

# Comprehensive Annual Financial Report



City of Winchester, Virginia  
Fiscal Year Ended  
June 30, 2009

The cover picture is of the Active Living & Recreation Center Addition to the existing War Memorial Building in Jim Barnett Park. Construction was completed in November 2008. The 21,000 square foot addition includes a full size and half size gymnasium, a social hall, a commercial kitchen, meeting rooms, office space, a covered portico, new restrooms, and expanded parking. During the construction, many upgrades were made to the existing War Memorial Building. These upgrades include: new tile flooring, expanded lobby space, a new patio, new customer service desk, new lighting, renovated office spaces and renovations to the existing restrooms.

The facility was designed with function in mind. The facility hosts the Shenandoah Area Agency on Aging and its Meals on Wheels program, private meetings and gatherings, and various activities including athletic events and activities, special events, and trade shows. The Social Hall space is linked to a backup generator and can be used during emergencies as a shelter or command center for emergency management. The Social Hall also boasts a spectacular view looking out over beautiful Jim Barnett Park. 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, 2009**

Prepared By:  
City of Winchester  
Finance Department

**CITY OF WINCHESTER, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2009**

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## **INTRODUCTORY SECTION**

**CITY OF WINCHESTER, VIRGINIA**

**THE COMMON COUNCIL**

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

Milton F. McInturff, Sr.  
John A. Willingham  
Les C. Veach  
John W. Hill

Evan H. Clark

**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

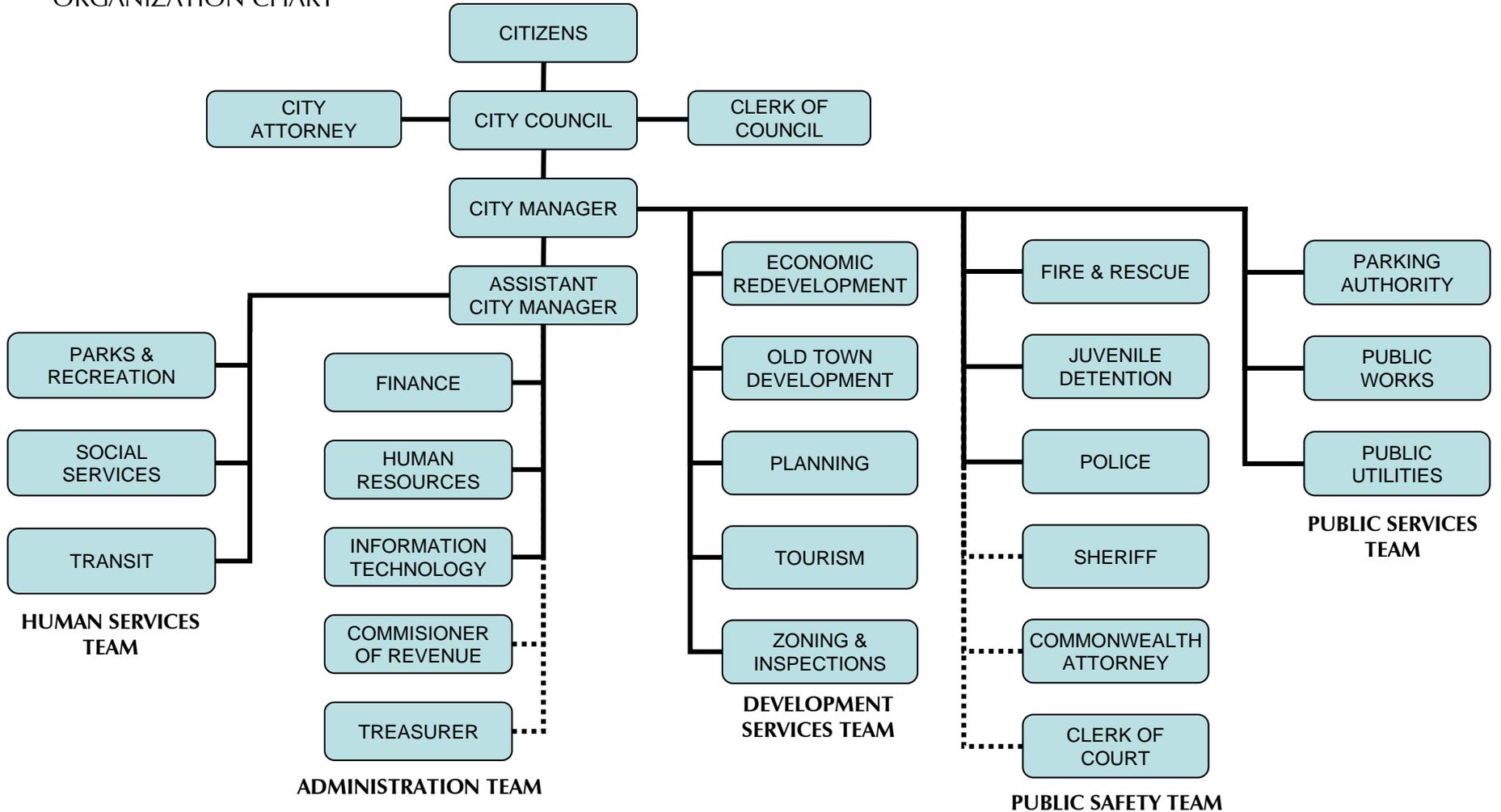
Mary M. Blowe  
Frank E. Wright  
Thomas D. Lloyd

