	\$ 1,680,404	1,680,404		
Bus service	853,081	60,070	542,664	106,667	-	(143,680)	(143,680)		
Total business-type activities	<u>15,281,070</u>	<u>16,096,837</u>	<u>542,664</u>	<u>178,293</u>	<u>-</u>	<u>1,536,724</u>	<u>1,536,724</u>		
Total primary government	<u>\$ 97,109,005</u>	<u>\$ 19,836,345</u>	<u>\$ 9,849,558</u>	<u>\$ 901,513</u>	<u>(68,058,313)</u>	<u>1,536,724</u>	<u>(66,521,589)</u>		
Component units:									
School board	47,890,837	924,387	18,058,555	7,577,965			\$ (21,329,930)	\$ -	
Parking authority	1,012,765	694,925	-	-			-	(317,840)	
Total component unit	<u>\$ 48,903,602</u>	<u>\$ 1,619,312</u>	<u>\$ 18,058,555</u>	<u>\$ 7,577,965</u>			<u>(21,329,930)</u>	<u>(317,840)</u>	
General revenues:									
Taxes:									
Property taxes					33,279,510	-	33,279,510	-	-
Sales taxes					9,747,373	-	9,747,373	-	-
Utility taxes					2,015,744	-	2,015,744	-	-
Business license taxes					5,727,230	-	5,727,230	-	-
Franchise taxes					276,598	-	276,598	-	-
Hotel and meals taxes					5,739,369	-	5,739,369	-	-
Communication taxes					2,423,466	-	2,423,466	-	-
Other local taxes					1,720,639	-	1,720,639	-	-
Miscellaneous					512,011	28,017	540,028	3,815,962	37
Payment from City of Winchester:									
Education - unrestricted					-	-	-	26,920,190	-
Grants and contributions not restricted to specific programs									
					3,735,644	-	3,735,644	-	-
Unrestricted investment earnings									
					1,458,202	273,073	1,731,275	1,110,082	394,593
Transfers									
					1,819,967	(1,819,967)	-	-	-
Total revenues and transfers					<u>68,455,753</u>	<u>(1,518,877)</u>	<u>66,936,876</u>	<u>31,846,234</u>	<u>394,630</u>
Change in net assets									
					397,440	17,847	415,287	10,516,304	76,790
Net assets - beginning - as adjusted (Note 19)									
					<u>(17,540,661)</u>	<u>38,551,726</u>	<u>21,011,065</u>	<u>107,718,544</u>	<u>1,920,923</u>
Net assets - ending									
					<u>\$ (17,143,221)</u>	<u>\$ 38,569,573</u>	<u>\$ 21,426,352</u>	<u>\$ 118,234,848</u>	<u>\$ 1,997,713</u>

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

FUND FINANCIAL STATEMENTS

CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Exhibit 3

	General	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 6,524,499	\$ -	\$ 549,393	\$ 7,073,892
Investments	15,876,642	4,100,175	1,337,412	21,314,229
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	1,778,003	-	-	1,778,003
Accounts	1,414,703	115,536	335,020	1,865,259
Due from other funds	1,741,793	-	-	1,741,793
Due from component unit	2,864,825	-	-	2,864,825
Due from other governments	2,020,393	96,857	923,614	3,040,864
Total assets	\$ 32,220,858	\$ 4,312,568	\$ 3,145,439	\$ 39,678,865
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	504,417	1,068,741	412,575	1,985,733
Deposits payable	320,097	-	-	320,097
Accrued payroll	451,800	-	100,327	552,127
Retainage payable	1,411	193,839	-	195,250
Due to other funds	-	1,207,793	327,000	1,534,793
Amounts held for others	32,941	-	-	32,941
Deferred revenues	4,067,760	-	383,003	4,450,763
Total liabilities	5,378,426	2,470,373	1,222,905	9,071,704
Fund balances:				
Unreserved, designated for, reported in:				
Public safety	405,491	-	33,238	438,729
Unreserved, undesignated reported in:				
General fund	26,436,941	-	-	26,436,941
Special revenue funds	-	-	1,787,293	1,787,293
Debt service funds	-	-	102,003	102,003
Capital projects funds	-	1,842,195	-	1,842,195
Total fund balances	26,842,432	1,842,195	1,922,534	30,607,161
Total liabilities and fund balances	\$ 32,220,858	\$ 4,312,568	\$ 3,145,439	

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.	60,111,301
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,493,991
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.	1,339,711
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(111,695,385)
Net assets of governmental activities	\$ (17,143,221)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

Exhibit 4

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 33,045,144	\$ -	\$ -	\$ 33,045,144
Other local taxes	27,650,419	-	-	27,650,419
Permits, privilege fees and regulatory licenses	450,188	-	-	450,188
Fines and forfeitures	171,521	-	-	171,521
Revenues from use of money and property	1,272,264	171,192	61,131	1,504,587
Charges for services	886,296	-	812,128	1,698,424
Miscellaneous	173,589	25,000	267,033	465,622
Recovered costs	766,612	115,536	5,435	887,583
Intergovernmental:				
Commonwealth	6,077,282	-	4,835,393	10,912,675
Federal	12,215	230,228	2,694,000	2,936,443
Total revenues	<u>70,505,530</u>	<u>541,956</u>	<u>8,675,120</u>	<u>79,722,606</u>
EXPENDITURES				
Current:				
General government administration	4,162,268	258,297	-	4,420,565
Judicial administration	2,345,395	-	192,508	2,537,903
Public safety	15,577,124	52,581	962,339	16,592,044
Public works	3,067,499	3,485,351	3,026,192	9,579,042
Health and welfare	1,116,388	-	6,612,298	7,728,686
Education	32,640,160	-	-	32,640,160
Parks, recreation and culture	2,746,088	1,152,542	-	3,898,630
Community development	1,221,068	-	1,026,447	2,247,515
Capital projects	-	2,466,646	-	2,466,646
Debt service:				
Principal retirement	5,603,956	-	98,360	5,702,316
Interest and fiscal charges	4,567,615	-	24,636	4,592,251
Bond issuance costs	79,067	19,485	-	98,552
Total expenditures	<u>73,126,628</u>	<u>7,434,902</u>	<u>11,942,780</u>	<u>92,504,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,621,098)</u>	<u>(6,892,946)</u>	<u>(3,267,660)</u>	<u>(12,781,704)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	1,520	-	-	1,520
Insurance recoveries - capital asset impairment	9,817	-	4,198	14,015
Bonds issued	5,700,000	1,500,000	-	7,200,000
Premium on debt	70,115	18,595	-	88,710
Capital lease	441,500	-	-	441,500
Transfers in	1,620,000	4,247,500	3,774,656	9,642,156
Transfers out	<u>(7,336,888)</u>	<u>-</u>	<u>(510,462)</u>	<u>(7,847,350)</u>
Total other financing sources and uses	<u>506,064</u>	<u>5,766,095</u>	<u>3,268,392</u>	<u>9,540,551</u>
Net change in fund balances	(2,115,034)	(1,126,851)	732	(3,241,153)
Fund balance - beginning	<u>28,957,466</u>	<u>2,969,046</u>	<u>1,921,802</u>	<u>33,848,314</u>
Fund balance - ending	<u>\$ 26,842,432</u>	<u>\$ 1,842,195</u>	<u>\$ 1,922,534</u>	<u>\$ 30,607,161</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, 2008

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (3,241,153)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (8,212,174) exceeded depreciation (2,125,068) in the current period.	6,087,106
In the statement of activities, only the <i>gain</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.	(467,536)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	107,231
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	38,716
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,929,342)
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.	(39,782)
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.	<u>(157,800)</u>
Change in net assets of governmental activities	<u>\$ 397,440</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2008

Exhibit 6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 33,149,000	\$ 33,149,000	\$ 33,045,144	\$ (103,856)
Other local taxes	28,190,000	28,190,000	27,650,419	(539,581)
Permits, privilege fees and regulatory licenses	400,700	400,700	450,188	49,488
Fines and forfeitures	200,000	200,000	171,521	(28,479)
Revenues from use of money and property	655,300	655,300	1,272,264	616,964
Charges for services	791,000	791,000	886,296	95,296
Miscellaneous	157,000	157,000	173,589	16,589
Recovered costs	955,000	955,000	766,612	(188,388)
Intergovernmental:				
Commonwealth	6,129,000	6,193,008	6,077,282	(115,726)
Federal	-	-	12,215	12,215
Total revenues	<u>70,627,000</u>	<u>70,691,008</u>	<u>70,505,530</u>	<u>(185,478)</u>
EXPENDITURES				
Current:				
General Government Administration:				
Legislative	138,000	153,000	111,906	41,094
General and Financial Administration	4,586,000	4,376,000	3,900,803	475,197
Board of Elections	141,000	150,695	149,559	1,136
Total General Government Administration	<u>4,865,000</u>	<u>4,679,695</u>	<u>4,162,268</u>	<u>517,427</u>
Judicial Administration:				
Courts	1,344,000	1,437,711	1,428,330	9,381
Commonwealth Attorney	797,000	926,500	917,065	9,435
Total Judicial Administration	<u>2,141,000</u>	<u>2,364,211</u>	<u>2,345,395</u>	<u>18,816</u>
Public Safety:				
Law Enforcement and Traffic Control	6,444,000	6,449,000	6,215,358	233,642
Fire and Rescue Services	3,866,306	3,891,256	3,853,492	37,764
Correction and Detention	3,751,475	3,751,475	3,747,619	3,856
Inspections	587,000	587,000	563,384	23,616
Other Protection	1,289,000	1,289,000	1,197,271	91,729
Total Public Safety	<u>15,937,781</u>	<u>15,967,731</u>	<u>15,577,124</u>	<u>390,607</u>
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks	127,122	158,122	150,660	7,462
Sanitation and Waste Removal	1,211,000	1,211,000	1,144,726	66,274
Maintenance of Buildings and Grounds	1,999,000	2,016,200	1,772,113	244,087
Total Public Works	<u>3,337,122</u>	<u>3,385,322</u>	<u>3,067,499</u>	<u>317,823</u>
Health and Welfare:				
Health	242,660	242,660	242,660	-
Chapter X Board	183,307	183,307	183,307	-
Welfare/Social Services	737,475	737,475	690,421	47,054
Total Health and Welfare	<u>1,163,442</u>	<u>1,163,442</u>	<u>1,116,388</u>	<u>47,054</u>
Education:				
Contributions to Community College	25,437	25,437	23,989	1,448
Contributions to City School Board	32,454,230	32,846,163	32,616,171	229,992
Total Education	<u>32,479,667</u>	<u>32,871,600</u>	<u>32,640,160</u>	<u>231,440</u>
Parks, Recreation and Cultural:				
Parks and Recreation	2,514,000	2,514,000	2,190,608	323,392
Cultural Enrichment	169,000	175,500	173,413	2,087
Contribution to Regional Library	382,067	382,067	382,067	-
Total Parks, Recreation, and Cultural	<u>3,065,067</u>	<u>3,071,567</u>	<u>2,746,088</u>	<u>325,479</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Exhibit 6 (Cont'd) Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (cont'd)				
Current: (cont'd)				
Community Development:				
Planning and Community Development	\$ 1,263,650	\$ 1,308,028	\$ 1,186,571	\$ 121,457
Environmental Management	36,501	36,501	34,497	2,004
Total Community Development	<u>1,300,151</u>	<u>1,344,529</u>	<u>1,221,068</u>	<u>123,461</u>
Debt Service:				
Principal retirement	5,492,050	5,607,455	5,603,956	3,499
Interest and fiscal charges	4,384,950	4,564,620	4,567,615	(2,995)
Bond issuance costs	-	79,567	79,067	500
Total Debt Service	<u>9,877,000</u>	<u>10,251,642</u>	<u>10,250,638</u>	<u>1,004</u>
Total expenditures	<u>74,166,230</u>	<u>75,099,739</u>	<u>73,126,628</u>	<u>1,973,111</u>
Excess of revenues over expenditures	<u>(3,539,230)</u>	<u>(4,408,731)</u>	<u>(2,621,098)</u>	<u>1,787,633</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	1,520	1,520
Insurance recoveries - capital asset impairment	-	-	9,817	9,817
Bonds issued	6,000,000	6,000,000	5,700,000	(300,000)
Premium on debt	-	-	70,115	70,115
Capital lease	-	441,500	441,500	-
Transfers in	1,620,000	1,620,000	1,620,000	-
Transfers out	<u>(8,994,270)</u>	<u>(10,289,033)</u>	<u>(7,336,888)</u>	<u>2,952,145</u>
Total other financing sources (uses)	<u>(1,374,270)</u>	<u>(2,227,533)</u>	<u>506,064</u>	<u>2,733,597</u>
Net change in fund balances	(4,913,500)	(6,636,264)	(2,115,034)	4,521,230
Fund balances - beginning	<u>4,913,500</u>	<u>6,636,264</u>	<u>28,957,466</u>	<u>22,321,202</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,842,432</u>	<u>\$ 26,842,432</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Exhibit 7

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
ASSETS				
Current assets:				
Cash	\$ 813,982	\$ 294	\$ 814,276	\$ 927,581
Investments	7,680,669	304	7,680,973	1,351,199
Accounts receivable (net of allowance for uncollectibles)	2,959,001	497	2,959,498	6,291
Due from other governments	-	436,926	436,926	-
Inventories	172,074	-	172,074	137,945
Total current assets	<u>11,625,726</u>	<u>438,021</u>	<u>12,063,747</u>	<u>2,423,016</u>
Noncurrent assets:				
Deferred charges	152,673	-	152,673	-
Capital assets:				
Land	1,451,070	-	1,451,070	-
Buildings and systems	3,718,119	643,701	4,361,820	-
Improvements other than buildings	118,837	-	118,837	-
Infrastructure	65,785,419	-	65,785,419	-
Machinery and equipment	2,136,316	835,153	2,971,469	99,967
Construction in progress	4,315,996	38,937	4,354,933	-
Less accumulated depreciation	<u>(20,394,148)</u>	<u>(812,400)</u>	<u>(21,206,548)</u>	<u>(94,602)</u>
Total capital assets (net of accumulated depreciation)	<u>57,131,609</u>	<u>705,391</u>	<u>57,837,000</u>	<u>5,365</u>
Total noncurrent assets	<u>57,284,282</u>	<u>705,391</u>	<u>57,989,673</u>	<u>5,365</u>
Total assets	<u>68,910,008</u>	<u>1,143,412</u>	<u>70,053,420</u>	<u>2,428,381</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,761,209	651	1,761,860	1,156,209
Customer deposits payable	198,269	-	198,269	-
Accrued payroll	79,637	12,912	92,549	5,691
Accrued interest payable	310,569	-	310,569	-
Retainage payable	91,810	-	91,810	-
Due to other funds	-	207,000	207,000	-
Compensated absences	11,000	1,000	12,000	-
General obligation bonds - current	1,453,106	-	1,453,106	-
Total current liabilities	<u>3,905,600</u>	<u>221,563</u>	<u>4,127,163</u>	<u>1,161,900</u>
Noncurrent liabilities:				
Compensated absences	174,550	19,279	193,829	18,757
General obligation bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	<u>27,070,868</u>	<u>-</u>	<u>27,070,868</u>	<u>-</u>
Total noncurrent liabilities	<u>27,245,418</u>	<u>19,279</u>	<u>27,264,697</u>	<u>18,757</u>
Total liabilities	<u>31,151,018</u>	<u>240,842</u>	<u>31,391,860</u>	<u>1,180,657</u>
NET ASSETS				
Invested in capital assets, net of related debt	34,306,793	705,391	35,012,184	5,365
Restricted for capital projects	-	2,000	2,000	-
Unrestricted	3,452,197	195,179	3,647,376	1,242,359
Total net assets	<u>\$ 37,758,990</u>	<u>\$ 902,570</u>	<u>\$ 38,661,560</u>	<u>\$ 1,247,724</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(91,987)</u>	
Net assets of business-type activities			<u>\$ 38,569,573</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit 8

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
OPERATING REVENUES				
Revenue from use of property	\$ 4,200	\$ -	\$ 4,200	\$ -
Charges for services	12,664,815	60,070	12,724,885	4,252,220
Miscellaneous	5,117	18,700	23,817	-
Recovered costs	3,371,952	-	3,371,952	-
Total operating revenues	<u>16,046,084</u>	<u>78,770</u>	<u>16,124,854</u>	<u>4,252,220</u>
OPERATING EXPENSES				
Personal services	3,361,959	521,442	3,883,401	313,455
Contractual services	5,399,372	22,431	5,421,803	111,597
Other supplies and expenses	3,086,847	203,660	3,290,507	661,225
Insurance claims and expenses	-	-	-	3,363,269
Depreciation	1,226,796	105,548	1,332,344	1,250
Total operating expenses	<u>13,074,974</u>	<u>853,081</u>	<u>13,928,055</u>	<u>4,450,796</u>
Operating income (loss)	<u>2,971,110</u>	<u>(774,311)</u>	<u>2,196,799</u>	<u>(198,576)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental:				
Commonwealth	-	174,363	174,363	-
Federal	-	368,301	368,301	-
Investment earnings	273,073	-	273,073	4
Interest and fiscal charges	(1,318,858)	-	(1,318,858)	-
Total nonoperating revenues (expenses)	<u>(1,045,785)</u>	<u>542,664</u>	<u>(503,121)</u>	<u>4</u>
Income before contributions and transfers	1,925,325	(231,647)	1,693,678	(198,572)
Capital contributions	71,626	106,667	178,293	6,615
Transfers in	-	150,000	150,000	-
Transfers out	(1,969,967)	-	(1,969,967)	-
Change in net assets	26,984	25,020	52,004	(191,957)
Total net assets - beginning	<u>37,732,006</u>	<u>877,550</u>		<u>1,439,681</u>
Total net assets - ending	<u>\$ 37,758,990</u>	<u>\$ 902,570</u>		<u>\$ 1,247,724</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(34,157)</u>	
Change in net assets of business-type activities			<u>\$ 17,847</u>	

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit 9

	Busines-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 12,267,105	\$ 78,732	\$ 12,345,837	\$ 3,861,129
Cash paid to suppliers	(8,448,182)	(226,058)	(8,674,240)	(729,592)
Cash paid to employees	(3,351,317)	(514,730)	(3,866,047)	(328,470)
Premiums paid	-	-	-	(3,591,686)
Other receipts (payments)	3,381,269	-	3,381,269	386,814
Net cash provided (used) by operating activities	<u>3,848,875</u>	<u>(662,056)</u>	<u>3,186,819</u>	<u>(401,805)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subsidy from state grant	-	172,025	172,025	-
Subsidy from federal grant	-	535,359	535,359	-
Transfer to other funds	(1,969,967)	(216,000)	(2,185,967)	-
Net cash provided (used) by noncapital financing activities	<u>(1,969,967)</u>	<u>491,384</u>	<u>(1,478,583)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants - state	-	13,061	13,061	-
Capital grants - federal	-	165,342	165,342	-
Acquisition and construction of capital assets	(3,263,544)	(7,433)	(3,270,977)	-
Principal paid on capital debt	(1,388,397)	-	(1,388,397)	-
Interest paid on capital debt	(1,284,673)	-	(1,284,673)	-
Net cash provided (used) by capital and related financing activities	<u>(5,936,614)</u>	<u>170,970</u>	<u>(5,765,644)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	278,636	-	278,636	2,081
Net cash provided by investing activities	<u>278,636</u>	<u>-</u>	<u>278,636</u>	<u>2,081</u>
Net increase (decrease) in cash and cash equivalents	(3,779,070)	298	(3,778,772)	(399,724)
Cash and cash equivalents - beginning of year	12,273,721	300	12,274,021	2,678,504
Cash and cash equivalents - end of year	<u>\$ 8,494,651</u>	<u>\$ 598</u>	<u>\$ 8,495,249</u>	<u>\$ 2,278,780</u>
Cash and cash equivalents at end of year is comprised of the following:				
Cash	813,982	294	814,276	927,581
Cash equivalents - Investments	7,680,669	304	7,680,973	1,351,199
Total	<u>\$ 8,494,651</u>	<u>\$ 598</u>	<u>\$ 8,495,249</u>	<u>\$ 2,278,780</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit 9 (Cont'd)

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 2,971,110	\$ (774,311)	\$ 2,196,799	\$ (198,576)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,226,796	105,548	1,332,344	1,250
(Increase) decrease in accounts receivable	(359,753)	(38)	(359,791)	(4,277)
(Increase) decrease in inventories	5,595	-	5,595	(50,672)
Increase (decrease) in accounts payable	32,442	33	32,475	(134,515)
Increase (decrease) in accrued payroll	16,852	3,035	19,887	(2,022)
Increase (decrease) in compensated absences	(6,210)	3,677	(2,533)	(12,993)
Increase (decrease) in customer deposits payable	(37,957)	-	(37,957)	-
Total adjustments	<u>877,765</u>	<u>112,255</u>	<u>990,020</u>	<u>(203,229)</u>
Net cash provided (used) by operating activities	<u>\$ 3,848,875</u>	<u>\$ (662,056)</u>	<u>\$ 3,186,819</u>	<u>\$ (401,805)</u>
Noncash investing, capital and financing activities:				
Capital contributions of water and sewer lines from developers	\$ 71,626	\$ -	\$ 71,626	\$ -
Capital assets transferred (to)from general government	\$ (25,161)	\$ -	\$ (25,161)	\$ 6,615

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Exhibit 10
	Total Agency Funds
ASSETS	
Cash	\$ 294,339
Investments	1,361,559
Accounts receivable	339,686
Interest receivable	1,516
Due from other governments	5,747
Total assets	\$ 2,002,847
LIABILITIES	
Accounts payable	28,390
Accrued payroll	48,581
Amounts held for social service clients	9,009
Amounts held for NRJA	1,289,593
Amounts held for NRJDC	627,274
Total liabilities	\$ 2,002,847

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 more significant policies:

A. Reporting Entity

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

Blended Component Units:

The City of Winchester has no blended component units.

Discretely Presented Component Units:

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

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

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

Separate financial statements of these component units are not available.

Joint Ventures and Other Related Organizations:

Joint Ventures

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

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility as provided by Chapter 3, Title 5.136 Code of Virginia (1950), as amended. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During fiscal year 2008, the City provided total support of \$27,234.

**City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A. Reporting Entity (cont'd)

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants normally must subsidize operations and capital needs. During fiscal year 2008, the City provided total support of \$344,072.

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

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

Winchester Regional Airport Authority
491 Airport Road
Winchester, VA 22602

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

Other Related Organizations

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

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library as provided in Chapter 2, Title 42.1-34 and 42.1-137 *Code of Virginia (1950)*, as amended. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided \$382,067 to the Board for operating support for fiscal year 2008.

B. 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 are 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.

C. 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.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

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

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

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

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

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

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Social Service Fund, Comprehensive Services Fund, Federal and State Grants Fund, Community Development Block Grant Fund, Housing Choice Voucher Program Fund, Housing Fund, Highway Maintenance Fund, Emergency Medical Services Fund, Winchester-Frederick County Convention and Visitors Bureau Fund, Law Library Fund and Asset Forfeiture Fund.

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

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

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

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

**City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Internal service funds account for employee fringes, equipment inventory, and risk management services 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 City Insurance Fund.

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

2. *Receivables and Payables*

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

3. *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.

4. *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.

5. *Property Taxes*

Real Estate and Personal Property Used in Business

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

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

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 will be taxed using the new system. These taxes are accounted for in the General Fund. Accordingly, such taxes due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Levy Date	Date on which legal situs is attained
Lien Date	Date on which legal situs is attained
Due Date	Thirty days after assessment
Delinquent Date	Thirty-one days after assessment

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

6. *Allowance for Uncollectible Accounts*

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,561,836 at June 30, 2008 and consisted of the following:

General Fund (property taxes)	\$ 1,257,802
Emergency Medical Service Fund	151,634
Water and Sewer Fund	<u>152,400</u>
Total	<u>\$ 1,561,836</u>

7. *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.

8. *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 \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

9. *Compensated Absences*

In accordance with Government Accounting Standards Board Statement 16, "Accounting for Compensated Absences", the City has accrued the liability arising from compensated absences.

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

Employees of the Discretely Presented Component Unit School Board, who retire under the Virginia Retirement System, have been employed by the School Board for the immediately preceding ten consecutive years prior to retirement in a full-time position receive \$25 a day for any unused sick leave up to a maximum of 90 days. Twelve-month employees who earn annual leave and retire under the Virginia Retirement System, but who are not eligible to participate or choose not to participate in the Voluntary Semi-Retirement Program and have worked for Winchester Public Schools for the immediately preceding ten consecutive years prior to retirement in a full-time position, shall be paid per diem upon retirement (based on their final annual salary) for their unused annual leave up to a maximum of 20 days.

**City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

9. *Compensated Absences (cont'd)*

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.

10. *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.