Anthony C. Williams  
Karen B. Helm

Bradley S. Veach  
Timothy A. Youmans  
Kevin L. Sanzenbacher  
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  
Chief of Police  
Public Works Director  
Social Services Director  
Superintendent of Schools  
Voter Registrar  
Winchester Parking Authority  
Director

# CITY OF WINCHESTER ORGANIZATION CHART



- Parks & Recreation Advisory Board
- Social Services Advisory Board

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

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

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



# CITY OF WINCHESTER, VIRGINIA

Rouss City Hall  
15 North Cameron Street  
Winchester, VA 22601

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

November 20, 2009

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, 2009 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, 2009. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

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

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

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

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

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

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

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

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

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

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

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

### **Local Economy**

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

jobs ranging from agriculture, forestry, and manufacturing, to retail, professional, educational, and medical services.

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

Located within the City of Winchester is Shenandoah University, a United Methodist Church-affiliated institution, which was founded in 1875 in Dayton, Virginia, and moved to Winchester in 1960. Today, Shenandoah University has an enrollment of approximately 3,000 students. These students participate in more than 80 programs of study at the undergraduate, graduate, doctorate and professional levels in six schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, and School of Continuing Education. The University has expressed an interest to work with the City to develop an upperclassmen and graduate housing center in downtown Winchester.

The 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](http://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](http://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 43.9% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, and Winchester Station house Martin's, Staples, Kohl's, Office Max, Books-A-Million, Michael's, Old Navy, and Border's. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Big K-Mart, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of specialty shops and restaurants. There are also several anchorless strip centers and one life style center that house Ann Taylor, Jos A Banks Clothier, and other high end retail stores. The City also is home to several national chain restaurants. In addition, the City has several class A office buildings serving the professional services sector and business service entities.

The City's Economic Redevelopment Department and other regional economic organizations collaborate to stimulate economic growth in the City and the surrounding areas. The current efforts of the Economic Redevelopment Department include the recruitment and financing of Sunshine's Pride Dairy a new industry to the City that will employ 100 employees and invest \$7,500,000 in plant and equipment; and the issuance of \$175,000,000 in hospital revenue bonds to facilitate the aforementioned Winchester Medical Center expansion. The City has also been successful in obtaining grant funding for Redevelopment activities. The City is participating with the US Department of Housing and Urban

Development through the Community Development Block Grant Entitlement Program which provides ongoing annual funding. The major focus of the Community Development Block Grant Entitlement Funds is to encourage and support 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 (26.7% of General Fund expenditures) falls within the policy guidelines set by Council for planning purposes. Twenty percent is the target for the City's General Fund balance.

As part of our strategic plan, the City has implemented a 20 year financial planning model to help project revenue and expenditures through the year 2030. Factored into the financial planning model are the future major capital projects. The City will need to purchase new emergency communication equipment and towers to meet new communication regulations which will cost approximately \$6,000,000 million in future fiscal years. Renovation and expansion of John Kerr Elementary School will be a consideration for a future bond issue of approximately \$10 to 18 million. Operational costs for the newly renovated facility will increase as the renovations are completed at an approximate cost of \$1,000,000. The school is approximately 40 years old and has never been renovated. Enrollment projections show that elementary space is inadequate to handle the additional 350 students anticipated by the year 2013. These improvements should take us well into the future and provide a quality education for all students in the City.

### **Relevant Financial Policies**

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

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

### **Major Initiatives**

#### **A. Water Treatment Plant**

The City's water treatment plant is located south of Middletown and provides the sole source of potable water for the City. The facility is over 50 years old and much of the plant's equipment is original and has reached the end of its useful life. The City recently completed the first phase of some significant upgrades at the facility. These improvements included flocculation and sedimentation equipment replacement, the installation of a backup power generator, and the replacement of the gas chlorine feed system with a liquid chlorine feed system. The total cost of these improvements was approximately \$7 million.

The second phase of the upgrades is scheduled to begin in January 2010 and should be completed by the end of 2012. These improvements will cost approximately \$25 million and will consist of:

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

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

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

The City has started an aggressive program of replacing the old water and sewer infrastructure. The City is nearing completion on two separate projects that will replace approximately 4 miles of water and sewer mains in the core downtown area and along Berryville Avenue (a major commercial corridor). The total cost of these two projects is approximately \$19 million.

The City plans to continue with similar water and sewer replacement projects in the future to ensure that the City can provide a reliable and safe water supply to its residents and businesses.

## **C. Transportation Improvements**

Making improvements to traffic flow throughout the City is a high priority for City Council. The City has recently completed upgrades on the first three phases of a city-wide traffic signal upgrade project. The final phase of the project will be completed in 2010. Overall, over 40 traffic signals will be upgraded to allow synchronized traffic flow on the City's major traffic corridors. The overall cost of the project is approximately \$6 million which includes approximately \$1.7 million in state funds and approximately \$600,000 in federal funds.

Another major traffic enhancement is that one-way traffic on Braddock and Cameron Streets will be converted to two-way traffic during fiscal year 2010. This change will make it easier to navigate through downtown Winchester. This change is being made in conjunction with the water and sewer main replacement project downtown and the traffic signal upgrade project. As such, the cost to the City's General Fund for converting to two-way traffic is minimal.

## **Awards and Acknowledgment**

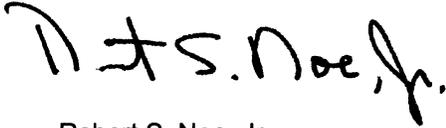
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winchester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the seventeenth year 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,



Robert S. Noe, Jr.  
Interim City Manager



Mary M. Blowe  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Winchester  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**FINANCIAL SECTION**

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

(540) 885-0855  
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www.dkcpa.net

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

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## 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, 2009, 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, 2009, 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 20, 2009, 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 on pages 3 through 11 and 52, 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.

*DiLawick & Knopp, P.C.*

November 20, 2009



**City of Winchester, Virginia  
Managements Discussion and Analysis  
Fiscal Year Ended June 30, 2009**

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, 2009. 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 2009 by \$28.0 million (net assets).
- The City's total net assets increased approximately \$5.8 million over the course of this year's operations. Net assets of governmental activities increased \$2.0 million and net assets of business-type activities increased \$3.8 million over the prior year. The increase in net assets by the governmental activities is the result of a reduction in long-term liabilities due to debt repayment.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23.6 million, a decrease of \$7.0 million in comparison with the prior year. Approximately 98% of this amount, \$23.2 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 \$20.1 million, a decrease of \$6.2 million in comparison with the prior year. This amount represents 26.7% of total general fund expenditures.
- The City's total debt increased by \$18.0 million, or 13.0%, during the current fiscal year due to the issuance of new debt for utility construction projects.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

The City adopts 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, equipment maintenance operation and other post-employment benefits. Because these three functions predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has

four fiduciary funds: the Northern Shenandoah Valley CSA Trust Fund, Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and Northwestern Regional Juvenile Detention Center Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-51 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 52 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 \$28.0 million at the close of fiscal year 2009.