11. *Fund Equity*

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

12. *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.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. 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 \$111,695,385 and \$627,096 differences for the primary government and discretely presented component unit-school board, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ 107,244,423	\$ -
Less: Unamortized bond issue costs	(733,788)	-
Less: Deferred charge on refunding	(653,834)	-
Plus: Issuance premium	2,239,216	-
Capital leases payable	834,745	-
Accrued interest payable	1,144,667	-
Compensated absences	<u>1,619,956</u>	<u>627,096</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 111,695,385</u>	<u>\$ 627,096</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (cont'd)

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 \$1,339,711 difference in the primary government are as follows:

Net assets of the internal service funds	\$ 1,247,724
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	57,830
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	<u>34,157</u>
Net adjustments to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 1,339,711</u>

B. 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 this \$(1,929,342) difference in the primary government are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (441,500)
Issuance of general obligation bonds	(7,200,000)
Plus premium	(88,710)
Principal repayments:	
General obligation debt	5,275,676
Capital lease	426,640
Bond issuance costs	<u>98,552</u>
Net adjustments to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,929,342)</u>

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 \$(39,782) and \$(48,409) differences for the primary government, discretely presented component unit-school board and parking authority, respectively, is as follows:

	Primary Government	<u>Component Unit School Board</u>
Compensated absences	\$ 8,374	\$ (48,409)
Accrued interest	(56,504)	-
Amortization of bond issue costs	(77,344)	-
Amortization of issuance discount	(349)	-
Amortization of issuance premium	218,685	-
Amortization of deferred charge on refunding	<u>(132,644)</u>	<u>-</u>
Net adjustments to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (39,782)</u>	<u>\$ (48,409)</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (cont'd)

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 \$(157,800) difference in the primary government are as follows:

Changes in net assets of the internal service funds	\$ (191,957)
Add: Loss from costs in excess of charges to business-type activities	<u>34,157</u>
Net adjustments to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (157,800)</u>

C. 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 \$(57,830) difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities – prior years	\$ (57,830)
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>(34,157)</u>
Net adjustment to decrease <i>net assets-total enterprise funds</i> to arrive at <i>net assets-business-type activities</i>	<u>\$ (91,987)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

- Prior to March 30 of each odd-numbered year, the City Manager submits to the Common Council a proposed operating and capital budget for the two fiscal years commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated biennial budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and component unit - school board.
- 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.
- 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.
- All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30, for all City funds.
- All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City required 3 budget amendments during the year, representing a net increase of \$38,897,155. Included in this amount are the anticipated expenditures from bond proceeds in the amount of \$7,200,000.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

4. DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

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

The City's rated debt investments as of June 30, 2008 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Quality Ratings</u>		
		<u>AAA</u>	<u>A</u>	<u>Unrated</u>
<u>Primary Government</u>				
U.S. Agencies	\$ 6,329,512	\$ 6,329,512	\$ -	\$ -
Money Market Funds	5,726,381	-	-	5,726,381
Virginia State Non-Arbitrage Program	10,466,301	10,466,301	-	-
Local Government Investment Pool	9,185,766	9,185,766	-	-
	<u>\$ 31,707,960</u>	<u>\$ 25,981,579</u>	<u>\$ -</u>	<u>\$ 5,726,381</u>
<u>Component Unit – School Board</u>				
U.S. Agencies	\$ 1,469,475	\$ 1,469,475	\$ -	\$ -
Corporate Bonds	85,562	-	85,562	-
Money Market Funds	1,635,676	-	-	1,635,676
Virginia State Non-Arbitrage Program	5,168,283	5,168,283	-	-
Local Government Investment Pool	10,549,553	10,549,553	-	-
	<u>\$ 18,908,549</u>	<u>\$ 17,187,311</u>	<u>\$ 85,562</u>	<u>\$ 1,635,676</u>
<u>Component Unit – Parking Authority</u>				
U.S. Agencies	\$ 232,397	\$ 232,397	\$ -	\$ -
Money Market Funds	210,252	-	-	210,252
Virginia State Non-Arbitrage Program	8,662,798	8,662,798	-	-
Local Government Investment Pool	337,269	337,269	-	-
	<u>\$ 9,442,716</u>	<u>\$ 9,232,464</u>	<u>\$ -</u>	<u>\$ 210,252</u>
Total Fair Value	<u>\$ 60,059,225</u>	<u>\$ 52,401,354</u>	<u>\$ 85,562</u>	<u>\$ 7,572,309</u>

(Notes continued on next page)

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

4. DEPOSITS AND INVESTMENTS (Cont'd)

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. At June 30, 2008, the City's investment in the Federal Home Loan Bank was 6.70% of the City's total investments.

Interest Rate Risk – As of June 30, 2008, the City had investments with the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1 - 5	6 - 10
<u>Primary Government</u>				
U.S. Agencies	\$ 6,329,512	\$ -	\$ 6,329,512	\$ -
Money Market Funds	5,726,381	5,726,381	-	-
Virginia State Non-Arbitrage Program	10,466,301	10,466,301	-	-
Local Government Investment Pool	9,185,766	9,185,766	-	-
	<u>\$ 31,707,960</u>	<u>\$ 25,378,448</u>	<u>\$ 6,329,512</u>	<u>\$ -</u>
<u>Component Unit – School Board</u>				
U.S. Agencies	\$ 1,469,475	\$ -	\$ 1,469,475	\$ -
Corporate Bonds	85,562	85,562	-	-
Money Market Funds	1,635,676	1,635,676	-	-
Virginia State Non-Arbitrage Program	5,168,283	5,168,283	-	-
Local Government Investment Pool	10,549,553	10,549,553	-	-
	<u>\$ 18,908,549</u>	<u>\$ 17,439,074</u>	<u>\$ 1,469,475</u>	<u>\$ -</u>
<u>Component Unit – Parking Authority</u>				
U.S. Agencies	\$ 232,397	\$ -	\$ 232,397	\$ -
Money Market Funds	210,252	210,252	-	-
Virginia State Non-Arbitrage Program	8,662,798	8,662,798	-	-
Local Government Investment Pool	337,269	337,269	-	-
	<u>\$ 9,442,716</u>	<u>\$ 9,210,319</u>	<u>\$ 232,397</u>	<u>\$ -</u>
Total Fair Value	<u>\$ 60,059,225</u>	<u>\$ 52,027,841</u>	<u>\$ 8,031,384</u>	<u>\$ -</u>

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arriving from increasing interest rates.

5. DUE FROM OTHER GOVERNMENTS

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

	Primary Government	Component Unit-School Board
Commonwealth of Virginia:		
School funds	\$ -	\$ 789,770
State sales tax	-	284,682
Shared expenses	144,234	-
Local sales tax	1,590,627	-
Communication tax	189,920	-
Welfare funds	593,438	-
Community development block grant	154,360	-
Transit grants	436,926	-
Other state funds	368,285	-
Total Due from the Commonwealth	<u>3,477,790</u>	<u>1,074,452</u>
Total Due from Other Governments	<u>\$ 3,477,790</u>	<u>\$ 1,074,452</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

6. PROMISES TO GIVE

Unconditional promises to give reported by the Component Unit School Board for the Handley Capital Project at June 30, 2008, are as follows:

Receivable in less than one year	\$ 316,402
Receivable in one to five years	1,023,667
Receivable in five to ten years	623,472
Receivable in ten to fifteen years	437,500
Receivable in fifteen to twenty years	<u>149,538</u>
Total unconditional promises to give	2,550,579
Less discounts in present value	<u>(704,938)</u>
Net unconditional promises to give at June 30, 2008	<u>\$ 1,845,641</u>

Discount rate used on long-term promises to give was 5% for fiscal year 2008.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Inter-fund balances at June 30, 2008 consisted of the following:

Primary Government:

Due to General Fund from:	
Non-major enterprise fund - Bus Service	\$ 207,000
Non-major governmental funds	<u>1,534,793</u>
Total due to General Fund from other funds for cash advances	<u>\$ 1,741,793</u>

Component Unit School Board:

Due to School Operating Fund from:	
Federal Grants Fund for cash advance	\$ 284,393
School Fund Raising Fund for cash advance	<u>11,834</u>
Total due to School Operating Fund from other funds for cash advances	<u>\$ 296,227</u>

Inter-fund transfers for the year ended June 30, 2008 consisted of the following:

Primary Government:

Transfers to General Fund from:	
Water and Sewer Fund	\$ 1,620,000
Total transfers to General Fund	<u>\$ 1,620,000</u>

Transfers to Capital Improvements Fund from:

General Fund	\$ 3,806,044
Other governmental funds	<u>441,456</u>
Total transfers to Capital Improvements Fund	<u>\$ 4,247,500</u>

Transfers to non-major governmental funds from:

General Fund	\$ 3,380,844
Water and Sewer Fund	324,806
Other governmental funds	<u>69,006</u>
Total transfers to non-major governmental funds	<u>\$ 3,774,656</u>

Transfers to non-major enterprise fund from:

General Fund	<u>\$ 150,000</u>
--------------	-------------------

Component Unit School Board:

Transfers to School Capital Improvement Fund from:	
School Operating Fund	<u>\$ 940,821</u>

Transfers to non-major governmental funds from:

School Operating Fund	<u>\$ 406,000</u>
-----------------------	-------------------

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.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

8. CAPITAL ASSETS

PRIMARY GOVERNMENT

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

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital Assets, not being depreciated:				
Land	\$ 3,130,582	\$ 74,903	\$ -	\$ 3,205,485
Construction in progress	<u>4,368,744</u>	<u>6,590,428</u>	<u>(5,987,382)</u>	<u>4,971,790</u>
Total capital assets not being depreciated	<u>7,499,326</u>	<u>6,665,331</u>	<u>(5,987,382)</u>	<u>8,177,275</u>
Capital assets, being depreciated:				
Buildings	\$ 20,090,141	\$ 1,689,227	\$ -	\$ 21,779,368
Improvements other than buildings	5,251,996	342,641	(486,415)	5,108,222
Infrastructure	37,122,724	4,301,826	(451,000)	40,973,550
Equipment	<u>8,648,181</u>	<u>1,639,439</u>	<u>(515,989)</u>	<u>9,771,631</u>
Total capital assets being depreciated	<u>71,113,042</u>	<u>7,973,133</u>	<u>(1,453,404)</u>	<u>77,632,771</u>
Less accumulated depreciation for:				
Buildings	\$ (5,928,271)	\$ (403,755)	\$ -	\$ (6,332,026)
Improvements other than buildings	(2,490,748)	(210,351)	107,417	(2,593,682)
Infrastructure	(11,181,673)	(727,466)	423,711	(11,485,428)
Equipment	<u>(4,627,176)</u>	<u>(1,073,777)</u>	<u>418,709</u>	<u>(5,282,244)</u>
Total accumulated depreciation (1)	<u>(24,227,868)</u>	<u>(2,415,349)</u>	<u>949,837</u>	<u>(25,693,380)</u>
Total capital assets being depreciated, net	<u>46,885,174</u>	<u>5,557,784</u>	<u>(503,567)</u>	<u>51,939,391</u>
Governmental activities capital assets, net	<u>\$ 54,384,500</u>	<u>\$ 12,223,115</u>	<u>\$(6,490,949)</u>	<u>\$ 60,116,666</u>

(1) Increase in accumulated depreciation consists of current depreciation of \$2,127,123, accumulated depreciation for assets transferred to the primary government from business-type activities in the amount of \$278,544, and accumulated depreciation for assets transferred to the primary government from component unit school board in the amount of \$9,682.

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

Governmental activities:	
General government	\$ 180,124
Judicial administration	136,192
Public safety	499,681
Public works	1,045,700
Health and welfare	11,610
Parks, recreation, and cultural	249,364
Community development	<u>4,452</u>
Total depreciation expense – governmental activities	<u>\$ 2,127,123</u>

(Notes continued on next page)

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

8. CAPITAL ASSETS (Cont'd)

PRIMARY GOVERNMENT (cont'd)

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

	Balance <u>July 1, 2007</u>	Increases	Decreases	Balance <u>June 30, 2008</u>
Capital Assets, not being depreciated:				
Land	\$ 1,451,070	\$ -	\$ -	\$ 1,451,070
Construction in progress	<u>427,118</u>	<u>3,927,815</u>	<u>-</u>	<u>4,354,933</u>
Total capital assets not being depreciated	<u>1,878,188</u>	<u>3,927,815</u>	<u>-</u>	<u>5,806,003</u>
Capital assets, being depreciated:				
Buildings	4,361,820	-	-	4,361,820
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	65,677,772	107,647	-	65,785,419
Equipment	<u>2,942,098</u>	<u>525,021</u>	<u>(495,650)</u>	<u>2,971,469</u>
Total capital assets being depreciated	<u>73,100,527</u>	<u>632,668</u>	<u>(495,650)</u>	<u>73,237,545</u>
Less accumulated depreciation for:				
Buildings	(2,046,135)	(87,120)	-	(2,133,255)
Improvements other than buildings	(111,576)	(455)	-	(112,031)
Infrastructure	(16,778,561)	(1,009,775)	-	(17,788,336)
Equipment	<u>(1,408,421)</u>	<u>(234,994)</u>	<u>470,489</u>	<u>(1,172,926)</u>
Total accumulated depreciation	<u>(20,344,693)</u>	<u>(1,332,344)</u>	<u>470,489</u>	<u>(21,206,548)</u>
Total capital assets being depreciated, net	<u>52,755,834</u>	<u>(699,676)</u>	<u>(25,161)</u>	<u>52,030,997</u>
Business-type activities capital assets, net	<u>\$ 54,634,022</u>	<u>\$ 3,228,139</u>	<u>\$ (25,161)</u>	<u>\$ 57,837,000</u>

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

Business-type activities:	
Water and Sewer fund	\$ 1,226,796
Bus Fund	<u>105,548</u>
Total depreciation expense – business type activities	<u>\$ 1,332,344</u>

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

	Balance <u>July 1, 2007</u>	Increases	Decreases	Balance <u>June 30, 2008</u>
Capital Assets, not being depreciated:				
Land	\$ 2,307,970	\$ -	\$ -	\$ 2,307,970
Construction in progress	<u>39,112,064</u>	<u>18,996,527</u>	<u>(48,696,159)</u>	<u>9,412,432</u>
Total capital assets not being depreciated	<u>41,420,034</u>	<u>18,996,527</u>	<u>(48,696,159)</u>	<u>11,720,402</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

8. CAPITAL ASSETS (Cont'd)

COMPONENT UNIT - SCHOOL BOARD (cont'd)

	Balance <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2008</u>
Capital assets, being depreciated:				
Buildings	\$ 55,553,168	\$ 48,696,159	\$ -	\$ 104,249,327
Improvements other than buildings	1,932,214	-	-	1,932,214
Equipment	<u>5,047,385</u>	<u>357,455</u>	<u>(9,682)</u>	<u>5,395,158</u>
Total capital assets being depreciated	<u>62,532,767</u>	<u>49,053,614</u>	<u>(9,682)</u>	<u>111,576,699</u>
Less accumulated depreciation for:				
Buildings	(10,667,078)	(1,832,535)	-	(12,499,613)
Improvements other than buildings	(1,662,364)	(21,357)	-	(1,683,721)
Equipment	<u>(2,780,322)</u>	<u>(389,850)</u>	<u>9,682</u>	<u>(3,160,490)</u>
Total accumulated depreciation	<u>(15,109,764)</u>	<u>(2,243,742)</u>	<u>9,682</u>	<u>(17,343,824)</u>
Total capital assets being depreciated, net	<u>47,423,003</u>	<u>46,809,872</u>	<u>-</u>	<u>94,232,875</u>
School Board capital assets, net	<u>\$ 88,843,037</u>	<u>\$ 65,806,399</u>	<u>\$ (48,696,159)</u>	<u>\$ 105,953,277</u>

COMPONENT UNIT - PARKING AUTHORITY

	Balance <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2008</u>
Capital Assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Construction in progress	<u>-</u>	<u>1,297,954</u>	<u>-</u>	<u>1,297,954</u>
Total capital assets not being depreciated	<u>11,685</u>	<u>1,297,954</u>	<u>-</u>	<u>1,309,639</u>
Capital assets, being depreciated:				
Buildings	1,792,495	-	-	1,792,495
Improvements other than buildings	56,179	-	-	56,179
Equipment	<u>153,091</u>	<u>13,570</u>	<u>-</u>	<u>166,661</u>
Total capital assets being depreciated	<u>2,001,765</u>	<u>13,570</u>	<u>-</u>	<u>2,015,335</u>
Less accumulated depreciation for:				
Buildings	\$ (806,393)	\$ (35,804)	\$ -	\$ (842,197)
Improvements other than buildings	(53,744)	(536)	-	(54,280)
Equipment	<u>(116,042)</u>	<u>(10,766)</u>	<u>-</u>	<u>(126,808)</u>
Total accumulated depreciation	<u>(976,179)</u>	<u>(47,106)</u>	<u>-</u>	<u>(1,023,285)</u>
Total capital assets being depreciated, net	<u>1,025,586</u>	<u>(33,536)</u>	<u>-</u>	<u>992,050</u>
Parking Authority capital assets, net	<u>\$ 1,037,271</u>	<u>\$ 1,264,418</u>	<u>\$ -</u>	<u>\$ 2,301,689</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>\$ 2,243,742</u>
Business-type activities:	
Parking Authority – Public works	<u>\$ 47,106</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

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 the end of fiscal year 2008, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred Property Tax Revenue, representing uncollected tax billings at June 30, 2008 (General Fund)	\$ 1,605,994	\$ -
Deferred Joint Judicial Commission Debt Service Charges, representing uncollected Debt Service billings at June 30, 2008 (General Fund)	590,712	-
Deferred EMS Transportation Charges, representing uncollected EMS billings at June 30, 2008 (Special Revenue Fund)	297,285	-
Property Taxes Paid in Advance, representing property taxes not yet due, but paid by June 30, 2008 (General Fund)	-	1,871,054
Grants received in advance, representing advance grant funding, not yet expended at June 30, 2008 (Special Revenue Fund)	-	85,718
Total deferred revenue for governmental funds	<u>\$ 2,493,991</u>	<u>\$ 1,956,772</u>

10. LONG-TERM DEBT

PRIMARY GOVERNMENT

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

Year Ending June 30	Governmental Activities				Business-type Activities	
	General Obligation Debt		Capital Lease Agreements		General Obligation Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 5,544,227	\$ 4,532,444	\$ 364,436	\$ 33,756	\$ 1,475,328	\$ 1,225,903
2010	5,709,665	4,337,636	215,133	19,963	1,577,709	1,163,974
2011	5,880,991	4,110,542	163,371	10,873	1,665,313	1,094,869
2012	5,689,273	3,884,301	91,805	3,801	1,757,124	1,028,793
2013	5,917,816	3,665,384	-	-	1,824,893	959,579
2014-2018	28,565,703	14,741,374	-	-	9,529,513	3,608,329
2019-2023	30,439,106	8,160,995	-	-	7,660,613	1,487,068
2024-2028	19,497,642	1,618,949	-	-	3,007,358	234,570
Total	<u>\$107,244,423</u>	<u>\$ 45,051,625</u>	<u>\$ 834,745</u>	<u>\$ 68,393</u>	<u>\$ 28,497,851</u>	<u>\$ 10,803,085</u>

Compensated absences are not included in the schedule reflecting annual requirements to amortize long-term obligations since it cannot be estimated when they will be paid.

(Notes continued on next page)

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

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, 2008:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>one year</u>
General Obligation Bonds	\$104,783,817	\$ 7,200,000	\$ 5,099,394	\$106,884,423	\$ 5,564,227
Unamortized Bond Premium	2,369,191	88,710	218,685	2,239,216	216,030
Unamortized Bond Discount	(349)	-	(349)	-	-
Unamortized Deferred Amount on Refunding	(786,478)	-	(132,644)	(653,834)	(120,867)
School Bonds	480,000	-	120,000	360,000	120,000
Capital Leases	819,884	441,500	426,639	834,745	364,436
Compensated absences	<u>1,660,080</u>	<u>140,510</u>	<u>161,877</u>	<u>1,638,713</u>	<u>162,000</u>
Total Governmental Activities	<u>\$109,326,145</u>	<u>\$ 7,870,720</u>	<u>\$ 5,893,602</u>	<u>\$111,303,263</u>	<u>\$ 6,305,826</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 29,886,248	\$ -	\$ 1,388,397	\$ 28,497,851	\$ 1,475,328
Unamortized Bond Premium	505,191	-	49,880	455,311	47,997
Unamortized Bond Discount	(27)	-	(27)	-	-
Unamortized Deferred Amount on Refunding	(504,876)	-	(75,688)	(429,188)	(70,219)
Compensated absences	<u>208,362</u>	<u>9,268</u>	<u>11,801</u>	<u>205,829</u>	<u>12,000</u>
Total Business-type Activities	<u>\$ 30,094,898</u>	<u>\$ 9,268</u>	<u>\$ 1,374,363</u>	<u>\$ 28,729,803</u>	<u>1,465,106</u>
Primary Government Totals	<u>\$139,421,043</u>	<u>\$ 7,879,988</u>	<u>\$ 7,267,965</u>	<u>\$140,033,066</u>	<u>\$ 7,770,932</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, 2008, \$18,757 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.

<u>Details of Long-Term Indebtedness</u>	<u>Governmental</u>	<u>Business-type</u>
--	---------------------	----------------------

General Obligation Bonds:

\$8,275,000 General Obligation Public Improvement and Refunding Bonds, Series of 1997, issued December 30, 1997, maturing annually beginning March 1, 1998 through 2011, interest payable semi-annually at rates of 3.6% to 4.7% (net of discount) Purpose: General, Utilities, and School projects	\$ 1,131,488	\$ 88,512
\$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 projects	3,311,137	3,311,137
\$10,000,000 General Obligation Public Improvement Bonds, Series of 2000, issued June 28, 2000, maturing annually beginning June 1, 2001 through June 1, 2020, interest payable semi-annually at 5.43%. Purpose: General, Utilities, and School projects	268,500	626,500

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

<u>Details of Long-Term Indebtedness (cont'd)</u>	<u>Governmental</u>	<u>Business-type</u>
\$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 projects	\$ 3,228,750	\$ 4,646,250
\$3,680,000 General Obligation Public Improvement Bonds, Series of 2002A, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2023, interest payable semi-annually at 3.58%. Purpose: General and School projects	2,980,000	-
\$6,320,000 General Obligation Public Improvement Refunding Bonds, Series of 2002B, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2014, interest payable semi-annually at 3.30% (net of deferred charge). Purpose: Utilities and School projects	3,290,103	825,711
\$9,595,000 General Obligation Public Improvement Bonds, Series of 2003, issued December 18, 2003, maturing annually beginning September 1, 2004 through September 1, 2023, interest payable semi-annually at 3.79% (including premium). Purpose: General, Utilities, and School projects	5,786,171	2,487,751
\$35,020,000 General Obligation Public Improvement and Refunding Bonds, Series of 2004, issued October 21, 2004, maturing annually beginning January 15, 2005 through January 15, 2025, interest payable semi-annually at 3.7723% (including premium and net of deferred charge). Purpose: General, Utilities, and School projects	23,136,366	6,101,386
\$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% (including premium). Purpose: General, Utilities, and School projects	38,790,438	6,041,485
\$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 3.8444% (including premium). Purpose: Utilities and School projects	19,261,523	4,395,242
\$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% (including premium). Purpose: General and School projects	<u>7,285,329</u>	<u>-</u>
Total General Obligation Bonds	<u>108,469,805</u>	<u>28,523,974</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

	<u>Governmental</u>	<u>Business-type</u>
<u>Details of Long-Term Indebtedness (cont'd)</u>		
School Bonds:		
\$2,180,000 issue School Bonds dated October 1, 1990, maturing annual on July 15 through 2010, interest payable semi-annually at various rates.	\$ 360,000	\$ -
Total General Obligation Debt	108,829,805	28,523,974
Capital Lease Obligations:		
\$766,308 School Capital lease for financing the purchase of 4 buses and technology equipment, entered into during fiscal year 2005, due in annual installments, including principal and interest at a rate of 3.21% per annum.	158,024	-
\$282,000 School Capital lease for financing the purchase of 4 buses, entered into during fiscal year 2006, due in annual installments, including principal and interest at a rate of 3.95% per annum.	114,856	-
\$360,425 School Capital lease for financing the purchase of 5 buses, entered into during fiscal year 2007, due in annual installments, including principal and interest at a rate of 4.55% per annum.	215,970	-
\$441,500 School Capital lease for financing the purchase of 2 buses, several vehicles, and various equipment entered into during fiscal year 2008, due in annual installments, including principal and interest at a rate of 4.14% per annum.	345,895	-
Total Capital Lease Obligations	834,745	-
Compensated Absences	1,638,713	205,829
Total Primary Government Long-Term Debt	\$ 111,303,263	\$ 28,729,803

COMPONENT UNIT SCHOOL BOARD

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retire- ments	Balance June 30, 2008	Due within one year
Governmental Activities:					
Compensated absences	\$ 578,687	\$ 1,056,092	\$ 1,007,683	\$ 627,096	\$ 19,000
Component Unit School Board					
Totals	\$ 578,687	\$ 1,056,092	\$ 1,007,683	\$ 627,096	\$ 19,000

Details of Long-Term Indebtedness

	Amount
Compensated absences	\$ 627,096
Total Component Unit School Board Long-Term Debt	\$ 627,096

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

10. LONG-TERM DEBT (Cont'd)

COMPONENT UNIT PARKING AUTHORITY

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

Year Ending June 30	<u>Business-type Activities</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 140,000	\$ 441,613
2010	145,000	435,556
2011	155,000	428,987
2012	160,000	421,900
2013	165,000	414,588
2014-2018	955,000	1,943,437
2019-2023	1,220,000	1,673,750
2024-2028	1,550,000	1,328,750
2029-2033	1,980,000	889,500
2034-2038	<u>2,530,000</u>	<u>328,250</u>
Total	<u>\$ 9,000,000</u>	<u>\$ 8,306,331</u>

Compensated absences are not included in the schedule reflecting annual requirements to amortize long-term obligations since it cannot be estimated when they will be paid.

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit Parking Authority for the year ended June 30, 2008:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>one year</u>
Revenue Bonds	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000	\$ 140,000
Unamortized Bond Premium	-	323,880	8,121	315,759	16,788
Compensated absences	<u>46,322</u>	<u>1,918</u>	<u>-</u>	<u>48,240</u>	<u>-</u>
Component Unit Parking Authority Totals	<u>\$ 46,322</u>	<u>\$ 9,325,798</u>	<u>\$ 8,121</u>	<u>\$ 9,363,999</u>	<u>\$ 156,788</u>

Details of Long-Term Indebtedness

	<u>Amount</u>
\$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% (including premium). Purpose: Parking Facility project	\$ 9,315,759
Compensated absences	<u>48,240</u>
Total Component Unit Parking Authority Long-Term Debt	<u>\$ 9,363,999</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

11. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of various school equipment and nineteen buses. The assets acquired through capital leases are as follows:

<u>School Board Component Unit</u>	<u>Amount</u>
Equipment	<u>\$ 2,069,671</u>

The future minimum lease obligations of these leases and the net present value of these minimum lease payments as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 398,192
2010	235,096
2011	174,243
2012	<u>95,605</u>
Total minimum lease payments	903,136
Less: amount representing interest	<u>(68,392)</u>
Present value of minimum lease payments	<u>\$ 834,744</u>

12. 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 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.

13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

In connection with the multi-purpose general obligation bonds issued in 2006, the City continued or began major renovations or construction of Daniel Morgan Middle School, John Handley High School, and Water plant upgrades. These projects are expected to exceed \$23,660,000.

	<u>Schools</u>	<u>Utilities</u>
Estimated project costs	\$ 19,260,000	\$ 4,400,000
Costs incurred through 6-30-08	<u>(19,260,000)</u>	<u>(540,479)</u>
Estimated remaining costs	<u>\$ -</u>	<u>\$ 3,859,521</u>

In connection with the multi-purpose general obligation bonds issued in 2007, the City continued or began major renovations or construction of John Handley High School and Senior Center at Jim Barnett Park. These projects are expected to exceed \$7,200,000.

	<u>Schools</u>	<u>General Fund</u>
Estimated project costs	\$ 5,700,000	\$ 1,500,000
Costs incurred through 6-30-08	<u>(4,487,721)</u>	<u>-</u>
Estimated remaining costs	<u>\$ 1,212,279</u>	<u>\$ 1,500,000</u>

14. DEFINED BENEFIT PENSION PLANPlan Description

The City of Winchester contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the City of Winchester School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers,

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

14. DEFINED BENEFIT PENSION PLAN (Cont'd)

firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85 percent for eligible law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2007annurept.pdf> or obtained by writing to the System 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 annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2008 was 8.39% of annual covered payroll. The City School Board contribution rate for the fiscal year ended 2008 was 6.53% of annual covered payroll of non-professional employees.

The City School Board's required contributions to the teacher cost-sharing pool were \$2,380,095 for fiscal year 2008, \$2,024,040 for fiscal year 2007 and \$1,382,474 for fiscal year 2006. In each year, the School Board contributed 100% of the required contributions.

Annual Pension Cost

For fiscal year 2008, the City's annual pension cost of \$1,581,898 was equal to the City's required and actual contributions. For fiscal year 2008, the City School Board's annual pension cost of \$122,059 for its non-professional employees was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 5.73 percent per year, and (c) 2.50 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

Three-Year Trend Information

	<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
<u>City</u>				
	June 30, 2006	\$ 1,208,484	100%	-
	June 30, 2007	1,416,559	100%	-
	June 30, 2008	1,581,898	100%	-
<u>City School Board (non-professional employees)</u>				
	June 30, 2006	\$ 46,596	100%	-
	June 30, 2007	112,468	100%	-
	June 30, 2008	122,059	100%	-

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 91.7% and 94.5% funded for the City and the City's School Board (non-professional employees), respectively. The actuarial accrued liability for benefits was \$58,789,855 and \$3,884,003, and the actuarial value of assets was \$52,071,521 and \$3,671,627, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,718,334 and \$212,376 for the City and the City's School Board (non-professional employees), respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$18,101,083 and \$1,756,985, and ratio of the UAAL to the covered payroll was 26.1% and 12.1% for the City and the City's School Board (non-professional employees).

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

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other cities and counties in the Virginia Local Government Risk Management Plan (VARISK2), a public entity risk pool currently operating as a common risk management and insurance program for several member cities and counties in Virginia. The City pays an annual premium to VARISK2 for its public officials general liability and public officials law enforcement liability insurance coverage. The agreement for formation of the VARISK2 provides that VARISK2 will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1 million for each insured event.

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

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

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

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

For the City and School Board, the claim liabilities reported at June 30, 2008 of \$412,857 and \$415,639, respectively, are based on the requirements of Governmental Accounting Standards Board statement number 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The statement further requires that the portion of the claims liability expected to be paid with available financial resources be reported as a fund liability. Changes in the City and School Board claims liability amount for fiscal year 2006, 2007, and 2008 are shown below.

<u>Year Ended</u>	<u>Beginning Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year-end</u>
<u>Primary Government</u>				
2006	\$ 191,134	\$ 2,566,031	\$ 2,564,589	\$ 192,576
2007	192,576	2,697,300	2,672,560	217,316
2008	217,316	3,189,418	2,993,877	412,857
<u>Component Unit – School Board</u>				
2006	\$ 308,561	\$ 3,119,108	\$ 3,085,496	\$ 342,173
2007	342,173	3,221,514	3,166,106	397,581
2008	397,581	3,567,437	3,549,379	415,639

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2008

16. SURETY BONDS

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

17. RELATED PARTY TRANSACTIONS

During fiscal year 2008, the City paid \$74,077 to Tire Distributors, Inc. for automobile repair services. As noted in the annual statements of economic interests filed by Council members and other city administrators, one member of the City's Common Council has economic interests in this business.

18. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the City provides post-retirement health care benefits for employees who are eligible for retirement benefits. As of June 30, 2008, a retiree is eligible to participate in the City's health insurance plan if the following requirements are met: a) they must meet VRS requirements for service retirement b) they must be a current participant in the City's health insurance program, and c) they must be under age 65 and not eligible for Medicare.

For fiscal year 2008, 31 retirees were both eligible and participated in this benefit. The City contributes 100% towards the cost of the lowest health care coverage policy in effect. The participants pay the remaining cost if they select a higher coverage policy. The City contributed a total of \$118,181 towards retiree health insurance for fiscal year 2008.

19. PRIOR PERIOD ADJUSTMENTS

Beginning net assets as of July 1, 2007 were restated for the following prior period adjustments:

	School Capital Improvements Fund
<u>Discretely Presented Component Unit – School Board</u>	
Fund balance at June 30, 2007, as last reported	\$ 6,771,498
Adjustments:	
Restate pledges for availability	(1,617,624)
Fund balance, restated at July 1, 2007	\$ 5,153,874
	Primary Government Governmental Activities
<u>Government-wide Financial Statements</u>	
Net Assets at June 30, 2007, as last reported	\$ (18,263,930)
Adjustments:	
Record prior year understatement of receivable	723,269
Net Assets, restated at July 1, 2007	\$ (17,540,661)

20. PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2008, \$17,540,000 of bonds outstanding are considered defeased.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN

CITY	(a)	(b)	(b-a)	(a/b)	(c)	Exhibit 11 (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, 2005	43,378,252	48,547,256	5,169,004	89.4%	15,470,872	33.4%
June 30, 2006	46,313,777	48,559,697	2,245,920	95.4%	16,755,989	13.4%
June 30, 2007	52,071,521	56,789,855	4,718,334	91.7%	18,101,083	26.1%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL)

	(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, 2005	2,901,931	3,275,303	373,372	88.6%	1,448,179	25.8%
June 30, 2006	3,142,570	3,467,329	324,759	90.6%	1,623,452	20.0%
June 30, 2007	3,671,627	3,884,003	212,376	94.5%	1,756,985	12.1%

MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

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.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Comprehensive Services Fund - to account for the provisions of special services to youth and families required by the Comprehensive Services Act. Financing is provided by state funds, which may be used only for this purpose.

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

Community Development Block Grant Fund - to account for the proceeds from Private Property Rehabilitation Program deferred loans funded under a Community Development Block Grant by the Department of Housing and Urban Development.

Housing Choice Voucher Program Fund - to account for the costs of providing housing assistance. Financing is provided by loan payments made by homeowners as well as state funding received.

Housing Fund – to account for the provisions of the City's housing assistance programs supporting affordable housing and rehabilitation initiatives within the City of Winchester. Financing is provided by local funds which may only be used for this purpose.

Highway Maintenance Fund - to account for the proceeds of state street and highway maintenance grants, and the related expenditure which is to be used for this purpose.

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

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

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

Asset Forfeiture Fund - to account for the proceeds from the seizure of assets in the investigation of criminal activities, the expenditure of which is governed by federal and state law enforcement agencies.

DEBT SERVICE FUNDS

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

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008**

Exhibit 12

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 519,692	\$ 29,701	\$ 549,393
Investments	1,265,110	72,302	1,337,412
Accounts receivable (net of allowance for uncollectibles)	335,020	-	335,020
Due from other governments	923,614	-	923,614
Total assets	\$ 3,043,436	\$ 102,003	\$ 3,145,439
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	412,575	-	412,575
Accrued payroll	100,327	-	100,327
Due to other funds	327,000	-	327,000
Deferred revenue	383,003	-	383,003
Total liabilities	1,222,905	-	1,222,905
Fund balances:			
Unreserved, designated for:			
Public safety	33,238	-	33,238
Unreserved, undesignated	1,787,293	102,003	1,889,296
Total fund balances	1,820,531	102,003	1,922,534
Total liabilities and fund balances	\$ 3,043,436	\$ 102,003	\$ 3,145,439

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

Exhibit 13

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Revenues from use of money and property	\$ 53,298	\$ 7,833	\$ 61,131
Charges for services	812,128	-	812,128
Miscellaneous	267,033	-	267,033
Recovered costs	5,435	-	5,435
Intergovernmental:			
Commonwealth	4,835,393	-	4,835,393
Federal	2,694,000	-	2,694,000
Total revenues	<u>8,667,287</u>	<u>7,833</u>	<u>8,675,120</u>
EXPENDITURES			
Current:			
Judicial administration	192,508	-	192,508
Public safety	962,339	-	962,339
Public works	3,026,192	-	3,026,192
Health and welfare	6,612,298	-	6,612,298
Community development	1,026,447	-	1,026,447
Debt service:			
Principal	-	98,360	98,360
Interest and fiscal charges	-	24,636	24,636
Total expenditures	<u>11,819,784</u>	<u>122,996</u>	<u>11,942,780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,152,497)</u>	<u>(115,163)</u>	<u>(3,267,660)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries - capital asset impairment	4,198	-	4,198
Transfers in	3,774,656	-	3,774,656
Transfers out	<u>(510,462)</u>	<u>-</u>	<u>(510,462)</u>
Total other financing sources (uses)	<u>3,268,392</u>	<u>-</u>	<u>3,268,392</u>
Net change in fund balances	115,895	(115,163)	732
Fund balance - beginning	<u>1,704,636</u>	<u>217,166</u>	<u>1,921,802</u>
Fund balance - ending	<u>\$ 1,820,531</u>	<u>\$ 102,003</u>	<u>\$ 1,922,534</u>

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008**

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund
ASSETS					
Cash	\$ 60	\$ 645	\$ 240	\$ 88,356	\$ 60,588
Investments	147	1,569	583	215,089	147,492
Accounts receivable (net of allowance for uncollectibles)	-	28,746	-	-	-
Due from other governments	<u>264,743</u>	<u>324,677</u>	<u>122,045</u>	<u>154,360</u>	<u>-</u>
Total assets	<u>\$ 264,950</u>	<u>\$ 355,637</u>	<u>\$ 122,868</u>	<u>\$ 457,805</u>	<u>\$ 208,080</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	64,037	211,019	17,989	10,485	-
Accrued payroll	48,332	3,294	5,027	1,455	1,028
Due to other funds	125,000	115,000	87,000	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>12,852</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>237,369</u>	<u>329,313</u>	<u>122,868</u>	<u>11,940</u>	<u>1,028</u>
Fund balances:					
Unreserved:					
Designated for public safety	-	-	-	-	-
Undesignated	<u>27,581</u>	<u>26,324</u>	<u>-</u>	<u>445,865</u>	<u>207,052</u>
Total fund balances	<u>27,581</u>	<u>26,324</u>	<u>-</u>	<u>445,865</u>	<u>207,052</u>
Total liabilities and fund balances	<u>\$ 264,950</u>	<u>\$ 355,637</u>	<u>\$ 122,868</u>	<u>\$ 457,805</u>	<u>\$ 208,080</u>

Exhibit 14

Housing Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ 105,175	\$ 100,463	\$ 115,675	\$ 11,146	\$ 7,955	\$ 29,389	\$ 519,692
256,032	244,563	281,594	27,133	19,365	71,543	1,265,110
-	-	297,285	568	8,421	-	335,020
-	27,067	-	25,550	-	5,172	923,614
<u>\$ 361,207</u>	<u>\$ 372,093</u>	<u>\$ 694,554</u>	<u>\$ 64,397</u>	<u>\$ 35,741</u>	<u>\$ 106,104</u>	<u>\$ 3,043,436</u>
-	80,288	9,669	14,386	4,702	-	412,575
-	26,343	10,363	4,185	300	-	100,327
-	-	-	-	-	-	327,000
-	-	297,285	-	-	72,866	383,003
-	106,631	317,317	18,571	5,002	72,866	1,222,905
-	-	-	-	-	33,238	33,238
<u>361,207</u>	<u>265,462</u>	<u>377,237</u>	<u>45,826</u>	<u>30,739</u>	<u>-</u>	<u>1,787,293</u>
<u>361,207</u>	<u>265,462</u>	<u>377,237</u>	<u>45,826</u>	<u>30,739</u>	<u>33,238</u>	<u>1,820,531</u>
<u>\$ 361,207</u>	<u>\$ 372,093</u>	<u>\$ 694,554</u>	<u>\$ 64,397</u>	<u>\$ 35,741</u>	<u>\$ 106,104</u>	<u>\$ 3,043,436</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, 2008

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund
REVENUES					
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ 13,028	\$ 6,291
Charges for services	-	-	-	-	-
Miscellaneous	-	85,418	-	1,263	-
Recovered costs	-	4,190	-	-	-
Intergovernmental:					
Commonwealth	1,132,119	1,273,568	27,519	-	155,753
Federal	1,746,480	-	398,531	458,247	-
Total revenues	<u>2,878,599</u>	<u>1,363,176</u>	<u>426,050</u>	<u>472,538</u>	<u>162,044</u>
EXPENDITURES					
Current:					
Judicial administration	-	-	162,987	-	-
Public safety	-	-	278,159	-	-
Public works	-	-	-	-	-
Health and welfare	3,793,655	2,758,668	-	-	59,975
Community development	-	-	32,136	393,243	-
Total expenditures	<u>3,793,655</u>	<u>2,758,668</u>	<u>473,282</u>	<u>393,243</u>	<u>59,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(915,056)</u>	<u>(1,395,492)</u>	<u>(47,232)</u>	<u>79,295</u>	<u>102,069</u>
OTHER FINANCING SOURCES (USES)					
Insurance recoveries - capital asset impairment	-	-	-	-	-
Transfers in	890,000	1,370,000	47,232	-	-
Transfers out	-	-	-	(159,006)	-
Total other financing sources (uses)	<u>890,000</u>	<u>1,370,000</u>	<u>47,232</u>	<u>(159,006)</u>	<u>-</u>
Net change in fund balances	(25,056)	(25,492)	-	(79,711)	102,069
Fund balance - beginning	<u>52,637</u>	<u>51,816</u>	<u>-</u>	<u>525,576</u>	<u>104,983</u>
Fund balance - ending	<u>\$ 27,581</u>	<u>\$ 26,324</u>	<u>\$ -</u>	<u>\$ 445,865</u>	<u>\$ 207,052</u>

Exhibit 15

Housing Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ 2,143	\$ 7,150	\$ 15,286	\$ 1,724	\$ 1,340	\$ 6,336	\$ 53,298
-	-	783,834	-	28,294	-	812,128
-	4,424	-	175,928	-	-	267,033
-	1,245	-	-	-	-	5,435
10,000	2,222,907	-	-	-	13,527	4,835,393
-	3,085	-	87,657	-	-	2,694,000
<u>12,143</u>	<u>2,238,811</u>	<u>799,120</u>	<u>265,309</u>	<u>29,634</u>	<u>19,863</u>	<u>8,667,287</u>
-	-	-	-	28,421	1,100	192,508
-	-	678,900	-	-	5,280	962,339
-	3,026,192	-	-	-	-	3,026,192
-	-	-	-	-	-	6,612,298
202,054	-	-	399,014	-	-	1,026,447
<u>202,054</u>	<u>3,026,192</u>	<u>678,900</u>	<u>399,014</u>	<u>28,421</u>	<u>6,380</u>	<u>11,819,784</u>
(189,911)	(787,381)	120,220	(133,705)	1,213	13,483	(3,152,497)
-	4,198	-	-	-	-	4,198
551,118	815,806	-	100,500	-	-	3,774,656
-	(351,456)	-	-	-	-	(510,462)
<u>551,118</u>	<u>468,548</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>-</u>	<u>3,268,392</u>
361,207	(318,833)	120,220	(33,205)	1,213	13,483	115,895
-	584,295	257,017	79,031	29,526	19,755	1,704,636
<u>\$ 361,207</u>	<u>\$ 265,462</u>	<u>\$ 377,237</u>	<u>\$ 45,826</u>	<u>\$ 30,739</u>	<u>\$ 33,238</u>	<u>\$ 1,820,531</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, 2008

	Social Service Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	1,420,000	1,456,000	1,132,119	(323,881)
Federal	2,075,000	2,075,000	1,746,480	(328,520)
Total revenues	<u>3,495,000</u>	<u>3,531,000</u>	<u>2,878,599</u>	<u>(652,401)</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	4,545,000	4,590,000	3,793,655	796,345
Community development	-	-	-	-
Total expenditures	<u>4,545,000</u>	<u>4,590,000</u>	<u>3,793,655</u>	<u>796,345</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,050,000)</u>	<u>(1,059,000)</u>	<u>(915,056)</u>	<u>143,944</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries - capital asset impairment	-	-	-	-
Transfers in	1,050,000	1,059,000	890,000	(169,000)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>1,050,000</u>	<u>1,059,000</u>	<u>890,000</u>	<u>(169,000)</u>
Net change in fund balances	-	-	(25,056)	(25,056)
Fund balance - beginning	-	-	52,637	52,637
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,581</u>	<u>\$ 27,581</u>

	Community Development Block Grant Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 13,028	\$ 13,028
Charges for services	-	-	-	-
Miscellaneous	-	113,385	1,263	(112,122)
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	260,000	454,289	458,247	3,958
Total revenues	<u>260,000</u>	<u>567,674</u>	<u>472,538</u>	<u>(95,136)</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	170,000	761,498	393,243	368,255
Total expenditures	<u>170,000</u>	<u>761,498</u>	<u>393,243</u>	<u>368,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,000</u>	<u>(193,824)</u>	<u>79,295</u>	<u>273,119</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(90,000)	(159,200)	(159,006)	194
Total other financing sources and uses	<u>(90,000)</u>	<u>(159,200)</u>	<u>(159,006)</u>	<u>194</u>
Net change in fund balances	-	(353,024)	(79,711)	273,313
Fund balance - beginning	-	353,024	525,576	172,552
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,865</u>	<u>\$ 445,865</u>

Comprehensive Services Fund				Federal and State Grants Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
104,000	109,500	85,418	(24,082)	-	-	-	-
-	-	4,190	4,190	-	-	-	-
1,596,000	1,596,000	1,273,568	(322,432)	19,600	27,100	27,519	419
-	-	-	-	392,500	531,459	398,531	(132,928)
<u>1,700,000</u>	<u>1,705,500</u>	<u>1,363,176</u>	<u>(342,324)</u>	<u>412,100</u>	<u>558,559</u>	<u>426,050</u>	<u>(132,509)</u>
-	-	-	-	192,000	192,000	162,987	29,013
-	-	-	-	284,000	418,996	278,159	140,837
-	-	-	-	-	-	-	-
3,400,000	3,405,500	2,758,668	646,832	-	-	-	-
-	-	-	-	14,000	45,000	32,136	12,864
<u>3,400,000</u>	<u>3,405,500</u>	<u>2,758,668</u>	<u>646,832</u>	<u>490,000</u>	<u>655,996</u>	<u>473,282</u>	<u>182,714</u>
<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,395,492)</u>	<u>304,508</u>	<u>(77,900)</u>	<u>(97,437)</u>	<u>(47,232)</u>	<u>50,205</u>
-	-	-	-	-	-	-	-
1,700,000	1,700,000	1,370,000	(330,000)	77,900	97,437	47,232	(50,205)
-	-	-	-	-	-	-	-
<u>1,700,000</u>	<u>1,700,000</u>	<u>1,370,000</u>	<u>(330,000)</u>	<u>77,900</u>	<u>97,437</u>	<u>47,232</u>	<u>(50,205)</u>
-	-	(25,492)	(25,492)	-	-	-	-
-	-	51,816	51,816	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,324</u>	<u>\$ 26,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Housing Choice Voucher Program Fund				Housing Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 6,291	\$ 6,291	\$ -	\$ -	\$ 2,143	\$ 2,143
-	-	-	-	-	-	-	-
-	-	-	-	-	35,806	-	(35,806)
-	-	-	-	-	-	-	-
70,000	70,000	155,753	85,753	-	-	10,000	10,000
-	-	-	-	-	-	-	-
<u>70,000</u>	<u>70,000</u>	<u>162,044</u>	<u>92,044</u>	<u>-</u>	<u>35,806</u>	<u>12,143</u>	<u>(23,663)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
70,000	70,000	59,975	10,025	-	-	-	-
-	-	-	-	250,000	551,118	202,054	349,064
<u>70,000</u>	<u>70,000</u>	<u>59,975</u>	<u>10,025</u>	<u>250,000</u>	<u>551,118</u>	<u>202,054</u>	<u>349,064</u>
-	-	102,069	102,069	(250,000)	(515,312)	(189,911)	325,401
-	-	-	-	250,000	515,312	551,118	35,806
-	-	-	-	-	-	-	-
-	-	-	-	250,000	515,312	551,118	35,806
-	-	102,069	102,069	-	-	361,207	361,207
-	-	104,983	104,983	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,052</u>	<u>\$ 207,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,207</u>	<u>\$ 361,207</u>

cont'd

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, 2008

Highway Maintenance Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ 5,000	\$ 5,000	\$ 7,150	\$ 2,150
Charges for services	-	-	-	-
Miscellaneous	-	-	4,424	4,424
Recovered costs	-	-	1,245	1,245
Intergovernmental:				
Commonwealth	2,170,000	2,170,000	2,222,907	52,907
Federal	-	-	3,085	3,085
Total revenues	<u>2,175,000</u>	<u>2,175,000</u>	<u>2,238,811</u>	<u>63,811</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	2,825,000	2,825,000	3,026,192	(201,192)
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>2,825,000</u>	<u>2,825,000</u>	<u>3,026,192</u>	<u>(201,192)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(650,000)</u>	<u>(650,000)</u>	<u>(787,381)</u>	<u>(137,381)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries - capital asset impairment	-	-	4,198	4,198
Transfers in	650,000	650,000	815,806	165,806
Transfers out	<u>(387,500)</u>	<u>(387,500)</u>	<u>(351,456)</u>	<u>36,044</u>
Total other financing sources and uses	<u>262,500</u>	<u>262,500</u>	<u>468,548</u>	<u>206,048</u>
Net change in fund balances	<u>(387,500)</u>	<u>(387,500)</u>	<u>(318,833)</u>	<u>68,667</u>
Fund balance - beginning	<u>387,500</u>	<u>387,500</u>	<u>584,295</u>	<u>196,795</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,462</u>	<u>\$ 265,462</u>

Law Library Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 1,340	\$ 1,340
Charges for services	30,000	30,000	28,294	(1,706)
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>29,634</u>	<u>(366)</u>
EXPENDITURES				
Current:				
Judicial administration	30,000	30,000	28,421	1,579
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>28,421</u>	<u>1,579</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,213</u>	<u>1,213</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,213</u>	<u>1,213</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>29,526</u>	<u>29,526</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,739</u>	<u>\$ 30,739</u>

Exhibit 16 (Cont'd)