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, 2009**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Assets</b>								
Current and other assets	34.8	\$ 41.4	\$ 23.3	\$ 11.9	\$ 58.1	\$ 53.3	\$ 10.6	\$ 23.2
Capital assets	63.6	60.1	76.0	57.8	139.6	117.9	114.8	106.0
<b>Total Assets</b>	<b>98.4</b>	<b>101.5</b>	<b>99.3</b>	<b>69.7</b>	<b>197.7</b>	<b>171.2</b>	<b>125.4</b>	<b>129.2</b>
<b>Liabilities</b>								
Current and other liabilities	13.4	13.6	6.2	3.9	19.6	17.5	5.9	10.3
Long-term liabilities	99.3	104.2	50.8	27.3	150.1	131.5	3.1	2.4
<b>Total Liabilities</b>	<b>112.7</b>	<b>117.8</b>	<b>57.0</b>	<b>31.2</b>	<b>169.7</b>	<b>149.0</b>	<b>9.0</b>	<b>12.7</b>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	44.6	42.3	36.8	35.0	81.4	77.3	112.4	106.0
Restricted	0.1	0.1	-	-	0.1	0.1	1.8	3.7
Unrestricted net assets	(59.0)	(58.7)	5.5	3.5	(53.5)	(55.2)	2.2	6.8
<b>Total Net Assets-as adjusted (Note 19)</b>	<b>\$ (14.3)</b>	<b>\$ (16.3)</b>	<b>\$ 42.3</b>	<b>\$ 38.5</b>	<b>\$ 28.0</b>	<b>\$ 22.2</b>	<b>\$ 116.4</b>	<b>\$ 116.5</b>

**Governmental activities.** As shown in Table 2, net assets for governmental activities increased from \$(16.3) million at the end of FY2008 to \$(14.3) million at the end of FY2009. The major reason for the increase is due to the fact that the City reduced its debt liability. 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 \$72.9 million and the total net assets for the primary government would be \$115.2 million.

**Table 2**  
**Changes in the City of Winchester's Net Assets**  
**Fiscal Year ended June 30, 2009**  
**(in millions)**