Emergency Medical Services Fund				Win-Fred Convention and Visitors Bureau Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 15,286	\$ 15,286	\$ -	\$ -	\$ 1,724	\$ 1,724
700,000	700,000	783,834	83,834	-	-	-	-
-	-	-	-	294,500	294,500	175,928	(118,572)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	198,000	98,000	87,657	(10,343)
<u>700,000</u>	<u>700,000</u>	<u>799,120</u>	<u>99,120</u>	<u>492,500</u>	<u>392,500</u>	<u>265,309</u>	<u>(127,191)</u>
-	-	-	-	-	-	-	-
700,000	700,000	678,900	21,100	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	595,000	517,500	399,014	118,486
<u>700,000</u>	<u>700,000</u>	<u>678,900</u>	<u>21,100</u>	<u>595,000</u>	<u>517,500</u>	<u>399,014</u>	<u>118,486</u>
-	-	120,220	120,220	(102,500)	(125,000)	(133,705)	(8,705)
-	-	-	-	-	-	-	-
-	-	-	-	100,500	100,500	100,500	-
-	-	-	-	-	-	-	-
-	-	-	-	100,500	100,500	100,500	-
-	-	120,220	120,220	(2,000)	(24,500)	(33,205)	(8,705)
-	-	257,017	257,017	2,000	24,500	79,031	54,531
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,237</u>	<u>\$ 377,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,826</u>	<u>\$ 45,826</u>

Asset Forfeiture Fund

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 6,336	\$ 6,336
-	-	-	-
-	-	-	-
-	-	-	-
-	-	13,527	13,527
-	-	-	-
-	-	<u>19,863</u>	<u>19,863</u>
-	1,200	1,100	100
-	5,280	5,280	-
-	-	-	-
-	-	-	-
-	6,480	6,380	100
-	(6,480)	13,483	19,963
-	-	-	-
-	-	-	-
-	-	-	-
-	(6,480)	13,483	19,963
-	6,480	19,755	13,275
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,238</u>	<u>\$ 33,238</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2008

Exhibit 17

	School Bonds Debt Service Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 7,833	\$ 7,833
Total revenues	<u>-</u>	<u>-</u>	<u>7,833</u>	<u>7,833</u>
EXPENDITURES				
Debt service:				
Principal	98,360	98,360	98,360	-
Interest and fiscal charges	<u>24,640</u>	<u>24,640</u>	<u>24,636</u>	<u>4</u>
Total expenditures	<u>123,000</u>	<u>123,000</u>	<u>122,996</u>	<u>4</u>
Net change in fund balances	(123,000)	(123,000)	(115,163)	7,837
Fund balance - beginning	<u>123,000</u>	<u>123,000</u>	<u>217,166</u>	<u>94,166</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,003</u>	<u>\$ 102,003</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2008

Exhibit 18

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 171,192	\$ 171,192
Miscellaneous	75,000	75,000	25,000	(50,000)
Recovered costs	-	-	115,536	115,536
Intergovernmental:				
Commonwealth	6,634,000	6,634,000	-	(6,634,000)
Federal	1,600,000	1,600,000	230,228	(1,369,772)
Total revenues	<u>8,309,000</u>	<u>8,309,000</u>	<u>541,956</u>	<u>(7,767,044)</u>
EXPENDITURES				
Current:				
General government administration	53,000	303,000	258,297	44,703
Public safety	-	60,000	52,581	7,419
Public works	11,159,000	11,906,330	3,485,351	8,420,979
Parks, recreation and culture	2,613,000	3,073,054	1,152,542	1,920,512
Community development	-	22,000	-	22,000
Capital projects	9,820,000	9,820,000	2,466,646	7,353,354
Debt service:				
Bond issuance costs	-	-	19,485	(19,485)
Total expenditures	<u>23,645,000</u>	<u>25,184,384</u>	<u>7,434,902</u>	<u>17,749,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,336,000)</u>	<u>(16,875,384)</u>	<u>(6,892,946)</u>	<u>9,982,438</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	6,500,000	6,500,000	1,500,000	(5,000,000)
Premium on debt	-	-	18,595	18,595
Transfers in	5,513,000	6,581,384	4,247,500	(2,333,884)
Total other financing sources and uses	<u>12,013,000</u>	<u>13,081,384</u>	<u>5,766,095</u>	<u>(7,315,289)</u>
Net change in fund balances	(3,323,000)	(3,794,000)	(1,126,851)	2,667,149
Fund balance - beginning	<u>3,323,000</u>	<u>3,794,000</u>	<u>2,969,046</u>	<u>(824,954)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,842,195</u>	<u>\$ 1,842,195</u>

INTERNAL SERVICE FUNDS

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

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

City Insurance Fund – to account for the costs associated with providing risk management services to the departments and agencies of the City. Costs are accumulated and payments are received from the City on a cost reimbursement basis.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
ASSETS				
Current assets:				
Cash	\$ 924,321	\$ 3,260	\$ -	\$ 927,581
Investments	1,343,265	7,934	-	1,351,199
Accounts receivable (net of allowance for uncollectibles)	1,645	4,646	-	6,291
Inventory	-	137,945	-	137,945
Total current assets	<u>2,269,231</u>	<u>153,785</u>	<u>-</u>	<u>2,423,016</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	-	99,967	-	99,967
Less accumulated depreciation	-	(94,602)	-	(94,602)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>5,365</u>	<u>-</u>	<u>5,365</u>
Total noncurrent assets	<u>-</u>	<u>5,365</u>	<u>-</u>	<u>5,365</u>
Total assets	<u>2,269,231</u>	<u>159,150</u>	<u>-</u>	<u>2,428,381</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,025,105	131,104	-	1,156,209
Accrued payroll	1,887	3,804	-	5,691
Total current liabilities	<u>1,026,992</u>	<u>134,908</u>	<u>-</u>	<u>1,161,900</u>
Noncurrent liabilities:				
Compensated absences	1,155	17,602	-	18,757
Total liabilities	<u>1,028,147</u>	<u>152,510</u>	<u>-</u>	<u>1,180,657</u>
NET ASSETS				
Invested in capital assets	-	5,365	-	5,365
Unrestricted	1,241,084	1,275	-	1,242,359
Total net assets	<u>\$ 1,241,084</u>	<u>\$ 6,640</u>	<u>\$ -</u>	<u>\$ 1,247,724</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, 2008

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
OPERATING REVENUES				
Charges for services	\$ 2,917,301	\$ 948,105	\$ 386,814	\$ 4,252,220
Total operating revenues	<u>2,917,301</u>	<u>948,105</u>	<u>386,814</u>	<u>4,252,220</u>
OPERATING EXPENSES				
Personal services	80,007	219,426	14,022	313,455
Contractual services	-	111,327	270	111,597
Other supplies and expenses	-	658,092	3,133	661,225
Insurance claims and expenses	2,993,876	-	369,393	3,363,269
Depreciation	-	1,250	-	1,250
Total operating expenses	<u>3,073,883</u>	<u>990,095</u>	<u>386,818</u>	<u>4,450,796</u>
Operating income (loss)	<u>(156,582)</u>	<u>(41,990)</u>	<u>(4)</u>	<u>(198,576)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	-	-	4	4
Capital contributions	-	6,615	-	6,615
Total nonoperating revenues (expenses)	<u>-</u>	<u>6,615</u>	<u>4</u>	<u>6,619</u>
Change in net assets	(156,582)	(35,375)	-	(191,957)
Total net assets - beginning	<u>1,397,666</u>	<u>42,015</u>	<u>-</u>	<u>1,439,681</u>
Total net assets - ending	<u>\$ 1,241,084</u>	<u>\$ 6,640</u>	<u>\$ -</u>	<u>\$ 1,247,724</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008

Exhibit 21

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from internal services provided	\$ 2,916,371	\$ 944,758	\$ -	\$ 3,861,129
Cash paid to suppliers	-	(729,592)	-	(729,592)
Cash paid to employees	(79,665)	(227,815)	(20,990)	(328,470)
Premiums paid	(3,218,890)	-	(372,796)	(3,591,686)
Other receipts (payments)	-	-	386,814	386,814
Net cash provided (used) by operating activities	<u>(382,184)</u>	<u>(12,649)</u>	<u>(6,972)</u>	<u>(401,805)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	2,043	26	12	2,081
Net cash provided by investing activities	<u>2,043</u>	<u>26</u>	<u>12</u>	<u>2,081</u>
Net increase (decrease) in cash and cash equivalents	(380,141)	(12,623)	(6,960)	(399,724)
Cash and cash equivalents - beginning of year	<u>2,647,727</u>	<u>23,817</u>	<u>6,960</u>	<u>2,678,504</u>
Cash and cash equivalents - end of year	<u>\$ 2,267,586</u>	<u>\$ 11,194</u>	<u>\$ -</u>	<u>\$ 2,278,780</u>
Cash and cash equivalents at end of year is comprised of the following:				
Cash	924,321	3,260	-	927,581
Cash equivalents - Investments	1,343,265	7,934	-	1,351,199
Total	<u>\$ 2,267,586</u>	<u>\$ 11,194</u>	<u>\$ -</u>	<u>\$ 2,278,780</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	(156,582)	(41,990)	(4)	(198,576)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	1,250	-	1,250
(Increase) decrease in accounts receivable	(930)	(3,347)	-	(4,277)
(Increase) decrease in inventory	-	(50,672)	-	(50,672)
Increase (decrease) in accounts payable	(225,014)	90,499	-	(134,515)
Increase (decrease) in accrued payroll	342	(1,294)	(1,070)	(2,022)
Increase (decrease) in accrued leave	-	(7,095)	(5,898)	(12,993)
Total adjustments	<u>(225,602)</u>	<u>29,341</u>	<u>(6,968)</u>	<u>(203,229)</u>
Net cash provided (used) by operating activities	<u>\$ (382,184)</u>	<u>\$ (12,649)</u>	<u>\$ (6,972)</u>	<u>\$ (401,805)</u>
Noncash investing, capital and financing activities:				
Capital asset transferred from general government	\$ -	\$ 6,615	\$ -	\$ 6,615

FIDUCIARY FUNDS**AGENCY FUNDS**

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

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

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

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

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2008

Exhibit 22

	Northern Shenandoah CSA Trust Fund	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS					
Cash	\$ 1,562	\$ 9,009	\$ 180,852	\$ 102,916	\$ 294,339
Investments	3,802	-	1,107,225	250,532	1,361,559
Accounts receivable	40	-	-	339,646	339,686
Interest receivable	-	-	1,516	-	1,516
Due from other governments	5,747	-	-	-	5,747
Total assets	<u>\$ 11,151</u>	<u>\$ 9,009</u>	<u>\$ 1,289,593</u>	<u>\$ 693,094</u>	<u>\$ 2,002,847</u>
LIABILITIES					
Accounts payable	11,151	-	-	17,239	28,390
Accrued payroll	-	-	-	48,581	48,581
Amounts held for social service clients	-	9,009	-	-	9,009
Amounts held for NRJA	-	-	1,289,593	-	1,289,593
Amounts held for NRJDC	-	-	-	627,274	627,274
Total liabilities	<u>\$ 11,151</u>	<u>\$ 9,009</u>	<u>\$ 1,289,593</u>	<u>\$ 693,094</u>	<u>\$ 2,002,847</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008

Exhibit 23

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Northern Shenandoah CSA Trust Fund				
Assets:				
Cash	\$ 1,956	\$ 133,422	\$ 133,816	\$ 1,562
Investments	3,442	360	-	3,802
Accounts receivable	-	40	-	40
Interest receivable	6	-	6	-
Due from other governments	5,747	5,747	5,747	5,747
Total Assets	<u>\$ 11,151</u>	<u>\$ 139,569</u>	<u>\$ 139,569</u>	<u>\$ 11,151</u>
Liabilities:				
Accounts payable	11,151	11,151	11,151	11,151
Amounts held for social service clients	-	128,812	128,812	-
Total Liabilities	<u>\$ 11,151</u>	<u>\$ 139,963</u>	<u>\$ 139,963</u>	<u>\$ 11,151</u>
Special Welfare Fund				
Assets:				
Cash	7,018	111,792	109,801	9,009
Total Assets	<u>\$ 7,018</u>	<u>\$ 111,792</u>	<u>\$ 109,801</u>	<u>\$ 9,009</u>
Liabilities:				
Amounts held for social service clients	7,018	111,792	109,801	9,009
Total Liabilities	<u>\$ 7,018</u>	<u>\$ 111,792</u>	<u>\$ 109,801</u>	<u>\$ 9,009</u>
Northwestern Regional Jail Authority Construction Fund				
Assets:				
Cash	-	11,418,566	11,237,714	180,852
Investments	1,589,763	-	482,538	1,107,225
Interest receivable	1,516	1,516	1,516	1,516
Total Assets	<u>\$ 1,591,279</u>	<u>\$ 11,420,082</u>	<u>\$ 11,721,768</u>	<u>\$ 1,289,593</u>
Liabilities:				
Accounts payable	3,073	-	3,073	-
Amounts held for NRJA	1,588,206	10,937,544	11,236,157	1,289,593
Total Liabilities	<u>\$ 1,591,279</u>	<u>\$ 10,937,544</u>	<u>\$ 11,239,230</u>	<u>\$ 1,289,593</u>
Northwestern Regional Juvenile Detention Center Fund				
Assets:				
Cash	180,467	2,246,629	2,324,180	102,916
Investments	317,446	-	66,914	250,532
Accounts receivable	15,071	339,646	15,071	339,646
Interest receivable	554	-	554	-
Total Assets	<u>\$ 513,538</u>	<u>\$ 2,586,275</u>	<u>\$ 2,406,719</u>	<u>\$ 693,094</u>
Liabilities:				
Accounts payable	21,219	17,239	21,219	17,239
Accrued payroll	42,690	48,581	42,690	48,581
Amounts held for NRJDC	449,629	2,522,366	2,344,721	627,274
Total Liabilities	<u>\$ 513,538</u>	<u>\$ 2,588,186</u>	<u>\$ 2,408,630</u>	<u>\$ 693,094</u>
Total All Agency Funds				
Assets:				
Cash	189,441	13,910,409	13,805,511	294,339
Investments	1,910,651	360	549,452	1,361,559
Accounts receivable	15,071	339,686	15,071	339,686
Interest receivable	2,076	1,516	2,076	1,516
Due from other governments	5,747	5,747	5,747	5,747
Total Assets	<u>\$ 2,122,986</u>	<u>\$ 14,257,718</u>	<u>\$ 14,377,857</u>	<u>\$ 2,002,847</u>
Liabilities:				
Accounts payable	35,443	28,390	35,443	28,390
Accrued payroll	42,690	48,581	42,690	48,581
Amounts held for social service clients	7,018	240,604	238,613	9,009
Amounts held for NRJA	1,588,206	10,937,544	11,236,157	1,289,593
Amounts held for NRJDC	449,629	2,522,366	2,344,721	627,274
Total Liabilities	<u>\$ 2,122,986</u>	<u>\$ 13,777,485</u>	<u>\$ 13,897,624</u>	<u>\$ 2,002,847</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 six city-owned schools. Financing is provided by state and federal funds, and by appropriations from the City's general revenues. State and federal education funds received may be used only for this purpose. Annual appropriations from general revenues were restricted by the Appropriations Resolution to education expenditures.

CAPITAL PROJECTS FUNDS

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

School Construction Fund - to account for the financing and construction of school capital projects. Currently, financing is provided by bond proceeds. Expenditures are for the construction of school facilities.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

School Federal Grants Fund - to account for the proceeds from a 21st Century Community Learning Center federal grant and other federal grants. Such funds are limited to specified educational expenditures that are governed by the terms of the grant.

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

CAPITAL PROJECTS FUNDS

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.

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, 2008

Exhibit 24

	School Operating Fund	School Fundraising Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 864,268	\$ 1,019	\$ -	\$ 488,885	\$ 1,354,172
Investments	2,102,752	8,416,962	5,168,282	1,190,112	16,878,108
Receivables (Net of allowance for uncollectibles):					
Accounts	77,412	23,218	-	30,682	131,312
Promises to give	-	1,845,641	-	-	1,845,641
Due from other funds	296,227	-	-	-	296,227
Due from other governments	506,672	-	-	567,780	1,074,452
Inventories	-	-	-	43,685	43,685
Total assets	\$ 3,847,331	\$ 10,286,840	\$ 5,168,282	\$ 2,321,144	\$ 21,623,597
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	494,546	90,223	1,714,015	94,008	2,392,792
Accrued payroll	3,335,353	-	-	306,797	3,642,150
Retainage payable	-	949,902	-	-	949,902
Due to other funds	-	11,834	-	284,393	296,227
Due to primary government	-	-	2,864,825	-	2,864,825
Deferred revenue	-	1,845,641	-	-	1,845,641
Total liabilities	3,829,899	2,897,600	4,578,840	685,198	11,991,537
Fund balances:					
Reserved for:					
Inventories	-	-	-	43,685	43,685
Unreserved, designated for:					
Capital campaign	16,363	-	-	-	16,363
Education programs	1,069	-	-	-	1,069
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	461,559	461,559
Capital projects funds	-	7,389,240	589,442	1,130,702	9,109,384
Total fund balances	17,432	7,389,240	589,442	1,635,946	9,632,060
Total liabilities and fund balances	\$ 3,847,331	\$ 10,286,840	\$ 5,168,282	\$ 2,321,144	

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.	105,904,729
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,845,641
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.	1,479,514
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(627,096)
Net assets of governmental activities	\$ 118,234,848

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, 2008

Exhibit 25

	School Operating Fund	School Fundraising Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenues from use of money and property	\$ 341,422	\$ 149,605	\$ 659,476	\$ 102,187	\$ 1,252,690
Charges for services	147,003	-	-	723,774	870,777
Miscellaneous	318,318	4,496,637	-	20,933	4,835,888
Recovered costs	53,610	-	-	97,150	150,760
Intergovernmental revenues:					
Local	26,920,190	-	5,695,981	-	32,616,171
Commonwealth	15,389,558	-	-	26,923	15,416,481
Federal	32,424	-	-	3,003,933	3,036,357
Total revenues	<u>43,202,525</u>	<u>4,646,242</u>	<u>6,355,457</u>	<u>3,974,900</u>	<u>58,179,124</u>
EXPENDITURES					
Current:					
Education	41,872,197	-	-	4,967,869	46,840,066
Capital projects	-	1,291,778	16,445,226	284,241	18,021,245
Total expenditures	<u>41,872,197</u>	<u>1,291,778</u>	<u>16,445,226</u>	<u>5,252,110</u>	<u>64,861,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,330,328</u>	<u>3,354,464</u>	<u>(10,089,769)</u>	<u>(1,277,210)</u>	<u>(6,682,187)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,034,776	-	1,346,821	5,381,597
Transfers out	(1,346,821)	-	-	(4,034,776)	(5,381,597)
Total other financing sources (uses)	<u>(1,346,821)</u>	<u>4,034,776</u>	<u>-</u>	<u>(2,687,955)</u>	<u>-</u>
Net change in fund balances	(16,493)	7,389,240	(10,089,769)	(3,965,165)	(6,682,187)
Fund balances - beginning, as adjusted	<u>33,925</u>	<u>-</u>	<u>10,679,211</u>	<u>5,601,111</u>	
Fund balances - ending	<u>\$ 17,432</u>	<u>\$ 7,389,240</u>	<u>\$ 589,442</u>	<u>\$ 1,635,946</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (19,353,981) exceeded depreciation (2,230,602) in the current period.	17,123,379
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	228,017
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.	(104,496)
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>(48,409)</u>
Change in net assets of governmental activities	<u>\$ 10,516,304</u>

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PROPRIETARY FUNDS
 June 30, 2008

Exhibit 26

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Cash	\$ 552,352
Investments	1,344,612
Receivables (net of allowance for uncollectibles: Accounts	22,544
Total current assets	1,919,508
Noncurrent assets:	
Capital assets:	
Machinery and equipment	224,896
Less accumulated depreciation	(176,348)
Total capital assets (net of accumulated depreciation)	48,548
Total noncurrent assets	48,548
Total assets	1,968,056
LIABILITIES	
Current liabilities:	
Accounts payable	488,542
Total liabilities	488,542
NET ASSETS	
Invested in capital assets	48,548
Unrestricted	1,430,966
Total net assets	\$ 1,479,514

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit 27

	Governmental Activities- Internal Service Funds
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 4,445,466
Total operating revenues	<u>4,445,466</u>
OPERATING EXPENSES	
Personal services	624,654
Contractual services	220,585
Other supplies and expenses	222,258
Insurance claims and expenses	3,549,379
Depreciation	<u>13,139</u>
Total operating expenses	<u>4,630,015</u>
Operating income (loss)	<u>(184,549)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>80,053</u>
Total nonoperating revenues (expenses)	<u>80,053</u>
Change in net assets	(104,496)
Total net assets - beginning	<u>1,584,010</u>
Total net assets - ending	<u>\$ 1,479,514</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit 28

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal services provided	\$ 4,435,209
Cash paid to suppliers	(414,254)
Cash paid to employees	(624,654)
Premiums paid	<u>(3,497,607)</u>
Net cash provided (used) by operating activities	<u>(101,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>82,184</u>
Net cash provided by investing activities	<u>82,184</u>
Net increase (decrease) in cash and cash equivalents	(19,122)
Cash and cash equivalents - beginning of year	<u>1,916,086</u>
Cash and cash equivalents - end of year	<u>\$ 1,896,964</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	552,352
Cash equivalents - Investments	<u>1,344,612</u>
Total	<u>\$ 1,896,964</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(184,549)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	13,139
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(10,257)
Increase (decrease) in accounts payable	<u>80,361</u>
Total adjustments	<u>83,243</u>
Net cash provided (used) by operating activities	<u>\$ (101,306)</u>

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 June 30, 2008

Exhibit 29

	Private- Purpose Trust Funds	Employee Benefits Agency Fund
ASSETS		
Cash	\$ 93,840	\$ 175,103
Investments	391,787	294,042
Accounts receivable	-	4,583
Total assets	<u>485,627</u>	<u>\$ 473,728</u>
LIABILITIES		
Accounts payable	-	473,728
Total liabilities	<u>-</u>	<u>\$ 473,728</u>
NET ASSETS		
Held in trust for scholarships	<u>\$ 485,627</u>	

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2008

		Exhibit 30 Private- Purpose Trust Funds
ADDITIONS		
Gifts and contributions	\$	61,086
Investment earnings:		
Interest		7,731
Dividends		20,527
Net increase (decrease) in the fair value of investments		<u>(29,841)</u>
Total additions		<u>59,503</u>
DEDUCTIONS		
Administrative expenses		3,902
Scholarships awarded		<u>67,268</u>
Total deductions		<u>71,170</u>
Change in net assets		(11,667)
Net assets - beginning		<u>497,294</u>
Net assets - ending	\$	<u>485,627</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, 2008

Exhibit 31

	School Operating Fund			Variance with Final Budget - Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 181,447	\$ 181,447	\$ 341,422	\$ 159,975
Charges for services	164,020	164,020	147,003	(17,017)
Miscellaneous	125,500	174,515	318,318	143,803
Recovered costs	34,000	34,000	53,610	19,610
Intergovernmental:				
Local government	26,454,230	26,954,116	26,920,190	(33,926)
Commonwealth	15,909,675	15,956,113	15,389,558	(566,555)
Federal	31,205	31,205	32,424	1,219
Total revenues	<u>42,900,077</u>	<u>43,495,416</u>	<u>43,202,525</u>	<u>(292,891)</u>
EXPENDITURES				
Current:				
Education	<u>42,569,077</u>	<u>43,164,416</u>	<u>41,872,197</u>	<u>1,292,219</u>
Total expenditures	<u>42,569,077</u>	<u>43,164,416</u>	<u>41,872,197</u>	<u>1,292,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>331,000</u>	<u>331,000</u>	<u>1,330,328</u>	<u>999,328</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(331,000)</u>	<u>(331,000)</u>	<u>(1,346,821)</u>	<u>(1,015,821)</u>
Total other financing sources (uses)	<u>(331,000)</u>	<u>(331,000)</u>	<u>(1,346,821)</u>	<u>(1,015,821)</u>
Net change in fund balances	-	-	(16,493)	(16,493)
Fund balance - beginning	-	-	33,925	33,925
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,432</u>	<u>\$ 17,432</u>

CITY OF WINCHESTER, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2008

Exhibit 32

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total	School Capital Improvement Fund	
ASSETS						
Cash	\$ 67,947	\$ -	\$ 88,550	\$ 156,497	\$ 332,388	\$ 488,885
Investments	165,407	-	215,559	380,966	809,146	1,190,112
Accounts receivable	-	-	-	-	30,682	30,682
Due from other governments	27,920	539,860	-	567,780	-	567,780
Inventory	43,685	-	-	43,685	-	43,685
Total assets	\$ 304,959	\$ 539,860	\$ 304,109	\$ 1,148,928	\$ 1,172,216	\$ 2,321,144
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	353	40,337	12,577	53,267	40,741	94,008
Accrued payroll	90,894	215,130	-	306,024	773	306,797
Due to other funds	-	284,393	-	284,393	-	284,393
Total liabilities	91,247	539,860	12,577	643,684	41,514	685,198
Fund balances:						
Reserved for:						
Inventories	43,685	-	-	43,685	-	43,685
Unreserved	170,027	-	291,532	461,559	1,130,702	1,592,261
Total fund balances	213,712	-	291,532	505,244	1,130,702	1,635,946
Total liabilities and fund balances	\$ 304,959	\$ 539,860	\$ 304,109	\$ 1,148,928	\$ 1,172,216	\$ 2,321,144

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, 2008

Exhibit 33

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total	School Capital Improvement Fund	
REVENUES						
Revenues from use of money and property	\$ 10,089	\$ -	\$ 6,850	\$ 16,939	\$ 85,248	\$ 102,187
Charges for services	723,774	-	-	723,774	-	723,774
Miscellaneous	8,896	-	1,737	10,633	10,300	20,933
Recovered costs	-	-	-	-	97,150	97,150
Intergovernmental revenues:						
Commonwealth	26,923	-	-	26,923	-	26,923
Federal	818,702	2,185,231	-	3,003,933	-	3,003,933
Total revenues	<u>1,588,384</u>	<u>2,185,231</u>	<u>8,587</u>	<u>3,782,202</u>	<u>192,698</u>	<u>3,974,900</u>
EXPENDITURES						
Current:						
Education	1,689,835	2,185,231	255,129	4,130,195	837,674	4,967,869
Capital projects	-	-	-	-	284,241	284,241
Total expenditures	<u>1,689,835</u>	<u>2,185,231</u>	<u>255,129</u>	<u>4,130,195</u>	<u>1,121,915</u>	<u>5,252,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,451)</u>	<u>-</u>	<u>(246,542)</u>	<u>(347,993)</u>	<u>(929,217)</u>	<u>(1,277,210)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	406,000	406,000	940,821	1,346,821
Transfers out	-	-	-	-	(4,034,776)	(4,034,776)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>406,000</u>	<u>406,000</u>	<u>(3,093,955)</u>	<u>(2,687,955)</u>
Net change in fund balances	(101,451)	-	159,458	58,007	(4,023,172)	(3,965,165)
Fund balance - beginning, as adjusted	<u>315,163</u>	<u>-</u>	<u>132,074</u>	<u>447,237</u>	<u>5,153,874</u>	<u>5,601,111</u>
Fund balances - ending	<u>\$ 213,712</u>	<u>\$ -</u>	<u>\$ 291,532</u>	<u>\$ 505,244</u>	<u>\$ 1,130,702</u>	<u>\$ 1,635,946</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008

	School Cafeteria Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 3,000	\$ 3,000	\$ 10,089	\$ 7,089
Charges for services	846,854	846,854	723,774	(123,080)
Miscellaneous	9,000	9,000	8,896	(104)
Intergovernmental:				
Commonwealth	26,517	26,517	26,923	406
Federal	700,000	700,000	818,702	118,702
Total revenues	<u>1,585,371</u>	<u>1,585,371</u>	<u>1,588,384</u>	<u>3,013</u>
EXPENDITURES				
Current:				
Education	<u>1,585,371</u>	<u>1,730,071</u>	<u>1,689,835</u>	<u>40,236</u>
Total expenditures	<u>1,585,371</u>	<u>1,730,071</u>	<u>1,689,835</u>	<u>40,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(144,700)</u>	<u>(101,451)</u>	<u>43,249</u>
OTHER FINANCING SOURCES (USES)				
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	-	(144,700)	(101,451)	43,249
Fund balance - beginning	<u>-</u>	<u>144,700</u>	<u>315,163</u>	<u>170,463</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,712</u>	<u>\$ 213,712</u>

Exhibit 34

School Federal Grants Fund				School Textbook Fund			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,850	\$ 6,850
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,737	1,737
-	-	-	-	-	-	-	-
<u>2,197,963</u>	<u>2,532,522</u>	<u>2,185,231</u>	<u>(347,291)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,197,963</u>	<u>2,532,522</u>	<u>2,185,231</u>	<u>(347,291)</u>	<u>-</u>	<u>-</u>	<u>8,587</u>	<u>8,587</u>
<u>2,197,963</u>	<u>2,532,522</u>	<u>2,185,231</u>	<u>347,291</u>	<u>355,000</u>	<u>463,074</u>	<u>255,129</u>	<u>207,945</u>
<u>2,197,963</u>	<u>2,532,522</u>	<u>2,185,231</u>	<u>347,291</u>	<u>355,000</u>	<u>463,074</u>	<u>255,129</u>	<u>207,945</u>
-	-	-	-	(355,000)	(463,074)	(246,542)	216,532
-	-	-	-	331,000	439,074	406,000	(33,074)
-	-	-	-	331,000	439,074	406,000	(33,074)
-	-	-	-	(24,000)	(24,000)	159,458	183,458
-	-	-	-	24,000	24,000	132,074	108,074
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,532</u>	<u>\$ 291,532</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2008

	School Fundraising Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ -	\$ 150,000	\$ 149,605	\$ (395)
Miscellaneous	-	1,235,000	4,496,637	3,261,637
Recovered costs	-	-	-	-
Intergovernmental:				
Local government	-	-	-	-
Total revenues	<u>-</u>	<u>1,385,000</u>	<u>4,646,242</u>	<u>3,261,242</u>
EXPENDITURES				
Current:				
Education	-	-	-	-
Capital projects	-	7,037,400	1,291,778	5,745,622
Total expenditures	<u>-</u>	<u>7,037,400</u>	<u>1,291,778</u>	<u>5,745,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(5,652,400)</u>	<u>3,354,464</u>	<u>9,006,864</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,652,400	4,034,776	(1,617,624)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,652,400</u>	<u>4,034,776</u>	<u>(1,617,624)</u>
Net change in fund balances	-	-	7,389,240	7,389,240
Fund balance - beginning, as adjusted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,389,240</u>	<u>\$ 7,389,240</u>

Exhibit 35

School Capital Improvement Fund				School Construction Fund			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ 85,248	\$ 85,248	\$ -	\$ 800,000	\$ 659,476	\$ (140,524)
-	-	10,300	10,300	-	-	-	-
-	-	97,150	97,150	-	-	-	-
-	-	-	-	-	5,695,981	5,695,981	-
-	-	192,698	192,698	-	6,495,981	6,355,457	(140,524)
-	863,816	837,674	26,142	-	-	-	-
-	322,474	284,241	38,233	-	17,333,515	16,445,226	888,289
-	1,186,290	1,121,915	64,375	-	17,333,515	16,445,226	888,289
-	(1,186,290)	(929,217)	257,073	-	(10,837,534)	(10,089,769)	747,765
-	-	940,821	940,821	-	-	-	-
-	(5,652,400)	(4,034,776)	1,617,624	-	-	-	-
-	(5,652,400)	(3,093,955)	2,558,445	-	-	-	-
-	(6,838,690)	(4,023,172)	2,815,518	-	(10,837,534)	(10,089,769)	747,765
-	6,838,690	5,153,874	(1,684,816)	-	10,837,534	10,679,211	(158,323)
\$ -	\$ -	\$ 1,130,702	\$ 1,130,702	\$ -	\$ -	\$ 589,442	\$ 589,442

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUNDS
June 30, 2008

Exhibit 36

	School Insurance Fund	School Consolidated Maintenance Fund	Total
ASSETS			
Current assets:			
Cash	\$ 513,857	\$ 38,495	\$ 552,352
Investments	1,250,902	93,710	1,344,612
Receivables (net of allowance for uncollectibles:			
Accounts	<u>22,544</u>	<u>-</u>	<u>22,544</u>
Total current assets	<u>1,787,303</u>	<u>132,205</u>	<u>1,919,508</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	224,896	224,896
Less accumulated depreciation	<u>-</u>	<u>(176,348)</u>	<u>(176,348)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>48,548</u>	<u>48,548</u>
Total noncurrent assets	<u>-</u>	<u>48,548</u>	<u>48,548</u>
Total assets	<u>1,787,303</u>	<u>180,753</u>	<u>1,968,056</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>415,639</u>	<u>72,903</u>	<u>488,542</u>
Total liabilities	<u>415,639</u>	<u>72,903</u>	<u>488,542</u>
NET ASSETS			
Invested in capital assets	-	48,548	48,548
Unrestricted	<u>1,371,664</u>	<u>59,302</u>	<u>1,430,966</u>
Total net assets	<u>\$ 1,371,664</u>	<u>\$ 107,850</u>	<u>\$ 1,479,514</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, 2008

Exhibit 37

	School Insurance Fund	School Consolidated Maintenance Fund	Total
OPERATING REVENUES			
Charges for services	\$ 3,377,969	\$ 1,067,497	\$ 4,445,466
Total operating revenues	<u>3,377,969</u>	<u>1,067,497</u>	<u>4,445,466</u>
OPERATING EXPENSES			
Personal services	-	624,654	624,654
Contractual services	-	220,585	220,585
Other supplies and expenses	-	222,258	222,258
Insurance claims and expenses	3,549,379	-	3,549,379
Depreciation	-	13,139	13,139
Total operating expenses	<u>3,549,379</u>	<u>1,080,636</u>	<u>4,630,015</u>
Operating income (loss)	<u>(171,410)</u>	<u>(13,139)</u>	<u>(184,549)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	79,577	476	80,053
Total nonoperating revenues (expenses)	<u>79,577</u>	<u>476</u>	<u>80,053</u>
Change in net assets	(91,833)	(12,663)	(104,496)
Total net assets - beginning	<u>1,463,497</u>	<u>120,513</u>	<u>1,584,010</u>
Total net assets - ending	<u>\$ 1,371,664</u>	<u>\$ 107,850</u>	<u>\$ 1,479,514</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, 2008

Exhibit 38

	School Insurance Fund	School Consolidated Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	\$ 3,367,712	\$ 1,067,497	\$ 4,435,209
Cash paid to suppliers	-	(414,254)	(414,254)
Cash paid to employees	-	(624,654)	(624,654)
Premiums paid	(3,497,607)	-	(3,497,607)
Net cash provided (used) by operating activities	(129,895)	28,589	(101,306)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	81,593	591	82,184
Net cash provided by investing activities	81,593	591	82,184
Net increase (decrease) in cash and cash equivalents	(48,302)	29,180	(19,122)
Cash and cash equivalents - beginning of year	1,813,061	103,025	1,916,086
Cash and cash equivalents - end of year	\$ 1,764,759	\$ 132,205	\$ 1,896,964
Cash and cash equivalents at end of year is comprised of the following:			
Cash	513,857	38,495	552,352
Cash equivalents - Investments	1,250,902	93,710	1,344,612
Total	\$ 1,764,759	\$ 132,205	\$ 1,896,964
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(171,410)	(13,139)	(184,549)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	13,139	13,139
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(10,257)	-	(10,257)
Increase (decrease) in accounts payable	51,772	28,589	80,361
Total adjustments	41,515	41,728	83,243
Net cash provided (used) by operating activities	\$ (129,895)	\$ 28,589	\$ (101,306)

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PRIVATE-PURPOSE TRUST FUNDS
 June 30, 2008

Exhibit 39

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ASSETS				
Cash	\$ 13,224	\$ 6,917	\$ 73,699	\$ 93,840
Investments	340,603	51,184	-	391,787
Total assets	<u>\$ 353,827</u>	<u>\$ 58,101</u>	<u>\$ 73,699</u>	<u>\$ 485,627</u>
NET ASSETS				
Held in trust for scholarships	<u>\$ 353,827</u>	<u>\$ 58,101</u>	<u>\$ 73,699</u>	<u>\$ 485,627</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, 2008

Exhibit 40

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	\$ 17,169	\$ -	\$ 43,917	\$ 61,086
Investment earnings:				
Interest	5,940	-	1,791	7,731
Dividends	18,909	1,618	-	20,527
Net increase (decrease) in fair value of investments	<u>(28,623)</u>	<u>(1,218)</u>	<u>-</u>	<u>(29,841)</u>
Total additions	<u>13,395</u>	<u>400</u>	<u>45,708</u>	<u>59,503</u>
DEDUCTIONS				
Administrative expenses	3,169	723	10	3,902
Scholarships awarded	<u>18,135</u>	<u>6,000</u>	<u>43,133</u>	<u>67,268</u>
Total deductions	<u>21,304</u>	<u>6,723</u>	<u>43,143</u>	<u>71,170</u>
Change in net assets	(7,909)	(6,323)	2,565	(11,667)
Net assets - beginning	<u>361,736</u>	<u>64,424</u>	<u>71,134</u>	<u>497,294</u>
Net assets - ending	<u>\$ 353,827</u>	<u>\$ 58,101</u>	<u>\$ 73,699</u>	<u>\$ 485,627</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, 2008

Exhibit 41

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
School Employee Benefits Fund				
Assets:				
Cash	\$ 169,711	\$ 14,339,337	\$ 14,333,945	\$ 175,103
Investments	233,314	60,728	-	294,042
Interest receivable	407	-	407	-
Accounts receivable	5,955	4,583	5,955	4,583
Total Assets	<u>\$ 409,387</u>	<u>\$ 14,404,648</u>	<u>\$ 14,340,307</u>	<u>\$ 473,728</u>
Liabilities:				
Accounts payable	<u>\$ 409,387</u>	<u>\$ 14,404,648</u>	<u>\$ 14,340,307</u>	<u>\$ 473,728</u>
Total Liabilities	<u>\$ 409,387</u>	<u>\$ 14,404,648</u>	<u>\$ 14,340,307</u>	<u>\$ 473,728</u>

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, 2008

	Exhibit 42 Parking Authority Fund
ASSETS	
Current assets:	
Cash	\$ 320,752
Investments	9,442,716
Accounts receivable (net of allowance for uncollectibles)	<u>2,868</u>
Total current assets	<u>9,766,336</u>
Noncurrent assets:	
Deferred charges	<u>220,213</u>
Capital assets:	
Land	11,685
Buildings and systems	1,792,495
Improvements other than buildings	56,179
Machinery and equipment	166,661
Construction in progress	1,297,954
Less accumulated depreciation	<u>(1,023,285)</u>
Total capital assets (net of accumulated depreciation)	<u>2,301,689</u>
Total noncurrent assets	<u>2,521,902</u>
Total assets	<u>12,288,238</u>
LIABILITIES	
Current liabilities:	
Accounts payable	673,310
Accrued payroll	9,625
Accrued interest payable	184,221
Retainage payable	59,370
Revenue bonds payable - current	<u>156,788</u>
Total current liabilities	<u>1,083,314</u>
Noncurrent liabilities:	
Compensated absences	48,240
Revenue bonds payable (net of unamortized premium)	<u>9,158,971</u>
Total noncurrent liabilities	<u>9,207,211</u>
Total liabilities	<u>10,290,525</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,003,735
Unrestricted	<u>993,978</u>
Total net assets	<u>\$ 1,997,713</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, 2008

Exhibit 43

Parking
Authority
Fund

OPERATING REVENUES	
Charges for services	\$ 694,925
Miscellaneous	37
Total operating revenues	<u>694,962</u>
OPERATING EXPENSES	
Personal services	449,487
Contractual services	17,363
Other supplies and expenses	103,397
Depreciation	47,106
Total operating expenses	<u>617,353</u>
Operating income (loss)	<u>77,609</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	394,593
Interest and fiscal charges	<u>(395,412)</u>
Total nonoperating revenues (expenses)	<u>(819)</u>
Change in net assets	76,790
Total net assets - beginning, as adjusted	<u>1,920,923</u>
Total net assets - ending	<u>\$ 1,997,713</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2008

	Exhibit 44 Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 692,503
Cash paid to suppliers	(129,653)
Cash paid to employees	(437,944)
Net cash provided (used) by operating activities	<u>124,906</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	9,323,881
Acquisition and construction of capital assets	(583,296)
Interest paid on capital debt	(213,649)
Bond issue costs	(225,877)
Net cash provided (used) by capital and related financing activities	<u>8,301,059</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income (loss)	<u>395,640</u>
Net cash provided by investing activities	<u>395,640</u>
Net increase (decrease) in cash and cash equivalents	8,821,605
Cash and cash equivalents - beginning of year	<u>941,863</u>
Cash and cash equivalents - end of year	<u>\$ 9,763,468</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	320,752
Cash equivalents - Investments	9,442,716
Total	<u>\$ 9,763,468</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	77,609
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	47,106
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(2,459)
Increase (decrease) in accounts payable	(8,893)
Increase (decrease) in accrued payroll	9,625
Increase (decrease) in compensated absences	1,918
Total adjustments	<u>47,297</u>
Net cash provided (used) by operating activities	<u>\$ 124,906</u>
Noncash investing, capital, and financing activities:	
There are no noncash activities to disclose.	

**CAPITAL ASSETS – USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
June 30, 2008

Exhibit 45

Function and Activity	Total	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Infrastructure	Machinery and Equipment
PRIMARY GOVERNMENT:							
General Government							
Finance and Administration	\$ 31,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,136
Information Technology	1,180,215	-	-	-	-	-	1,180,215
Other - Unclassified	783,169	10,590	73,290	556,659	-	-	142,630
Total General Government	<u>1,994,520</u>	<u>10,590</u>	<u>73,290</u>	<u>556,659</u>	<u>-</u>	<u>-</u>	<u>1,353,981</u>
Judicial Administration	<u>6,285,481</u>	-	-	5,408,781	499,739	-	376,961
Public Safety							
Law Enforcement and Traffic Control	1,856,402	-	-	-	-	-	1,856,402
Fire and Rescue Services	765,866	-	-	103,428	-	-	662,438
Inspection	99,755	-	-	-	-	-	99,755
Other - Unclassified	8,316,683	1,096,484	-	6,149,916	165,200	-	905,083
Total Public Safety	<u>11,038,706</u>	<u>1,096,484</u>	<u>-</u>	<u>6,253,344</u>	<u>165,200</u>	<u>-</u>	<u>3,523,678</u>
Public Works							
Maintenance of Highways, Streets, Bridges and Sidewalks	33,519,946	-	381,610	-	19,950	31,364,520	1,753,866
Sanitation and Waste Removal	7,404,707	-	-	-	-	6,574,053	830,654
Maintenance of Buildings & Grounds	1,773,814	-	-	1,645,258	-	-	128,556
Other - Unclassified	11,691,173	138,023	3,530,737	4,767,737	204,536	3,034,977	15,163
Total Public Works	<u>54,389,640</u>	<u>138,023</u>	<u>3,912,347</u>	<u>6,412,995</u>	<u>224,486</u>	<u>40,973,550</u>	<u>2,728,239</u>
Other Departments							
Health and Welfare	245,295	33,270	-	72,252	-	-	139,773
Parks, Recreation and Cultural	11,307,700	1,927,118	986,153	3,075,337	4,218,797	-	1,100,295
Community Development	448,737	-	-	-	-	-	448,737
Total Other Departments	<u>12,001,732</u>	<u>1,960,388</u>	<u>986,153</u>	<u>3,147,589</u>	<u>4,218,797</u>	<u>-</u>	<u>1,688,805</u>
Total Primary Government	<u>\$ 85,710,079</u>	<u>\$ 3,205,485</u>	<u>\$ 4,971,790</u>	<u>\$ 21,779,368</u>	<u>\$ 5,108,222</u>	<u>\$ 40,973,550</u>	<u>\$ 9,671,664</u>
COMPONENT UNIT SCHOOL BOARD:							
Schools:							
Education	<u>\$ 123,072,205</u>	<u>\$ 2,307,970</u>	<u>\$ 9,412,432</u>	<u>\$ 104,249,327</u>	<u>\$ 1,932,213</u>	<u>\$ -</u>	<u>\$ 5,170,263</u>

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
For the Year Ended June 30, 2008

Exhibit 46

Function and Activity	Governmental Funds Capital Assets July 1, 2007	Additions	Deductions	Transfers	Governmental Funds Capital Assets June 30, 2008
PRIMARY GOVERNMENT:					
General Government					
Finance and Administration	\$ 156,736	\$ -	\$ -	\$ (125,600)	\$ 31,136
Information Technology	684,726	497,489	7,000	5,000	1,180,215
Other - Unclassified	1,306,967	73,290	486,415	(110,673)	783,169
Judicial Administration					
Judicial Administration	5,639,003	667,474	43,000	22,004	6,285,481
Public Safety					
Law Enforcement and Traffic Control	1,785,761	346,120	166,600	(108,879)	1,856,402
Fire and Rescue Services	1,433,459	-	68,166	(599,427)	765,866
Inspection	84,755	-	-	15,000	99,755
Other - Unclassified	7,679,034	-	-	637,649	8,316,683
Public Works					
Maintenance of Highways, Streets, Bridges and Sidewalks	3,938,110	2,745,909	134,061	26,969,988	33,519,946
Sanitation and Waste Removal	2,037,229	172,591	31,383	5,226,270	7,404,707
Maintenance of Buildings and Grounds	1,557,444	185,435	-	30,935	1,773,814
Other - Unclassified	41,931,581	2,466,644	451,222	(32,255,830)	11,691,173
Health and Welfare	261,289	38,960	39,526	(15,428)	245,295
Parks, Recreational and Cultural	9,999,874	1,336,046	-	(28,220)	11,307,700
Community Development	26,433	85,093	-	337,211	448,737
Total Primary Government	<u>\$ 78,522,401</u>	<u>\$ 8,615,051</u>	<u>\$ 1,427,373</u>	<u>\$ -</u>	<u>\$ 85,710,079</u>
COMPONENT UNIT SCHOOL BOARD:					
Schools:					
Education	<u>\$ 103,718,223</u>	<u>\$ 19,353,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,072,205</u>