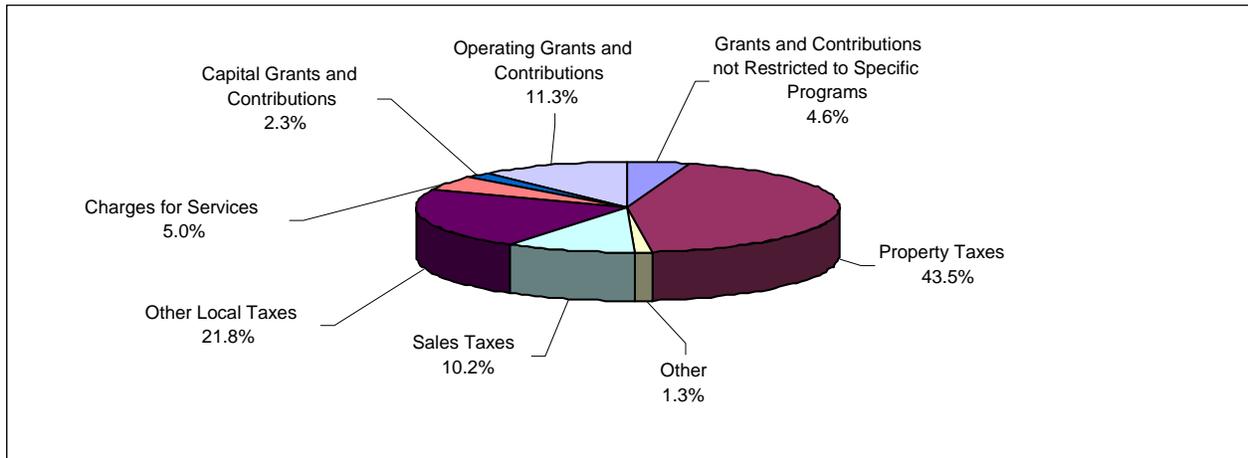
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Revenues</b>								
Program Revenues								
Charges for services	\$ 3.9	\$ 3.7	\$ 18.0	\$ 16.0	\$ 21.9	\$ 19.7	\$ 1.0	\$ 1.0
Operating grants and contributions	8.9	9.3	0.6	0.5	9.5	9.8	19.6	18.0
Capital grants and contributions	1.8	0.7	3.4	0.2	5.2	0.9	1.4	7.5
General Revenues								
Property taxes	34.2	33.3	-	-	34.2	33.3	-	-
Sales taxes	8.0	9.8	-	-	8.0	9.8	-	-
Other taxes	17.2	18.0	-	-	17.2	18.0	-	-
Grants and contributions not restricted to specific programs	3.6	3.7	-	-	3.6	3.7	-	-
Unrestricted investment earnings	0.5	1.4	0.1	0.3	0.6	1.7	0.2	1.1
Other	0.6	0.5	-	-	0.6	0.5	29.1	30.7
<b>Total revenues</b>	<b>\$ 78.7</b>	<b>\$ 80.4</b>	<b>\$ 22.1</b>	<b>\$ 17.0</b>	<b>\$ 100.8</b>	<b>\$ 97.4</b>	<b>\$ 51.3</b>	<b>\$ 58.3</b>
<b>Expenses</b>								
General government administration	4.6	5.0	-	-	4.6	5.0	-	-
Judicial administration	2.7	2.0	-	-	2.7	2.0	-	-
Public safety	18.3	16.8	-	-	18.3	16.8	-	-
Public works	7.1	7.9	-	-	7.1	7.9	-	-
Health and welfare	7.6	7.7	-	-	7.6	7.7	-	-
Education	27.9	31.8	-	-	27.9	31.8	51.4	48.6
Parks, recreation and culture	3.4	3.0	-	-	3.4	3.0	-	-
Community development	1.9	2.2	-	-	1.9	2.2	-	-
Interest on long-term debt	4.6	4.6	-	-	4.6	4.6	-	-
Water and sewer	-	-	16.0	14.4	16.0	14.4	-	-
Bus service	-	-	0.9	0.8	0.9	0.8	-	-
<b>Total expenses</b>	<b>78.1</b>	<b>81.0</b>	<b>16.9</b>	<b>15.2</b>	<b>95.0</b>	<b>96.2</b>	<b>51.4</b>	<b>48.6</b>
<b>Increase (decrease) in net assets</b>								
<b>before transfers</b>	<b>0.6</b>	<b>(0.6)</b>	<b>5.2</b>	<b>1.8</b>	<b>5.8</b>	<b>1.2</b>	<b>(0.1)</b>	<b>9.7</b>
Transfers	1.4	1.8	(1.4)	(1.8)	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b>2.0</b>	<b>1.2</b>	<b>3.8</b>	<b>-</b>	<b>5.8</b>	<b>1.2</b>	<b>(0.1)</b>	<b>9.7</b>
<b>Net Assets - beginning</b>								
<b>as adjusted (Note 19)</b>	<b>(16.3)</b>	<b>(17.5)</b>	<b>38.5</b>	<b>38.5</b>	<b>22.2</b>	<b>21.0</b>	<b>116.5</b>	<b>106.8</b>
<b>Net Assets - ending</b>	<b>\$ (14.3)</b>	<b>\$ (16.3)</b>	<b>\$ 42.3</b>	<b>\$ 38.5</b>	<b>\$ 28.0</b>	<b>\$ 22.2</b>	<b>\$ 116.4</b>	<b>\$ 116.5</b>

As shown in Table 2, the City's revenues from governmental activities totaled \$78.7 million for FY2009, a decrease of \$1.7 million from FY2008. As shown in Figure A, the City received 75.5% of its revenue from taxes. The major source of revenue for the City was property taxes (\$34.2 million or 43.5%), composed