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

SUPPLEMENTAL DATA

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Primary Government:				
General Fund:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 22,849,000	\$ 22,849,000	\$ 23,033,803	\$ 184,803
Public services corporation taxes:				
Real and personal	401,000	401,000	406,964	5,964
Personal property taxes	8,100,000	8,100,000	7,848,506	(251,494)
Mobile home taxes	1,000	1,000	1,026	26
Machinery and tools taxes	1,575,000	1,575,000	1,541,646	(33,354)
Penalties	162,000	162,000	155,414	(6,586)
Interest	61,000	61,000	57,785	(3,215)
Total General Property Taxes	<u>33,149,000</u>	<u>33,149,000</u>	<u>33,045,144</u>	<u>(103,856)</u>
Other Local Taxes:				
Local sales and use taxes	9,900,000	9,900,000	9,747,373	(152,627)
Communication sales and use taxes	2,300,000	2,300,000	2,423,466	123,466
Consumers' utility taxes	1,995,000	1,995,000	2,015,744	20,744
Business license taxes	5,975,000	5,975,000	5,727,230	(247,770)
Franchise license taxes	240,000	240,000	276,598	36,598
Motor vehicle licenses	490,000	490,000	436,238	(53,762)
Bank franchise taxes	550,000	550,000	500,783	(49,217)
Taxes on recordation and wills	410,000	410,000	405,490	(4,510)
Transient occupancy tax	610,000	610,000	545,159	(64,841)
Tobacco tax	280,000	280,000	234,925	(45,075)
Admissions tax	100,000	100,000	109,293	9,293
Restaurant/meal tax	5,310,000	5,310,000	5,194,210	(115,790)
Short-term rental tax	30,000	30,000	33,910	3,910
Total Other Local Taxes	<u>28,190,000</u>	<u>28,190,000</u>	<u>27,650,419</u>	<u>(539,581)</u>
Permits, Privilege Fees and Regulatory Licenses:				
Animal licenses	4,000	4,000	6,014	2,014
Other permits and fees	396,700	396,700	444,174	47,474
Total Permits, Privilege Fees, and Regulatory Licenses	<u>400,700</u>	<u>400,700</u>	<u>450,188</u>	<u>49,488</u>
Fines and Forfeitures:				
Court fines and forfeitures	200,000	200,000	171,521	(28,479)
Revenue from Use of Money and Property:				
Revenue from use of money	626,300	626,300	1,225,875	599,575
Revenue from use of property	29,000	29,000	46,389	17,389
Total Revenue from Use of Money and Property	<u>655,300</u>	<u>655,300</u>	<u>1,272,264</u>	<u>616,964</u>
Charges for Services:				
Sheriff's fees	3,000	3,000	2,949	(51)
Assessment fees - court	30,000	30,000	31,281	1,281
Courthouse security fees	44,000	44,000	55,544	11,544
Commonwealth attorney	2,000	2,000	2,642	642
Animal impounding fees	3,000	3,000	908	(2,092)
Gas inspection fees	40,000	40,000	54,000	14,000
Swimming pool fees - outdoor	85,000	85,000	89,564	4,564
Swimming pool fees - indoor	77,000	77,000	81,407	4,407
Recycle material	30,000	30,000	51,789	21,789
Charges for law enforcement and traffic control	33,000	33,000	66,504	33,504
Recreation fees	236,000	236,000	220,170	(15,830)
School age child care	208,000	208,000	229,538	21,538
Total Charges for Services	<u>791,000</u>	<u>791,000</u>	<u>886,296</u>	<u>95,296</u>
Miscellaneous Revenue:				
Miscellaneous	143,000	143,000	141,692	(1,308)
Donations	14,000	14,000	31,897	17,897
Total Miscellaneous Revenue	<u>157,000</u>	<u>157,000</u>	<u>173,589</u>	<u>16,589</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Primary Government: (cont'd)				
General Fund: (cont'd)				
Revenue from Local Sources: (cont'd)				
Recovered Costs:				
Joint judicial center - Frederick Co.	\$ 600,000	\$ 600,000	\$ 435,208	\$ (164,792)
Other recovered costs	355,000	355,000	331,404	(23,596)
Total Recovered Costs	<u>955,000</u>	<u>955,000</u>	<u>766,612</u>	<u>(188,388)</u>
Total Revenue from Local Sources	<u>64,498,000</u>	<u>64,498,000</u>	<u>64,416,033</u>	<u>(81,967)</u>
Revenue from the Commonwealth:				
Non-Categorical Aid:				
ABC profits	13,000	13,000	13,826	826
Wine taxes	14,000	14,000	14,493	493
Motor vehicle carriers tax	6,000	6,000	6,805	805
Mobile home titling taxes	2,000	2,000	-	(2,000)
Auto rental tax	160,000	160,000	152,013	(7,987)
Grantor's tax	100,000	100,000	100,623	623
Personal property tax reimbursement	2,600,000	2,600,000	2,399,630	(200,370)
Assistance to localities with police departments	1,018,000	1,018,000	966,366	(51,634)
Recordation tax	105,000	105,000	121,376	16,376
Total Non-Categorical Aid	<u>4,018,000</u>	<u>4,018,000</u>	<u>3,775,132</u>	<u>(242,868)</u>
Categorical Aid:				
Shared Expenses:				
Commonwealth's attorney	639,000	671,000	701,245	30,245
Sheriff	357,000	361,563	362,413	850
Commissioner of the Revenue	119,000	119,000	114,615	(4,385)
Treasurer	125,000	125,000	125,247	247
Registrar/electoral board	50,000	52,495	61,983	9,488
Clerk of the Circuit Court	331,000	331,000	361,304	30,304
Total Shared Expenses	<u>1,621,000</u>	<u>1,660,058</u>	<u>1,726,807</u>	<u>66,749</u>
Other Categorical Aid:				
Armory operation	9,000	9,000	14,309	5,309
Jury reimbursement	11,000	11,000	7,380	(3,620)
General District Court	6,000	6,000	7,947	1,947
Litter control	5,000	5,000	6,614	1,614
Wireless E-911 Service Board	-	-	43,395	43,395
Jail funding	-	-	36,104	36,104
Fire services & equipment grant	32,000	50,711	62,172	11,461
Arts	5,000	5,000	5,000	-
Street debt service reimbursement	370,000	370,000	323,773	(46,227)
Two for life grant	10,000	16,239	35,888	19,649
Hazardous materials	24,000	24,000	12,359	(11,641)
Juvenile & Domestic relations	6,000	6,000	7,402	1,402
Health department	12,000	12,000	13,000	1,000
Total Other Categorical Aid	<u>490,000</u>	<u>514,950</u>	<u>575,343</u>	<u>60,393</u>
Total Categorical Aid	<u>2,111,000</u>	<u>2,175,008</u>	<u>2,302,150</u>	<u>127,142</u>
Total Revenue from the Commonwealth	<u>6,129,000</u>	<u>6,193,008</u>	<u>6,077,282</u>	<u>(115,726)</u>
Revenue from the Federal Government:				
Categorical Aid:				
Emergency services	-	-	8,905	8,905
Ballistic vest program grant	-	-	3,310	3,310
Total Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>12,215</u>	<u>12,215</u>
Total General Fund	<u>\$ 70,627,000</u>	<u>\$ 70,691,008</u>	<u>\$ 70,505,530</u>	<u>\$ (185,478)</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
Special Revenue Funds:				
Social Service Fund:				
Revenue from the Commonwealth:				
Other Categorical Aid:				
Public assistance & welfare administration	\$ 1,420,000	\$ 1,456,000	\$ 1,132,119	\$ (323,881)
Revenue from the Federal Government:				
Other Categorical Aid:				
Public assistance & welfare administration	2,075,000	2,075,000	1,746,480	(328,520)
Total Social Service Fund	\$ 3,495,000	\$ 3,531,000	\$ 2,878,599	\$ (652,401)
Comprehensive Services Fund:				
Revenue from Local Sources:				
Miscellaneous Revenue:				
Winchester	-	5,500	-	(5,500)
Frederick County	76,000	76,000	61,026	(14,974)
Clarke County	28,000	28,000	24,392	(3,608)
Total Miscellaneous Revenue	104,000	109,500	85,418	(24,082)
Recovered Costs	-	-	4,190	4,190
Total Revenue from Local Sources	104,000	109,500	89,608	(19,892)
Revenue from the Commonwealth:				
Categorical Aid:				
CSA Grants	1,596,000	1,596,000	1,273,568	(322,432)
Total Comprehensive Services Fund	\$ 1,700,000	\$ 1,705,500	\$ 1,363,176	\$ (342,324)
Federal and State Grants Fund:				
Revenue from the Commonwealth:				
Categorical Aid:				
Victim/Witness	19,600	19,600	20,019	419
Fire program grant	-	7,500	7,500	-
Total Revenue from the Commonwealth	19,600	27,100	27,519	419
Revenue from the Federal Government:				
Categorical Aid:				
Dedicated officer offender review	35,200	35,200	18,636	(16,564)
Police mini-grants	39,500	39,500	45,661	6,161
Law enforcement terrorism prevention	-	38,200	39,867	1,667
V-Stop grant	23,000	23,000	4,997	(18,003)
COPS - More	74,000	74,000	74,042	42
Victim/Witness	78,500	78,500	77,756	(744)
Homeland Security	-	15,000	2,525	(12,475)
NVRDTF Grant	72,500	72,500	59,331	(13,169)
EPA Brownfield's	14,000	45,000	32,136	(12,864)
Other federal grants	55,800	110,559	43,580	(66,979)
Total Revenue from the Federal Government	392,500	531,459	398,531	(132,928)
Total Federal and State Grants Fund	\$ 412,100	\$ 558,559	\$ 426,050	\$ (132,509)
Community Development Block Grant Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	13,028	13,028
Miscellaneous Revenue:				
CDBG loan repayments	-	-	1,263	1,263
CDBG program income	-	113,385	-	(113,385)
Total Miscellaneous Revenue	-	113,385	1,263	(112,122)
Total Revenue from Local Sources	-	113,385	14,291	(99,094)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Community Development Block Grant Fund: (cont'd)				
Revenue from the Federal Government:				
Other Categorical Aid:				
Community Development Block Grant	\$ 260,000	\$ 454,289	\$ 458,247	\$ 3,958
Total Community Development Block Grant Fund	<u>\$ 260,000</u>	<u>\$ 567,674</u>	<u>\$ 472,538</u>	<u>\$ (95,136)</u>
Housing Choice Voucher Program Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	6,291	6,291
Revenue from the Commonwealth:				
Other Categorical Aid:				
Virginia Housing Development Authority	70,000	70,000	155,753	85,753
Total Housing Choice Voucher Program Fund	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 162,044</u>	<u>\$ 92,044</u>
Housing Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	2,143	2,143
Miscellaneous Revenue:				
Program income	-	35,806	-	(35,806)
Total Revenue from Local Sources	<u>-</u>	<u>35,806</u>	<u>2,143</u>	<u>(33,663)</u>
Revenue from the Commonwealth:				
Other Categorical Aid:				
Virginia Housing Development Authority	-	-	10,000	10,000
Total Housing Fund	<u>\$ -</u>	<u>\$ 35,806</u>	<u>\$ 12,143</u>	<u>\$ (23,663)</u>
Highway Maintenance Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	5,000	5,000	7,150	2,150
Miscellaneous	-	-	4,424	4,424
Recovered Costs	-	-	1,245	1,245
Total Revenue from Local Sources	<u>5,000</u>	<u>5,000</u>	<u>12,819</u>	<u>7,819</u>
Revenue from the Commonwealth:				
Other Categorical Aid:				
Street and highway maintenance	2,170,000	2,170,000	2,222,907	52,907
Revenue from the Federal Government:				
Other Categorical Aid:				
Forestry grant	-	-	3,085	3,085
Total Highway Maintenance Fund	<u>\$ 2,175,000</u>	<u>\$ 2,175,000</u>	<u>\$ 2,238,811</u>	<u>\$ 63,811</u>
Emergency Medical Services Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	15,286	15,286
Charges for Services:				
EMS transport fees	700,000	700,000	783,834	83,834
Total Emergency Medical Services Fund	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 799,120</u>	<u>\$ 99,120</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 1,724	\$ 1,724
Miscellaneous Revenue:				
Frederick County	100,500	100,500	100,500	-
Miscellaneous	194,000	194,000	75,428	(118,572)
Total Miscellaneous Revenue	294,500	294,500	175,928	(118,572)
Total Revenue from Local Sources	294,500	294,500	177,652	(116,848)
Revenue from the Federal Government:				
Categorical Aid:				
Small Business Administration	198,000	98,000	87,657	(10,343)
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	\$ 492,500	\$ 392,500	\$ 265,309	\$ (127,191)
Law Library Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	1,340	1,340
Charges for Services:				
Special assessment	30,000	30,000	28,294	(1,706)
Total Law Library Fund	\$ 30,000	\$ 30,000	\$ 29,634	\$ (366)
Asset Forfeiture Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	6,336	6,336
Revenue from the Commonwealth:				
Categorical Aid:				
Asset Forfeiture Funds	-	-	13,527	13,527
Total Asset Forfeiture Fund	\$ -	\$ -	\$ 19,863	\$ 19,863
Total Special Revenue Funds	\$ 8,634,600	\$ 9,030,233	\$ 7,856,024	\$ (1,174,209)
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	171,192	171,192
Miscellaneous	75,000	75,000	25,000	(50,000)
Recovered Costs	-	-	115,536	115,536
Total Revenue from Local Sources	75,000	75,000	311,728	236,728
Revenue from the Commonwealth:				
Categorical Aid:				
Street and highway maintenance	6,634,000	6,634,000	-	(6,634,000)
Revenue from the Federal Government:				
Categorical Aid:				
ISTEA grant	1,600,000	1,600,000	176,288	(1,423,712)
Pedestrian safety grant	-	-	53,940	53,940
Total Revenue from the Federal Government	1,600,000	1,600,000	230,228	(1,369,772)
Total Capital Improvements Fund	\$ 8,309,000	\$ 8,309,000	\$ 541,956	\$ (7,767,044)
Total Capital Projects Funds	\$ 8,309,000	\$ 8,309,000	\$ 541,956	\$ (7,767,044)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Gov't: (cont'd)				
Debt Service Funds:				
School Bond Debt Service Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 7,833	\$ 7,833
Total School Bond Debt Service Fund	\$ -	\$ -	\$ 7,833	\$ 7,833
Total Debt Service Funds	\$ -	\$ -	\$ 7,833	\$ 7,833
Grand Total - Revenues - All Governmental Funds	\$ 87,570,600	\$ 88,030,241	\$ 78,911,343	\$ (9,118,898)
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	88,852	88,852	198,814	109,962
Revenue from use of property	92,595	92,595	142,608	50,013
Total Revenue from Use of Money and Property	181,447	181,447	341,422	159,975
Charges for Services:				
Charges for education:				
Tuition or other payments from another county or city	164,020	164,020	147,003	(17,017)
Miscellaneous	125,500	174,515	318,318	143,803
Recovered Costs	34,000	34,000	53,610	19,610
Total Revenue from Local Sources	504,967	553,982	860,353	306,371
Revenue from Local Government:				
Contribution from City of Winchester	26,454,230	26,954,116	26,920,190	(33,926)
Total Revenue from Local Government	26,454,230	26,954,116	26,920,190	(33,926)
Revenue from the Commonwealth:				
Categorical Aid:				
Share of state sales tax	3,597,010	3,597,010	3,431,976	(165,034)
Basic school aid	7,069,572	7,069,572	6,856,547	(213,025)
Lottery distribution	366,898	366,898	357,851	(9,047)
Regular foster care	60,000	60,000	35,041	(24,959)
Gifted and talented	69,730	69,730	67,458	(2,272)
Remedial education	287,347	287,347	294,174	6,827
Special education	770,354	770,354	745,254	(25,100)
Textbook payments	166,489	166,489	161,065	(5,424)
Vocational education	157,723	157,723	154,709	(3,014)
Hospital, clinics, detention homes	89,320	89,320	90,231	911
Social security	391,818	391,818	379,052	(12,766)
Teacher retirement	587,727	587,727	568,578	(19,149)
Group life insurance instructional	19,923	19,923	19,274	(649)
GED Funding	15,717	15,856	15,717	(139)
Early intervention	47,019	47,019	56,917	9,898
Regional programs	400,000	400,000	320,849	(79,151)
Salary supplement	466,529	466,529	456,147	(10,382)
Special education - foster care	-	-	121,146	121,146
At risk	300,033	300,033	294,751	(5,282)
Enrollment Loss	-	-	31,542	31,542
Medicaid reimbursement	125,000	125,000	25,624	(99,376)
Primary class size	263,651	263,651	257,730	(5,921)
Local school construction	133,662	133,662	133,582	(80)
Algebra - SOL	21,580	21,580	21,519	(61)
Technology initiative	206,000	206,000	205,999	(1)
English as a second language	276,498	276,498	226,066	(50,432)
Other - Education	20,075	66,374	60,759	(5,615)
Total Revenue from the Commonwealth	15,909,675	15,956,113	15,389,558	(566,555)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Operating Fund: (cont'd)				
Revenue from the Federal Government:				
Categorical Aid:				
Preschool grant	\$ 31,205	\$ 31,205	\$ 31,205	\$ -
Other - Education	-	-	1,219	1,219
Total Revenue from the Federal Government	<u>31,205</u>	<u>31,205</u>	<u>32,424</u>	<u>1,219</u>
Total School Operating Fund	<u>\$ 42,900,077</u>	<u>\$ 43,495,416</u>	<u>\$ 43,202,525</u>	<u>\$ (292,891)</u>
School Cafeteria Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	3,000	3,000	10,089	7,089
Charges for Services:				
Cafeteria sales	846,854	846,854	723,774	(123,080)
Miscellaneous	9,000	9,000	8,896	(104)
Total Revenue from Local Sources	<u>858,854</u>	<u>858,854</u>	<u>742,759</u>	<u>(116,095)</u>
Revenue from the Commonwealth:				
Categorical Aid:				
School food program grant	26,517	26,517	26,923	406
Revenue from the Federal Government:				
Categorical Aid:				
School food program grant	700,000	700,000	818,702	118,702
Total School Cafeteria Fund	<u>\$ 1,585,371</u>	<u>\$ 1,585,371</u>	<u>\$ 1,588,384</u>	<u>\$ 3,013</u>
School Federal Grants Fund:				
Revenue from the Federal Government:				
Categorical Aid:				
21st Century Grant	170,000	235,508	168,524	(66,984)
Title I	818,600	841,974	805,583	(36,391)
Title II Part A	186,644	212,673	169,501	(43,172)
Language Acquisition	68,409	121,012	57,642	(63,370)
Title VI	10,307	11,678	7,602	(4,076)
Drug Free Schools	22,887	23,699	13,260	(10,439)
Vocational education	65,506	65,506	64,929	(577)
Technology Literacy Challenge	12,010	9,864	8,938	(926)
Title VI-B - Special Education	843,600	1,010,608	889,252	(121,356)
Total School Federal Grants Fund	<u>\$ 2,197,963</u>	<u>\$ 2,532,522</u>	<u>\$ 2,185,231</u>	<u>\$ (347,291)</u>
School Textbook Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	6,850	6,850
Miscellaneous	-	-	1,737	1,737
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>8,587</u>	<u>8,587</u>
Total School Textbook Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,587</u>	<u>\$ 8,587</u>
Total Special Revenue Funds	<u>\$ 46,683,411</u>	<u>\$ 47,613,309</u>	<u>\$ 46,984,727</u>	<u>\$ (628,582)</u>
Capital Projects Funds:				
School Fundraising Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	150,000	149,605	(395)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Component Unit - School Board: (cont'd)				
Capital Projects Funds: (cont'd)				
School Fundraising Fund: (cont'd)				
Revenue from Local Sources: (cont'd)				
Miscellaneous Revenue:				
Developer fee - John Handley High School	\$ -	\$ -	\$ 3,284,969	\$ 3,284,969
Handley fundraising	-	1,200,000	1,162,534	(37,466)
Miscellaneous	-	35,000	49,134	14,134
Total Miscellaneous Revenue	-	1,235,000	4,496,637	3,261,637
Total Revenue from Local Sources	-	1,385,000	4,646,242	3,261,242
Total School Fundraising Fund	\$ -	\$ 1,385,000	\$ 4,646,242	\$ 3,261,242
School Capital Improvement Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	85,248	85,248
Miscellaneous	-	-	10,300	10,300
Recovered Costs	-	-	97,150	97,150
Total Revenue from Local Sources	-	-	192,698	192,698
Total School Capital Improvement Fund	\$ -	\$ -	\$ 192,698	\$ 192,698
School Construction Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	800,000	659,476	(140,524)
Total Revenue from Local Sources	-	800,000	659,476	(140,524)
Revenue from Local Government:				
Contribution from City of Winchester	-	5,695,981	5,695,981	-
Total Revenue from Local Government	-	5,695,981	5,695,981	-
Total School Construction Fund	\$ -	\$ 6,495,981	\$ 6,355,457	\$ (140,524)
Total Capital Projects Funds	\$ -	\$ 7,880,981	\$ 11,194,397	\$ 3,313,416
Grand Total Revenues - Component Unit School Board	\$ 46,683,411	\$ 55,494,290	\$ 58,179,124	\$ 2,684,834

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Fund, Function, Activity, and Elements	Budgeted Amounts			Schedule 2
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City Council	\$ 71,000	\$ 86,000	\$ 81,707	\$ 4,293
Clerk of Council	67,000	67,000	30,199	36,801
Total Legislative	<u>138,000</u>	<u>153,000</u>	<u>111,906</u>	<u>41,094</u>
General and Financial Administration:				
City Manager	179,000	324,930	322,758	2,172
Administration	531,000	544,800	538,859	5,941
City Attorney	279,000	279,000	205,977	73,023
Independent Auditor	67,000	67,000	50,863	16,137
Commissioner of Revenue	245,000	246,000	245,202	798
Assessor	165,000	170,800	147,087	23,713
Equalization Board	80,000	126,000	123,806	2,194
City Parking Program	85,000	85,000	85,586	(586)
Treasurer	428,000	443,500	435,488	8,012
Accounting	480,000	529,400	521,287	8,113
Data Processing	1,123,000	1,077,000	1,021,868	55,132
Personal Property/Tax Field Office	147,000	147,000	125,227	21,773
Other Adjustments	700,000	258,570	-	258,570
Risk Management	77,000	77,000	76,795	205
Total General and Financial Administration	<u>4,586,000</u>	<u>4,376,000</u>	<u>3,900,803</u>	<u>475,197</u>
Board of Elections:				
Electoral Board and Officials	40,000	48,995	48,744	251
Registrar	101,000	101,700	100,815	885
Total Board of Elections	<u>141,000</u>	<u>150,695</u>	<u>149,559</u>	<u>1,136</u>
Total General Government Administration	<u>4,865,000</u>	<u>4,679,695</u>	<u>4,162,268</u>	<u>517,427</u>
Judicial Administration:				
Courts:				
Circuit court	67,000	69,600	67,346	2,254
General District Court	22,000	22,000	19,720	2,280
Juvenile and Domestic Relations Court	17,000	17,000	15,678	1,322
Clerk of the Circuit Court	491,000	503,000	501,703	1,297
Jurors	25,000	25,000	24,000	1,000
Sheriff	722,000	801,111	799,883	1,228
Total Courts	<u>1,344,000</u>	<u>1,437,711</u>	<u>1,428,330</u>	<u>9,381</u>
Commonwealth Attorney:				
Commonwealth Attorney	797,000	926,500	917,065	9,435
Total Judicial Administration	<u>2,141,000</u>	<u>2,364,211</u>	<u>2,345,395</u>	<u>18,816</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	5,327,000	5,296,000	5,076,220	219,780
Police Criminal Investigations	1,117,000	1,153,000	1,139,138	13,862
Total Law Enforcement and Traffic Control	<u>6,444,000</u>	<u>6,449,000</u>	<u>6,215,358</u>	<u>233,642</u>
Fire and Rescue Services:				
Fire Department	3,815,000	3,834,898	3,808,842	26,056
Lord Fairfax EMS Council	8,306	8,306	8,306	-
Emergency Medical Services	43,000	48,052	36,344	11,708
Total Fire and Rescue Services	<u>3,866,306</u>	<u>3,891,256</u>	<u>3,853,492</u>	<u>37,764</u>
Correction and Detention:				
Regional Correction Centers	3,749,475	3,749,475	3,746,288	3,187
Probation Office	2,000	2,000	1,331	669
Total Correction and Detention	<u>3,751,475</u>	<u>3,751,475</u>	<u>3,747,619</u>	<u>3,856</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Fund, Function, Activity, and Elements	Budgeted Amounts			Schedule 2 (Cont'd)
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Public Safety: (cont'd)				
Inspections:				
Building	\$ 587,000	\$ 587,000	\$ 563,384	\$ 23,616
Other Protection:				
Animal Control	215,000	215,000	205,283	9,717
Emergency Services	72,000	83,000	80,285	2,715
Hazardous Materials	46,000	35,000	26,844	8,156
Flood Control	30,000	30,000	29,906	94
Communication Operations	926,000	926,000	854,953	71,047
Total Other Protection	<u>1,289,000</u>	<u>1,289,000</u>	<u>1,197,271</u>	<u>91,729</u>
Total Public Safety	<u>15,937,781</u>	<u>15,967,731</u>	<u>15,577,124</u>	<u>390,607</u>
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
Highways, Streets, Bridges & Sidewalks	67,122	93,122	86,177	6,945
Storm Drainage	60,000	65,000	64,483	517
Total Maintenance of Highways, Streets, Bridges & Sidewalks	<u>127,122</u>	<u>158,122</u>	<u>150,660</u>	<u>7,462</u>
Sanitation and Waste Removal:				
Refuse Collection and Disposal	1,211,000	1,211,000	1,144,726	66,274
Maintenance of Buildings and Grounds:				
General Properties	763,000	825,000	805,944	19,056
Loudoun Mall	143,000	112,000	109,441	2,559
Joint Judicial Center	897,000	842,000	621,792	220,208
Public Safety Building	196,000	237,200	234,936	2,264
Total Maintenance of Buildings and Grounds	<u>1,999,000</u>	<u>2,016,200</u>	<u>1,772,113</u>	<u>244,087</u>
Total Public Works	<u>3,337,122</u>	<u>3,385,322</u>	<u>3,067,499</u>	<u>317,823</u>
Health and Welfare:				
Health:				
Our Health	25,000	25,000	25,000	-
Supplement to Local Health Department	217,660	217,660	217,660	-
Total Health	<u>242,660</u>	<u>242,660</u>	<u>242,660</u>	<u>-</u>
Mental Health and Mental Retardation:				
Chapter X Board	183,307	183,307	183,307	-
Welfare/Social Services:				
Area Agency on Aging	25,000	25,000	25,000	-
Property Tax Relief for the Elderly	600,000	600,000	552,933	47,067
Other Assistance	96,275	96,275	96,275	-
Comprehensive Services - Local Match	16,200	16,200	16,213	(13)
Total Welfare/Social Services	<u>737,475</u>	<u>737,475</u>	<u>690,421</u>	<u>47,054</u>
Total Health and Welfare	<u>1,163,442</u>	<u>1,163,442</u>	<u>1,116,388</u>	<u>47,054</u>
Education:				
Contributions to Community College	25,437	25,437	23,989	1,448
Contributions to City School Board	32,454,230	32,846,163	32,616,171	229,992
Total Education	<u>32,479,667</u>	<u>32,871,600</u>	<u>32,640,160</u>	<u>231,440</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Fund, Function, Activity, and Elements	Budgeted Amounts			Schedule 2 (Cont'd)
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Parks, Recreation and Cultural:				
Parks and Recreation:				
Administration	\$ 422,000	\$ 424,228	\$ 340,330	\$ 83,898
Maintenance	846,000	864,658	817,935	46,723
Outdoor Swimming Pool	110,000	110,000	106,654	3,346
War Memorial Building	680,000	659,614	542,005	117,609
Armory	38,000	38,000	38,542	7,458
After-School Child Care	243,000	243,000	204,488	38,512
Athletic programs	175,000	174,500	148,654	25,846
Total Parks and Recreation	<u>2,514,000</u>	<u>2,514,000</u>	<u>2,190,608</u>	<u>323,392</u>
Cultural Enrichment:				
Apple Blossom Festival	34,000	40,500	40,413	87
Museums	50,000	50,000	50,000	-
Historical Society	75,000	75,000	75,000	-
Virginia Commissions of Arts	10,000	10,000	8,000	2,000
Total Cultural Enrichment	<u>169,000</u>	<u>175,500</u>	<u>173,413</u>	<u>2,087</u>
Library:				
Contribution to Regional Library	382,067	382,067	382,067	-
Total Parks, Recreation, and Cultural	<u>3,065,067</u>	<u>3,071,567</u>	<u>2,746,088</u>	<u>325,479</u>
Community Development:				
Planning and Community Development:				
Planning and Zoning	404,000	404,000	386,781	17,219
Other Economic Development	657,392	657,392	590,580	66,812
Downtown Development	150,000	194,378	181,976	12,402
Contribution to Regional Airport	52,258	52,258	27,234	25,024
Total Planning and Community Development	<u>1,263,650</u>	<u>1,308,028</u>	<u>1,186,571</u>	<u>121,457</u>
Environmental Management:				
Environmental Quality	36,501	36,501	34,497	2,004
Total Community Development	<u>1,300,151</u>	<u>1,344,529</u>	<u>1,221,068</u>	<u>123,461</u>
Debt Service:				
Principal retirement	5,492,050	5,607,455	5,603,956	3,499
Interest and fiscal charges	4,384,950	4,564,620	4,567,615	(2,995)
Bond issuance costs	-	79,567	79,067	500
Total Debt Service	<u>9,877,000</u>	<u>10,251,642</u>	<u>10,250,638</u>	<u>1,004</u>
Total General Fund	<u>\$ 74,166,230</u>	<u>\$ 75,099,739</u>	<u>\$ 73,126,628</u>	<u>\$ 1,973,111</u>
Special Revenue Funds:				
Social Service Fund:				
Health and Welfare:				
Welfare/Social Services:				
Social Services Administration	2,522,000	2,567,000	2,473,189	93,811
Public Assistance	2,023,000	2,023,000	1,320,466	702,534
Total Social Service Fund	<u>\$ 4,545,000</u>	<u>\$ 4,590,000</u>	<u>\$ 3,793,655</u>	<u>\$ 796,345</u>
Comprehensive Services Fund:				
Health and Welfare:				
Community Services	3,400,000	3,405,500	2,758,668	646,832
Total Comprehensive Services Fund	<u>\$ 3,400,000</u>	<u>\$ 3,405,500</u>	<u>\$ 2,758,668</u>	<u>\$ 646,832</u>
Federal and State Grants Fund:				
Judicial Administration:				
Victim/Witness Grant	135,000	135,000	133,447	1,553
Grand Jury	34,000	34,000	24,960	9,040
Domestic Violence	23,000	23,000	4,580	18,420
Total Judicial Administration	<u>192,000</u>	<u>192,000</u>	<u>162,987</u>	<u>29,013</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Fund, Function, Activity, and Elements	Budgeted Amounts			Schedule 2 (Cont'd)
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Federal and State Grants Fund: (cont'd)				
Public Safety:				
Police Mini-Grants	\$ 43,000	\$ 78,000	\$ 46,899	\$ 31,101
Police Department	-	25,221	23,703	1,518
Domestic Violence	61,000	61,000	24,849	36,151
COPS - More	74,000	74,050	74,042	8
Drug Task Force	73,000	72,950	59,330	13,620
Law Enforcement Block Grant	24,000	62,200	39,857	22,343
Fire & Emergency Services	-	36,575	9,479	27,096
Other	9,000	9,000	-	9,000
Total Public Safety	<u>284,000</u>	<u>418,996</u>	<u>278,159</u>	<u>140,837</u>
Community Development:				
Brownfields	14,000	45,000	32,136	12,864
Total Federal and State Grants Fund	<u>\$ 490,000</u>	<u>\$ 655,996</u>	<u>\$ 473,282</u>	<u>\$ 182,714</u>
Community Development Block Grant Fund:				
Planning and Community Development:				
Redevelopment and Housing Assistance	170,000	761,498	393,243	368,255
Total Community Development Block Grant Fund	<u>\$ 170,000</u>	<u>\$ 761,498</u>	<u>\$ 393,243</u>	<u>\$ 368,255</u>
Housing Choice Voucher Program Fund:				
Health and Welfare:				
Housing Assistance	70,000	70,000	59,975	10,025
Total Housing Choice Voucher Program Fund	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 59,975</u>	<u>\$ 10,025</u>
Housing Fund:				
Planning and Community Development:				
Housing and Neighborhood Assistance	250,000	551,118	202,054	349,064
Total Housing Fund	<u>\$ 250,000</u>	<u>\$ 551,118</u>	<u>\$ 202,054</u>	<u>\$ 349,064</u>
Highway Maintenance Fund:				
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
General Engineering	378,000	357,000	297,005	59,995
Highways, Streets, Bridges & Sidewalks	1,506,000	1,506,000	1,778,179	(272,179)
Storm Drainage	31,000	72,200	72,183	17
Street Lights	345,000	303,800	303,555	245
Snow and Ice Removal	104,000	121,000	120,817	183
Traffic Signals	372,000	372,000	362,089	9,911
Tree Division	89,000	93,000	92,364	636
Total Highway Maintenance Fund	<u>\$ 2,825,000</u>	<u>\$ 2,825,000</u>	<u>\$ 3,026,192</u>	<u>\$ (201,192)</u>
Emergency Medical Service Fund:				
Public Safety:				
Emergency Medical Services	700,000	700,000	678,900	21,100
Total Emergency Medical Service Fund	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 678,900</u>	<u>\$ 21,100</u>
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Community Development:				
Tourism	\$ 595,000	\$ 517,500	\$ 399,014	\$ 118,486
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	<u>\$ 595,000</u>	<u>\$ 517,500</u>	<u>\$ 399,014</u>	<u>\$ 118,486</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Fund, Function, Activity, and Elements	Budgeted Amounts			Schedule 2 (Cont'd)
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Law Library Fund:				
Judicial Administration:				
Judicial Center Law Library	30,000	30,000	28,421	1,579
Total Law Library Fund	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 28,421</u>	<u>\$ 1,579</u>
Asset Forfeiture Fund:				
Judicial Administration:				
Commonwealth attorney	-	1,200	1,100	100
Total Judicial Administration	<u>-</u>	<u>1,200</u>	<u>1,100</u>	<u>100</u>
Public Safety:				
Police Department	-	5,280	5,280	-
Total Asset Forfeiture Fund	<u>\$ -</u>	<u>\$ 6,480</u>	<u>\$ 6,380</u>	<u>\$ 100</u>
Total Special Revenue Funds	<u>\$ 13,075,000</u>	<u>\$ 14,113,092</u>	<u>\$ 11,819,784</u>	<u>\$ 2,293,308</u>
Capital Projects Funds:				
Capital Improvements Fund:				
Current:				
General Government Administration	53,000	303,000	258,297	44,703
Public Safety	-	60,000	52,581	7,419
Public Works	11,159,000	11,906,330	3,485,351	8,420,979
Parks and Recreation	2,613,000	3,073,054	1,152,542	1,920,512
Planning & Community Development	-	22,000	-	22,000
Total Current Expenditures	<u>13,825,000</u>	<u>15,364,384</u>	<u>4,948,771</u>	<u>10,415,613</u>
Capital Projects:				
Parks and Recreation Administration	4,820,000	4,820,000	2,466,646	2,353,354
Parking Improvements	5,000,000	5,000,000	-	5,000,000
Total Capital Projects	<u>9,820,000</u>	<u>9,820,000</u>	<u>2,466,646</u>	<u>7,353,354</u>
Debt Service:				
Bond issuance costs	-	-	19,485	(19,485)
Total Capital Improvements Fund	<u>\$ 23,645,000</u>	<u>\$ 25,184,384</u>	<u>\$ 7,434,902</u>	<u>\$ 17,749,482</u>
Total Capital Projects Funds	<u>\$ 23,645,000</u>	<u>\$ 25,184,384</u>	<u>\$ 7,434,902</u>	<u>\$ 17,749,482</u>
Debt Service Funds:				
School Bond Debt Service Fund:				
Debt Service:				
Principal retirement	98,360	98,360	98,360	-
Interest and fiscal charges	24,640	24,640	24,636	4
Total School Bond Debt Service Fund	<u>\$ 123,000</u>	<u>\$ 123,000</u>	<u>\$ 122,996</u>	<u>\$ 4</u>
Total Debt Service Funds	<u>\$ 123,000</u>	<u>\$ 123,000</u>	<u>\$ 122,996</u>	<u>\$ 4</u>
Grand Total - Expenditures - All Governmental Funds	<u>\$ 111,009,230</u>	<u>\$ 114,520,215</u>	<u>\$ 92,504,310</u>	<u>\$ 22,015,905</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
For the Year Ended June 30, 2008

Fund, Function, Activity, and Elements	Budgeted Amounts			Schedule 2 (Cont'd)
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Instruction Costs	\$ 36,276,972	\$ 36,239,666	\$ 35,319,753	\$ 919,913
Administration of Schools	2,303,454	2,437,217	2,253,698	183,519
Operating Costs:				
Pupil Transportation	1,489,500	1,630,894	1,517,418	113,476
Operation and Maintenance of School Plant	2,499,151	2,856,639	2,781,328	75,311
Total Education	<u>42,569,077</u>	<u>43,164,416</u>	<u>41,872,197</u>	<u>1,292,219</u>
Total School Operating Fund	<u>\$ 42,569,077</u>	<u>\$ 43,164,416</u>	<u>\$ 41,872,197</u>	<u>\$ 1,292,219</u>
School Cafeteria Fund:				
Education:				
School Food Services	1,583,546	1,728,246	1,688,853	39,393
Operation and Maintenance	1,825	1,825	982	843
Total School Cafeteria Fund	<u>\$ 1,585,371</u>	<u>\$ 1,730,071</u>	<u>\$ 1,689,835</u>	<u>\$ 40,236</u>
School Federal Grants Fund:				
Education:				
Instruction Costs	2,197,963	2,532,522	2,185,231	347,291
Total School Federal Grants Fund	<u>\$ 2,197,963</u>	<u>\$ 2,532,522</u>	<u>\$ 2,185,231</u>	<u>\$ 347,291</u>
School Textbook Fund:				
Education:				
Purchase of textbooks	355,000	463,074	255,129	207,945
Total School Textbook Fund	<u>\$ 355,000</u>	<u>\$ 463,074</u>	<u>\$ 255,129</u>	<u>\$ 207,945</u>
Total Special Revenue Funds	<u>\$ 46,707,411</u>	<u>\$ 47,890,083</u>	<u>\$ 46,002,392</u>	<u>\$ 1,887,691</u>
Capital Projects Funds:				
School Fundraising Fund:				
Capital projects:				
John Handley High School	-	7,037,400	1,291,778	5,745,622
Total School Fundraising Fund	<u>\$ -</u>	<u>\$ 7,037,400</u>	<u>\$ 1,291,778</u>	<u>\$ 5,745,622</u>
School Capital Improvement Fund:				
Education:				
Instruction	-	200,290	184,987	15,303
Operations and Maintenance	-	663,526	652,687	10,839
Total Education	<u>-</u>	<u>863,816</u>	<u>837,674</u>	<u>26,142</u>
Capital projects:				
Daniel Morgan Middle School	-	-	11,620	(11,620)
John Handley High School	-	322,474	272,621	49,853
Total Capital Projects	<u>-</u>	<u>322,474</u>	<u>284,241</u>	<u>38,233</u>
Total School Capital Improvement Fund	<u>\$ -</u>	<u>\$ 1,186,290</u>	<u>\$ 1,121,915</u>	<u>\$ 64,375</u>
School Construction Fund:				
Capital projects:				
Daniel Morgan Middle School	-	505,000	192,614	312,386
John Handley High School	-	16,828,515	16,252,612	575,903
Total School Construction Fund	<u>\$ -</u>	<u>\$ 17,333,515</u>	<u>\$ 16,445,226</u>	<u>\$ 888,289</u>
Total Capital Projects Funds	<u>\$ -</u>	<u>\$ 25,557,205</u>	<u>\$ 18,858,919</u>	<u>\$ 6,698,286</u>
Grand Total - Expenditures - Component Unit School Board	<u>\$ 46,707,411</u>	<u>\$ 73,447,288</u>	<u>\$ 64,861,311</u>	<u>\$ 8,585,977</u>

STATISTICAL SECTION

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	<u>Tables</u>	<u>Pages</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1 - 4	105-109
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5 - 8	110-113
<i>Debt Capacity</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.	9 - 12	114-117
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	13 - 14	118-119
<i>Operating Information</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.	15 - 17	120-122

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF WINCHESTER, VIRGINIA
NET ASSETS BY COMPONENT
Last Six Fiscal Years (1)
(accrual basis of accounting)

Table 1

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
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
Restricted	-	-	-	-	217,166	102,003
Unrestricted	15,373,006	(2,745,524)	(16,610,067)	(41,078,838)	(53,683,445)	(59,536,279)
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>\$ (17,143,221)</u>
Business-type activities						
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
Restricted	-	-	-	2,000	2,000	2,000
Unrestricted	4,411,056	4,182,606	7,464,431	3,904,997	6,531,712	3,555,389
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>
Primary government						
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
Restricted	-	-	-	2,000	219,166	104,003
Unrestricted	19,784,062	1,437,082	(9,145,636)	(37,173,841)	(47,151,733)	(55,980,890)
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>\$ 21,426,352</u>
School Board Component Unit						
Invested in capital assets, net of related debt	\$ 18,574,602	\$ 22,990,095	\$ 42,682,558	\$ 70,713,467	\$ 88,843,037	\$ 105,953,277
Restricted	1,517,504	2,626,304	-	-	2,096,290	3,731,987
Unrestricted	3,292,060	2,802,246	4,965,488	10,815,973	16,779,217	8,549,584
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>\$ 118,234,848</u>

Notes:

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

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

Table 2

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 2,962,960	\$ 3,618,293	\$ 3,757,763	\$ 4,101,357	\$ 4,611,199	\$ 4,963,448
Judicial administration	1,584,831	1,545,183	1,327,540	2,061,174	2,347,350	2,014,178
Public safety	10,452,560	11,199,311	12,392,777	14,541,554	15,534,200	16,781,824
Public works	4,605,814	5,185,182	5,212,319	5,296,991	5,871,189	7,940,266
Health and welfare	6,161,955	6,291,811	6,652,692	6,880,841	7,689,247	7,705,538
Education	20,872,530	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160
Parks, recreation and culture	1,816,474	2,494,978	2,352,025	2,187,433	2,385,028	2,968,842
Community development	1,488,120	1,539,404	2,449,154	1,906,853	1,920,305	2,173,272
Interest on long-term debt	1,630,065	1,837,773	2,077,447	3,388,365	4,184,083	4,640,407
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>
Business-type activities:						
Water and sewer	10,660,801	10,698,172	10,291,642	11,660,732	12,867,908	14,427,989
Bus service	586,641	560,087	645,959	921,626	924,440	853,081
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>
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>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	501,150	512,515	609,001	672,473	681,154	732,219
Judicial administration	310,478	329,628	418,589	383,212	371,968	359,633
Public safety	120,547	137,440	109,541	127,567	1,008,032	895,701
Public works	300,956	370,730	358,752	480,784	615,990	603,778
Health and welfare	65,008	60,934	71,228	71,388	78,634	83,304
Parks, recreation and culture	501,522	567,817	588,779	591,651	593,557	620,699
Community development	429,877	617,696	636,958	616,498	557,807	444,174
Operating grants and contributions	8,312,733	8,511,231	8,335,248	9,302,094	9,680,995	9,306,894
Capital grants and contributions	-	346,440	1,317,918	484,819	1,497,526	723,220
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>
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
Bus service	87,652	71,071	66,376	84,029	67,579	60,070
Operating grants and contributions	324,511	323,019	392,920	449,306	415,530	542,664
Capital grants and contributions	-	314,144	2,496,444	401,660	1,828,777	178,293
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>
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>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue						
Governmental activities	\$ (41,033,038)	\$ (49,186,098)	\$ (65,221,047)	\$ (84,463,931)	\$ (74,430,174)	\$ (68,058,313)
Business-type activities	1,766,864	2,667,248	6,637,057	1,863,850	3,176,327	1,536,724
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>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Property taxes	17,368,001	17,499,244	20,654,729	25,468,425	29,385,425	33,279,510
Sales taxes	8,791,276	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373
Utility taxes	3,123,810	3,262,250	3,394,446	3,433,690	2,832,613	2,015,744
Business license taxes	4,311,145	4,739,154	5,400,295	5,983,072	5,901,109	5,727,230
Franchise taxes	431,927	923,194	1,057,007	543,864	557,228	276,598
Hotel and meals taxes	3,426,565	3,737,769	5,032,624	5,598,277	5,845,108	5,739,369
E-911 taxes	554,297	618,392	651,115	579,235	-	-
Communication sales taxes	-	-	-	-	886,730	2,423,466
Other local taxes	1,606,576	1,187,763	1,468,133	2,182,526	2,187,954	1,720,639
Unrestricted grants and contributions	3,497,399	3,620,250	3,752,212	3,959,529	4,472,972	3,735,644
Investment earnings	208,968	59,384	205,740	875,864	1,322,717	1,458,202
Miscellaneous	475,516	417,124	414,694	459,032	799,216	512,011
Gain on sale of capital assets	43,465	378,716	-	734,856	70,364	-
Transfers	90,000	1,404,342	1,819,869	3,677,307	1,500,277	1,819,967
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>
Business-type activities:						
Investment earnings	108,332	70,916	195,569	400,403	567,522	273,073
Miscellaneous	17,306	25,051	13,519	37,456	134,639	28,017
Transfers	(90,000)	(1,404,342)	(1,819,869)	(3,677,307)	(1,500,277)	(1,819,967)
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>
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>
Change in Net Assets						
Governmental activities	2,895,907	(1,802,621)	(11,096,961)	(20,073,561)	(8,387,405)	397,440
Business-type activities	1,802,502	1,358,873	5,026,276	(1,375,598)	2,378,211	17,847
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>

cont'd

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

Table 2 (Cont'd)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
School Board Component Unit:						
Education	\$ 34,734,639	\$ 36,697,616	\$ 39,729,723	\$ 42,043,989	\$ 44,755,582	\$ 47,890,837
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>
Program Revenues						
School Board Component Unit:						
Charges for services:						
Education	804,049	881,307	915,437	949,126	963,824	924,387
Operating grants and contributions	13,092,918	13,714,468	15,551,702	16,524,727	17,422,798	18,058,555
Capital grants and contributions	513,518	6,261,989	19,836,755	33,689,828	22,501,915	7,577,965
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>
Net (Expense)/Revenue						
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>
General Revenues and Other Changes in Net Assets						
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
Investment earnings	197,189	76,553	424,115	998,705	1,211,760	1,110,082
Miscellaneous	149,827	243,789	246,617	281,299	3,788,082	3,815,962
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>
Change in Net Assets						
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>

Notes:

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

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

Table 3

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Unreserved	\$ 7,057,540	\$ 8,058,258	\$ 7,681,125	\$ 10,983,201	\$ 12,572,449	\$ 14,714,401	\$ 18,982,128	\$ 25,075,724	\$ 28,957,466	\$ 26,842,432
Total general fund	\$ 7,057,540	\$ 8,058,258	\$ 7,681,125	\$ 10,983,201	\$ 12,572,449	\$ 14,714,401	\$ 18,982,128	\$ 25,075,724	\$ 28,957,466	\$ 26,842,432
All Other Governmental Funds										
Reserved	-	-	-	111,534	117,459	117,459	126,832	-	-	-
Unreserved, reported in:										
Special revenue funds	94,363	130,293	2,421,779	2,179,631	1,392,992	1,201,214	1,286,541	1,468,954	1,704,636	1,820,531
Capital projects funds	6,014,726	5,858,532	1,724,962	1,320,836	1,590,093	1,559,751	950,751	6,847,195	2,969,046	1,842,195
Debt service funds	213,348	342,097	783,179	753,276	811,011	639,959	482,877	342,947	217,166	102,003
Total all other governmental funds	\$ 6,322,437	\$ 6,330,922	\$ 4,929,920	\$ 4,365,277	\$ 3,911,555	\$ 3,518,383	\$ 2,847,001	\$ 8,659,096	\$ 4,890,848	\$ 3,764,729

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

Table 4

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	\$ 15,533,053	\$ 16,199,702	\$ 16,753,331	\$ 16,962,723	\$ 17,174,708	\$ 17,904,992	\$ 20,502,718	\$ 25,041,195	\$ 29,701,648	\$ 33,045,144
Sales taxes	6,950,694	7,533,789	7,912,573	8,373,713	8,791,276	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373
Other local taxes	10,131,290	10,570,338	12,339,688	13,319,018	13,454,320	14,468,522	17,003,620	18,320,664	18,210,742	17,903,046
Permits, privilege fees and regulatory licenses	241,631	200,299	180,609	236,827	433,236	621,027	639,874	619,646	560,761	450,188
Fines and forfeitures	221,814	211,335	175,750	170,343	171,173	185,477	274,987	221,123	203,206	171,521
Revenues from use of money and property	478,184	590,333	725,439	353,053	208,570	86,646	226,866	897,306	1,357,831	1,504,587
Charges for services	496,492	537,943	630,776	666,325	732,614	827,070	834,354	843,209	1,420,091	1,698,424
Miscellaneous	70,796	440,921	133,863	284,004	387,757	382,337	391,358	436,721	763,945	465,622
Recovered costs	829,184	791,577	559,903	597,267	670,731	647,694	650,470	776,667	903,114	887,583
Intergovernmental	8,151,077	9,558,743	9,891,643	11,203,986	11,810,132	12,477,171	12,575,431	13,646,660	13,697,391	13,849,118
Total revenues	43,104,215	46,634,980	49,303,575	52,167,259	53,834,517	57,136,831	63,372,900	71,697,884	77,099,785	79,722,606
Expenditures										
General government administration	2,446,637	2,569,682	2,512,660	2,580,774	2,566,622	3,201,756	3,140,752	3,445,735	3,907,048	4,420,565
Judicial administration	1,249,391	1,247,868	1,263,211	1,355,647	1,511,492	1,609,089	1,661,817	1,929,431	2,266,027	2,537,903
Public safety	7,346,721	8,271,879	8,762,548	9,110,416	10,387,188	11,041,207	12,505,214	14,851,908	15,745,426	16,592,044
Public works	3,350,943	3,370,922	3,797,117	4,342,821	5,139,949	5,878,314	5,645,313	6,994,174	7,592,466	9,579,042
Health and welfare	5,064,947	6,166,899	5,643,528	5,826,622	6,168,712	6,270,468	6,678,900	6,852,789	7,675,658	7,728,686
Education (1)	15,841,850	17,091,927	17,118,913	18,459,427	20,872,530	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160
Parks, recreation and culture	1,332,493	1,578,986	1,679,441	1,880,178	1,974,719	2,239,955	2,125,648	2,702,534	2,941,953	3,898,630
Community development	612,902	601,728	744,326	1,326,312	1,490,323	1,560,657	2,456,570	1,922,337	1,897,862	2,247,515
Capital projects	1,988,295	3,349,991	4,651,233	4,565,268	1,826,167	583,013	744,593	1,004,599	2,866,617	2,466,646
Debt service:										
Principal retirement	2,593,164	2,654,826	2,696,598	2,746,988	2,837,627	3,101,293	3,511,299	4,290,832	4,860,328	5,702,316
Interest and fiscal charges	1,655,313	1,745,145	1,799,740	1,778,645	1,620,693	1,669,686	1,763,091	3,048,509	4,136,444	4,592,251
Bond issuance costs	12,686	15,970	-	9,457	27,542	105,029	297,686	260,168	142,965	98,552
Advance refunding escrow	-	-	-	-	88,892	-	129,378	-	-	-
Total expenditures	43,495,342	48,665,823	50,669,315	53,982,555	56,512,456	64,189,061	82,105,605	104,132,865	99,006,030	92,504,310
Excess of revenues over (under) expenditures	(391,127)	(2,030,843)	(1,365,740)	(1,815,296)	(2,677,939)	(7,052,230)	(18,732,705)	(32,434,981)	(21,906,245)	(12,781,704)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other Financing Sources (Uses)										
Sale of property	1,068,027	-	-	187,374	43,465	382,758	7,004	752,455	82,493	1,520
Insurance recoveries	-	-	-	-	-	-	-	59,303	13,416	14,015
Bonds issued	5,000,000	3,000,003	-	4,249,054	8,736,000	6,710,000	28,172,590	39,000,000	19,260,000	7,200,000
Premium on debt	-	-	-	-	-	61,315	620,625	1,230,047	772,124	88,710
Capital lease	66,414	65,812	-	-	-	242,595	766,308	282,000	360,425	441,500
Payment to refunded bond escrow agent	-	-	-	-	(5,056,000)	-	(9,952,868)	-	-	-
Transfers in	1,469,500	2,136,621	2,608,336	2,397,496	3,409,678	3,651,075	4,715,464	6,848,646	6,919,733	9,642,156
Transfers out	(1,539,500)	(2,150,953)	(2,517,474)	(2,262,496)	(3,319,678)	(2,246,733)	(2,895,595)	(3,800,775)	(5,419,456)	(7,847,350)
Total other financing sources and uses	6,064,441	3,051,483	90,862	4,571,428	3,813,465	8,801,010	21,433,528	44,371,676	21,988,735	9,540,551
Net change in fund balances	\$ 5,673,314	\$ 1,020,640	\$ (1,274,878)	\$ 2,756,132	\$ 1,135,526	\$ 1,748,780	\$ 2,700,823	\$ 11,936,695	\$ 82,490	\$ (3,241,153)
Debt service as a percentage of noncapital expenditures (2)	N/A	N/A	N/A	N/A	9.5%	8.6%	7.8%	8.3%	11.1%	14.1%

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

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

Table 5

Fiscal Year	Real Property (1)(3)					Personal Property (1)							Total Taxable Assessed Value	Total Direct Tax Rate	
	Residential	Commercial	Tax Rate per \$100	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Mobile Homes			Tax Rate per \$100
1999	\$ 824,902,170	\$ 575,655,500	\$ 0.64	\$ 48,766,228	\$ 0.59	\$ 135,130,088	\$ 3.50	\$ 39,606	\$ 3.50	\$ 114,367,950	\$ 1.20	\$ 193,687	\$ 0.59	\$ 1,699,055,229	\$ 0.91
2000	832,048,200	582,892,100	0.67	52,657,384	0.64	139,920,386	3.50	29,272	3.50	121,353,982	1.20	197,498	0.65	1,729,098,822	0.93
2001	860,660,706	590,123,200	0.72	55,354,811	0.67	153,267,558	3.50	34,012	3.50	121,068,656	1.20	173,462	0.65	1,780,682,405	0.99
2002	856,043,311	600,065,600	0.72	54,035,828	0.72	153,944,372	3.50	34,190	3.50	131,402,338	1.20	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	3.50	19,014	3.50	135,636,858	1.20	225,300	0.65	2,192,964,564	0.83
2004	1,168,629,389	744,643,100	0.63	59,448,513	0.58	157,769,037	3.50	10,558	3.50	116,302,067	1.20	242,600	0.72	2,247,045,264	0.87
2005 (2)	1,547,000,230	846,685,200	0.63	52,812,984	0.63	163,876,921	3.50	33,411	3.50	114,813,086	1.30	236,400	0.63	2,725,458,232	0.82
2006	1,611,591,819	873,266,900	0.69	64,545,448	0.63	174,036,126	4.50	-	4.50	121,396,014	1.30	251,900	0.63	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	4.50	7,656	4.50	116,375,721	1.30	212,900	0.69	3,721,426,528	0.86
2008	2,209,123,962	1,151,495,700	0.68	62,548,699	0.65	184,820,863	4.50	8,814	4.50	116,719,433	1.30	197,956	0.65	3,724,915,427	0.88

Notes:

- (1) Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
(2) General reassessment of real property completed for the 2003, 2005, and 2007 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		
1999	\$ 0.53	\$ 0.02	\$ 0.28	\$ 0.08	\$	0.91
2000	0.55	0.02	0.28	0.08		0.93
2001	0.59	0.02	0.30	0.08		0.99
2002	0.58	0.02	0.30	0.09		0.99
2003	0.49	0.02	0.25	0.07		0.83
2004	0.54	0.02	0.25	0.06		0.87
2005	0.55	0.01	0.21	0.05		0.82
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		0.88

Notes:

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

Source:

City of Winchester, Commissioner of the Revenue

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

Table 7

Taxpayer	December 31, 2007			December 31, 1998		
	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	1.23%	\$ -	-	-
Winchester Medical Center, Inc.	42,421,300	2	1.16%	-	-	-
DDRM Apple Blossom Corners, LLC	25,967,200	3	0.71%	-	-	-
P D K Winchester, LC	20,478,900	4	0.56%	-	-	-
Trout Segall & Doyle Winc Prop, LLC	20,153,500	5	0.55%	-	-	-
Wal-Mart Realty Co.	19,464,500	6	0.53%	-	-	-
Rubbermaid Com. Prod., Inc.	17,531,400	7	0.48%	15,387,500	2	0.93%
National Fruit Product Co., Inc.	14,589,400	8	0.40%	12,864,800	5	0.78%
Loveless Homes X, LLC	12,462,300	9	0.34%	-	-	-
Pleasant Valley Market Place, LLC	12,455,000	10	0.34%	-	-	-
Apple Blossom Mall Trust	-	-	-	29,112,100	1	1.76%
Pine Motor Co/Chs. A. Pine, Jr.	-	-	-	14,472,100	3	0.88%
Dev. Diversified Realty Corp	-	-	-	13,066,300	4	0.79%
O'Sullivan Corporation	-	-	-	12,649,800	6	0.77%
Molden Real Estate	-	-	-	11,263,600	7	0.68%
Walmart Stores, Inc.	-	-	-	11,116,700	8	0.67%
Glaize Development	-	-	-	10,738,500	9	0.65%
Aikens Investments	-	-	-	10,102,400	10	0.61%
Total	\$ 230,740,600		6.30%	\$ 140,773,800		8.52%

Source:
City of Winchester, Assessor's Office

**CITY OF WINCHESTER, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Nine Fiscal Years (1)**

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (2)		Collections in Subsequent Years	Total Collections to Date	
	Original Levy	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2000	\$ 15,782,711	\$ 1,378,280	\$ 17,160,991	\$ 14,864,456	94.18%	\$ 2,050,314	\$ 16,914,770	98.57%
2001	16,494,957	1,617,543	18,112,500	15,704,676	95.21%	2,166,370	17,871,046	98.67%
2002	17,395,955	1,748,509	19,144,464	16,414,575	94.36%	2,554,340	18,968,915	99.08%
2003	18,718,770	1,875,460	20,594,230	17,686,635	94.49%	2,648,814	20,335,449	98.74%
2004	19,391,170	1,804,840	21,196,010	18,547,957	95.65%	2,442,806	20,990,763	99.03%
2005	20,766,491	2,018,385	22,784,876	19,893,140	95.79%	2,627,106	22,520,246	98.84%
2006	25,705,020	2,782,927	28,487,947	24,280,467	94.46%	3,707,047	27,987,514	98.24%
2007	29,728,314	2,773,908	32,502,222	28,477,374	95.79%	2,059,109	30,536,483	93.95%
2008	32,280,468	-	32,280,468	31,240,872	96.78%	-	31,240,872	96.78%

Source:

City of Winchester, Treasurer

Notes:

- (1) Information is only available for last 9 years. Data will be added until a 10 year comparison is achieved.
- (2) Includes the Commonwealth's personal property tax reimbursement.

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

Table 9

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Capital Leases	General Obligation Bonds				
1999	\$ 35,448,741	\$ 3,534,893	\$ 34,174	\$ 10,547,859	\$ 49,565,667	8.75%	\$ 2,213	
2000	35,840,714	1,504,098	33,942	16,649,440	54,028,194	8.41%	2,291	
2001	33,178,057	547,670	623,987	15,510,073	49,859,787	7.37%	2,069	
2002	34,669,317	-	634,793	20,176,978	55,481,088	8.20%	2,302	
2003	35,936,575	-	521,908	18,771,515	55,229,998	8.17%	2,292	
2004	39,747,433	-	562,352	20,835,285	61,145,070	9.16%	2,502	
2005	55,393,281	-	945,288	21,751,067	78,089,636	11.80%	3,196	
2006	90,474,179	-	800,463	26,662,924	117,937,566	15.60%	4,695	
2007	105,263,817	-	819,884	29,886,248	135,969,949	16.88%	5,382	
2008	107,244,423	-	834,745	28,497,851	136,577,019	16.18%	5,307	

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 on page 118 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)
1999	\$ 35,448,741	\$ 213,348	\$ 35,235,393	2.07%	\$ 1,573
2000	35,840,714	342,097	35,498,617	2.05%	1,505
2001	33,178,057	783,179	32,394,878	1.82%	1,344
2002	34,669,317	753,276	33,916,041	1.89%	1,407
2003	35,936,575	811,011	35,125,564	1.60%	1,457
2004	39,747,433	639,959	39,107,474	1.74%	1,601
2005	55,393,281	482,877	54,910,404	2.01%	2,247
2006	90,474,179	342,947	90,131,232	3.17%	3,588
2007	105,263,817	217,166	105,046,651	2.82%	4,158
2008	107,244,423	102,003	107,142,420	2.88%	4,164

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 on page 110 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 118.

CITY OF WINCHESTER, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
As of June 30, 2008

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	\$ 108,079,168	100%	\$ 108,079,168

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 144,932,390	\$ 146,759,768	\$ 150,613,872	\$ 151,014,474	\$ 190,332,033	\$ 197,272,100	\$ 244,649,841	\$ 254,940,417	\$ 342,079,042	\$ 342,316,836
Total net debt applicable to limit	<u>45,783,252</u>	<u>52,148,057</u>	<u>47,904,951</u>	<u>54,093,019</u>	<u>53,260,133</u>	<u>59,942,759</u>	<u>76,661,471</u>	<u>116,794,156</u>	<u>134,932,899</u>	<u>135,640,271</u>
Legal debt margin	\$ <u>99,149,138</u>	\$ <u>94,611,711</u>	\$ <u>102,708,921</u>	\$ <u>96,921,455</u>	\$ <u>137,071,900</u>	\$ <u>137,329,341</u>	\$ <u>167,988,370</u>	\$ <u>138,146,261</u>	\$ <u>207,146,143</u>	\$ <u>206,676,565</u>
Total net debt applicable to the limit as a percentage of debt limit	31.59%	35.53%	31.81%	35.82%	27.98%	30.39%	31.34%	45.81%	39.44%	39.62%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Value of Real Property	\$ 3,423,168,361
Debt Limit - 10%	342,316,836
Amount of Debt Applicable to Debt Limit	
General obligation bonds	135,742,274
Less: Amount set aside for repayment of general obligation debt	<u>(102,003)</u>
Total net debt applicable to limit	<u>135,640,271</u>
Legal Debt Margin	<u>\$ 206,676,565</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
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Table 13

Fiscal Year	Popu- lation(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		
1999	22,400	\$ 566,339	\$ 25,283	35.2	68.8%	18.8%	3,270	2.50%
2000	23,585	642,715	27,251	35.2	75.4%	23.7%	3,315	1.80%
2001	24,100	676,318	28,063	35.2	75.4%	23.7%	3,368	3.00%
2002	24,100	676,318	28,063	35.2	75.4%	23.7%	3,466	3.30%
2003	24,100	676,318	28,063	35.2	75.4%	23.7%	3,517	3.30%
2004	24,434	667,244	27,308	35.2	75.4%	23.7%	3,567	2.90%
2005	24,434	661,770	27,084	35.2	75.4%	23.7%	3,631	3.30%
2006	25,119	756,182	30,104	35.2	75.4%	23.7%	3,756	2.80%
2007	25,265	805,625	31,887	35.2	75.4%	23.7%	3,708	3.10%
2008	25,733	844,325	32,811	36.0	75.4%	23.7%	3,652	4.60%

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 14

<u>Employer</u>	<u>December 31, 2007</u>			<u>December 31, 1998</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	7.11%	1,000 and over	1	7.71%
Rubbermaid Commercial Products	500 - 999	2	3.55%	1,000 and over	2	7.71%
Winchester City Public Schools	500 - 999	3	3.55%	500 - 999	5	3.85%
Wal Mart	500 - 999	4	3.55%	500 - 999	6	3.85%
Shenandoah University	500 - 999	5	3.55%	500 - 999	7	3.85%
City of Winchester	500 - 999	6	3.55%	-	-	-
Trex Company	250 - 499	7	1.78%	-	-	-
O'Sullivan Films, Inc.	250 - 499	8	1.78%	-	-	-
Axiom Staffing Group	250 - 499	9	1.78%	-	-	-
Martins Food Market	250 - 499	10	1.78%	-	-	-
Lear Operations Corporation	-	-	-	500 - 999	9	3.85%
Moog Automotive	-	-	-	500 - 999	3	3.85%
Polyone Engineered Films	-	-	-	500 - 999	4	3.85%
Manpower Temporary Service	-	-	-	500 - 999	8	3.85%
Kohl's Department Stores	-	-	-	500 - 999	10	3.85%
Total	<u>4,500</u>		<u>31.98%</u>	<u>6,000</u>		<u>46.22%</u>

Source: Virginia Employment Commission

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

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

Table 15

	Full-Time Equivalent Employees as of June 30		
	2006	2007	2008
Function/Program			
General government administration	45	46	46
Judicial administration	38	38	38
Public safety	228	243	234
Public works	39	59	60
Health and welfare	45	41	43
Parks, recreation and culture	50	40	50
Community development	13	20	19
Water and sewer	60	64	67
Bus service	15	13	13
Parking authority	12	10	8
Schools	685	685	687
Total	1,230	1,259	1,265

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 three fiscal years. Data will be added until a 10 year comparison is achieved.

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

Table 16

<u>Function</u>	<u>Fiscal Year</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government			
Building permits issued	780	762	600
Building inspections conducted (commercial and residential)	11,904	11,858	10,074
Police			
Physical arrests	4,855	3,567	2,701
Parking violations	8,524	8,048	7,647
Traffic violations	5,168	4,531	4,087
Fire			
Emergency responses	5,560	5,623	5,498
Structure fires	70	56	54
On-site fire inspections	378	97	143
Fire suppression inspection tests (2)	112	167	106
Refuse Collection			
Refuse collected (tons per year -- residential and non-residential)	8,696.24	7,578.50	7,117.36
Recyclables collected (tons per year -- does not include cardboard or yard waste)	1,922.52	2,014.29	2,031.84
Recyclable scrap	-	10.72	19.18
Other Public Works			
Street resurfacing (miles)	2	5	2.5
Parks and Recreation			
Shelter permits issued	493	448	681
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	34,457	30,126	38,061
Racquetball court users	2,774	1,341	1,345
Indoor fitness room users	7,280	6,077	8,136
Water			
Average daily production	7.3 mgd	7.9 mgd	7.95 mgd
New connections (3)	179	38	55
Total connections (3)	10,930	10,824	10,879
Water main breaks (3)	58	55	60
Average daily consumption	5.8 mgd	5.9 mgd	6.1 mgd
Wastewater			
Average daily flow (12 month period)	4.4 mgd	4.9 mgd	4.8 mgd
Peak Flow (12 month period)	9.8 mgd	9.7 mgd	9.8 mgd
Transit			
Passenger trips	149,796	148,169	139,672
Schools			
Number of teachers, Elementary (K-4)	142	132	121
Number of teachers, Middle 5-8)	85	99	99
Number of teachers, Secondary (9-12)	94	100	102
Number of students, Elementary (K-4)	1,712	1,417	1,447
Number of students, Middle (5-8)	817	1,101	1,063
Number of students, Secondary (9-12)	1,113	1,190	1,142

Source: Various Departments in the City

Notes:

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

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

Table 17

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

Source: Various Departments in the City

Notes:

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

SINGLE AUDIT SECTION

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

The Honorable Members of the Common 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 (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 19, 2008. 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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Didavick & Knopp, P.C.

November 19, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Members of the Common Council
City of Winchester, Virginia

Compliance

We have audited the compliance of the City of Winchester, Virginia (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditors' 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 of Winchester, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Didawick & Knapp, P.C.

November 19, 2008



**CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

I. SUMMARY OF THE AUDITOR'S RESULTS

- a. The auditor's report expresses an unqualified opinion on the financial statements of the City of Winchester.
- b. No significant deficiencies in internal control were disclosed during the audit of the financial statements.
- c. No instances of noncompliance material to the financial statements of the City of Winchester were disclosed during the audit.
- d. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
- e. The auditor's report on compliance for the major federal award programs for the City of Winchester expresses an unqualified opinion on all major federal programs.
- f. The audit did not disclose any findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- g. The programs tested as major programs included:

	<u>CFDA</u> <u>No.</u>
i. <u>Child Nutrition Cluster:</u>	
School Breakfast Program	10.553
National School Lunch Program	10.555
ii. Community Development Block Grant – Entitlement Grants	14.218
iii. <u>Special Education Cluster (IDEA):</u>	
Special Education - Grants To States (IDEA, Part B)	84.027
Special Education – Preschool (IDEA Preschool)	84.173
iv. Title I Grants to Local Education Agencies	84.010
v. Foster Care Title IV-E	93.658
vi. <u>Federal Transit Cluster:</u>	
Federal Transit Capital Investment Grants	20.500
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507

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

II. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

128

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture:</u>			
Nutrition Cluster:			
National School Lunch Program	10.555	N/A	\$ 114,691
<u>Department of Corrections:</u>			
Nutrition Cluster:			
National School Lunch Program	10.555	35602	35,749
<u>Department of Education:</u>			
Nutrition Cluster:			
School Breakfast Program	10.553	40591	173,103
National School Lunch Program	10.555	40623	645,599
<u>Department of Forestry:</u>			
Cooperative Forestry Assistance	10.664	50105	3,085
<u>Department of Social Services:</u>			
Food Stamp Cluster:			
State Administrative Matching Grants for the Food Stamp Program	10.561		
Allocated Eligible S&O Food Stamps		85303, 85403, 85603, & 85703	236,281
Allocated Eligible S&O FSET		85304, 85404, & 85704	8,661
Admin-Cost Allocation Food Stamp		84322	31,679
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	84.010	42901 & 42892	805,583
Special Education - Grants to States	84.027	43071, 61110, & 61176	889,252
Vocational Education - Basic Grants to States	84.048	61095	64,929
Safe & Drug-Free Schools and Communities - State Grants	84.186	60511	13,260
21st Century Community Learning Centers	84.287	60565	168,524
State Grants for Innovative Programs	84.298	49005	7,602
Education Technology State Grants	84.318	61750 & 61600	8,938
Advanced Placement Program	84.330	60935	1,219
English Language Acquisition Grants	84.365	60512	57,642
Improving Teacher Quality State Grants	84.367	61480	169,501
Special Education - Preschool	84.173	62521	31,205
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	93.556		
Family Preservation		86601 & 86602	11,096
Allocated Eligible & Service S&O IV-B 2 FFS		85328 & 85428	15,259
Allocated Eligible & Service S&O IV-B 2 TLFRS		85329 & 85429	2,404
Allocated Service S&O IV-B 2 APSS		85430	921
Reunification Family Support		86605	2,502
Administration		86607	320

CITY OF WINCHESTER, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2008

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</u>			
<u>Pass-Through Programs: (cont'd)</u>			
<u>Department of Social Services: (cont'd)</u>			
Temporary Assistance for Needy Families:	93.558		
VIEW - Component and Component Activities		87201	\$ 2,462
VIEW - Transportation		87207	4,301
VIEW - Jobs Support Services		87202	27,738
Transitional Transportation		87204	789
Aid to Dependent Children		80801	95
Emergency Assistance		81001	363
Allocated Eligible S&O TANF Program		85309	3,999
Allocated Eligible S&O TANF Admin.		85310	23,882
Allocated Eligible S&O View Admin		85311	1,350
Allocated Eligible S&O VIEW Program		85312	1,738
Allocated Service TANF Program		85409	23,153
Allocated Service TANF Admin		85410	18,000
Allocated Service TANF Program		85411	24,711
Allocated Service TANF Program		85412	41,551
Allocated Eligible & Service S&O IV-B 2 FPS		85327 & 85427	20,525
Allocated Eligible & Service S&O PT TANF Program		85609 & 85612	4,467
Allocated Eligible & Service S&O PT TANF Admin.		85610 & 85611	11,315
Refugee and Entrant Assistance (State- Administered Programs):	93.566		
Refugee Cash Assistance		81901	2,080
Cost Allocation Refugee		84320	64
Allocated Eligible & Service S&O PT Refugee		85613 & 85713	618
Allocated Eligible & Service S&O Refugee		85313 & 85413	628
Low-Income Home Energy Assistance:	93.568		
Low Income Home Energy Assistance		85314, 85315, 85414, & 85415	4,941
Child Care and Development Block Grant:	93.575		
CDC Quality Initiative		89001	5,429
Head Start		87801	15,153
CDC Fee at Risk		88302	126,789
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		
VIEW TANF Working DC		87101	31,769
VIEW Transitional DC		87102	9,255
TANF Working DC		87104	9,888
Transitional Day Care		87103	6,335
Allocated Eligible & Service S&O Child Care Certification		85316, 85416, 85616, & 85716	52,041
Allocated Eligible & Service S&O Non-Dir. Service		85317, 85417, 85617, & 85717	2,288
Allocated Eligible & Service S&O Child Care Quality		85318, 85418, 85618, & 85718	4,009
Allocated Eligible & Service S&O Child Care Admin		85319 & 85419	13,091
Independent Living Prog. - Education and Training Vouchers	93.599	86101	3,312
Child Welfare Services - State Grant	93.645	85431	1,856
Foster Care - Title IV-E:	93.658		
Residential Foster Care		81107	153,571
Child Placing Agency		81108 & 81109	25,898
Agency Foster Homes		81110	46,761
Cost Allocation-IV-E		84319	19,489
Allocated Eligible & Service S&O Other Admin Foster Care		85438 & 85738	211
Allocated Eligible & Service S&O FC Eligibility		85305, 85405, 85605, & 85705	7,891
Allocated Eligible & Service S&O Case Planning		85306, 85406, 85606, & 85706	86,025
Allocated Eligible & Service S&O Pre Placement		85407 & 85707	15,366

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

130

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</u>			
<u>Pass-Through Programs: (cont'd)</u>			
<u>Department of Social Services: (cont'd)</u>			
Adoption Assistance:	93.659		
Subsidized Adoption		81201	\$ 65,807
IV-E Adoption Assistance Non-Recurring		81202	1,869
Allocated Eligible & Service S&O Adoption		85308, 85408, & 85708	9,840
Social Services Block Grant:	93.667		
Adult Protective Services		82401 & 89501	6,263
Child Protective Services		82402	33
Housing Services		82415	451
Prevention Services		82418	49
Family Support		82904	1,748
Family Preservation PS		82905	193
Adult Service Home Based Companion		83304	15,960
Allocated Eligible & Service S&O SSBG - APS		85320 & 85420	17,512
Allocated Eligible & Service S&O SSBG - Admin.		85321 & 85421	3,641
Allocated Eligible & Service S&O SSBG - Prevention		85322 & 85422	37,589
Allocated Eligible & Service S&O SSBG - Adult		85323 & 85423	59,886
Allocated Eligible & Service S&O SSBG - Foster Care		85324 & 85424	67,204
Allocated Eligible & Service S&O SSBG - Adoption		85325 & 85425	3,190
Allocated Eligible & Service S&O SSBG - CPS		85326 & 85426	61,071
Allocated Eligible & Service S&O SSBG - Independent Living		85432 & 85442	762
CHAFEE Foster Care Independence Program	93.674	86201	6,945
Respite Care		86401	706
Allocated Eligible & Service S&O Chafee		85334 & 85434	2,168
Allocated Eligible & Service S&O Independent Living		85433 & 85733	1,234
State Children's Insurance Program:	93.767		
Allocated Service S&O FAMIS		85402 & 85702	479
Allocated Eligible S&O FAMIS		85302	8,882
Medical Assistance Program (Title XIX):	93.778		
Cost Allocations - Medicaid		84323	27,882
Allocated Eligible & Service S&O Medicaid		85301 & 85401	119,291
Allocated Eligible & Service S&O PT Medicaid		85601 & 85701	61,505
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Emergency Management:</u>			
State Domestic Preparedness Equipment Support Program	97.004	CFCC05	558
Emergency Management Performance Grants	97.042	52747	8,905
Law Enforcement Terrorism Prevention Program	97.064	06-A5011HS05	39,867
State Domestic Preparedness Equipment Support Program	97.074	CFCC06	1,967
Commerical Equipment Direct Assistance Program	97.096	N/A	24,175
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Direct Programs:</u>			
Community Development Block Grants - Entitlement Grants	14.218	N/A	376,653
<u>Pass-Through Programs:</u>			
Community Development Block Grants - State's Program	14.228	N/A	81,594
<u>SMALL BUSINESS ADMINISTRATION:</u>			
<u>Direct Programs:</u>			
Small Business Administration Grant	59.000	SBA HQ-06-1-0055	87,657

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

131

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
NVRDTF Gang Grant	16.580	2007-DD-BX-0661	\$ 59,331
Bulletproof Vest Partnership Program	16.607	3018023	3,310
Public Safety Partnership and Community Policing Grants (COPS):	16.710		
COPS Methamphetamine Initiative		2004-CK-WX-0021 & 2005-CK-WX-0402	24,960
COPS Technology		2006-CK-WX-0274	74,042
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice:</u>			
Crime Victim Assistance	16.575	08-M8584VW07	77,756
Violence Against Women Formula Grants	16.588	07-13141VA06	4,997
Dedicated Offender Review (DOOR) Stop		07-H3504VA06	18,636
Byrne JAG Program	16.738	07-B1228LO06, 07-A5221AD06, & 08-B5221AD06	18,620
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct Programs:</u>			
ISTEA GRANT & Bicycle/Pedestrian Safety Improvements	20.205	EN06-138-119, P101, & U000-138-116, C501	230,228
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	73005-22	98,757
Federal Transit - Formula Grants	20.507	VA-90-X303	368,301
<u>Pass-Through Programs:</u>			
<u>Department of Motor Vehicles:</u>			
State and Community Highway Safety	20.600	OP-2007-57068-2543	5,629
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	K8-2008-58152-3093	31,357
Alcohol Open Container Requirements	20.607	154AL-2007-57069-2544	8,675
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Direct Payments:</u>			
Brownfield's Pilot Cooperative Agreement	66.811	N/A	32,136
Total Expenditures of Federal Awards			<u>\$ 6,614,473</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Winchester, Virginia and is presented on the modified accrual basis of accounting.

David W. Didawick, CPA
Joel A. Knopp, CPA

(540) 885-0855
Fax (540) 885-3890
www.dkcpa.net

117 MacTanly Place • P. O. Box 2976 • Staunton, Virginia 24402-2976

SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

The Honorable Members of the Common Council
City of Winchester, Virginia

As more fully described in the Independent Auditor's Report on Compliance for the year ended June 30, 2008, 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 Investments Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

Education
Social Services
Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Budget and Appropriation Ordinances

Didawick & Knopp, P.C.

November 19, 2008