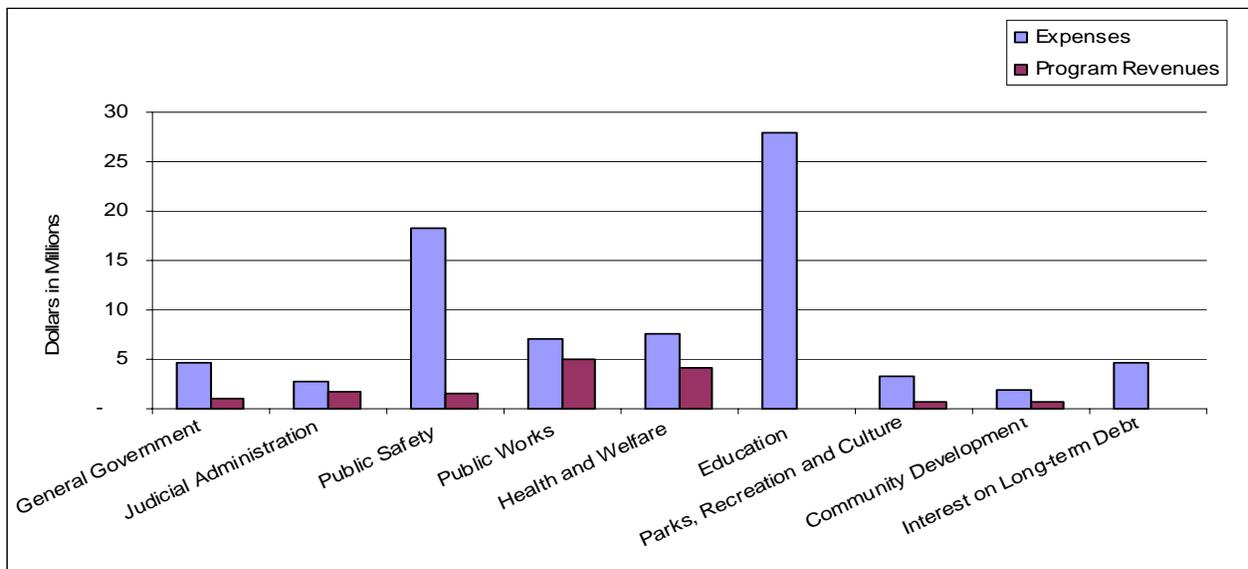
of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2009 decreased by approximately 11.6% from the prior year, due to the decline in residential property values. While property taxes increased \$0.9 million from the prior year, all other general revenues sources decreased by approximately \$3.5 million due to the slowing economy.

The City's expenses from governmental activities totaled \$78.1 million (Table 2) for the fiscal year ended June 30, 2009, a decrease of \$2.9 million from the prior year. As shown in Figure B, education was the largest expense at \$27.9 million or 35.7%, a decrease of \$3.9 million from FY2008. 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 \$18.3 million or 23.4%.

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



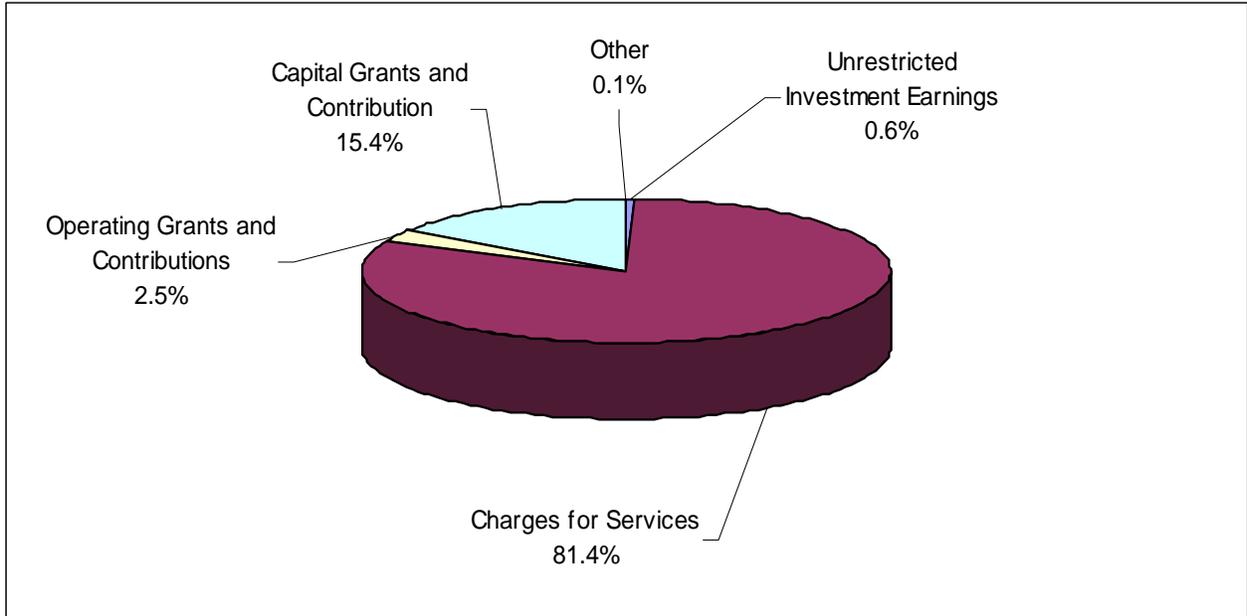
**Figure B**  
**Expenses and Program Revenues – Governmental Activities**



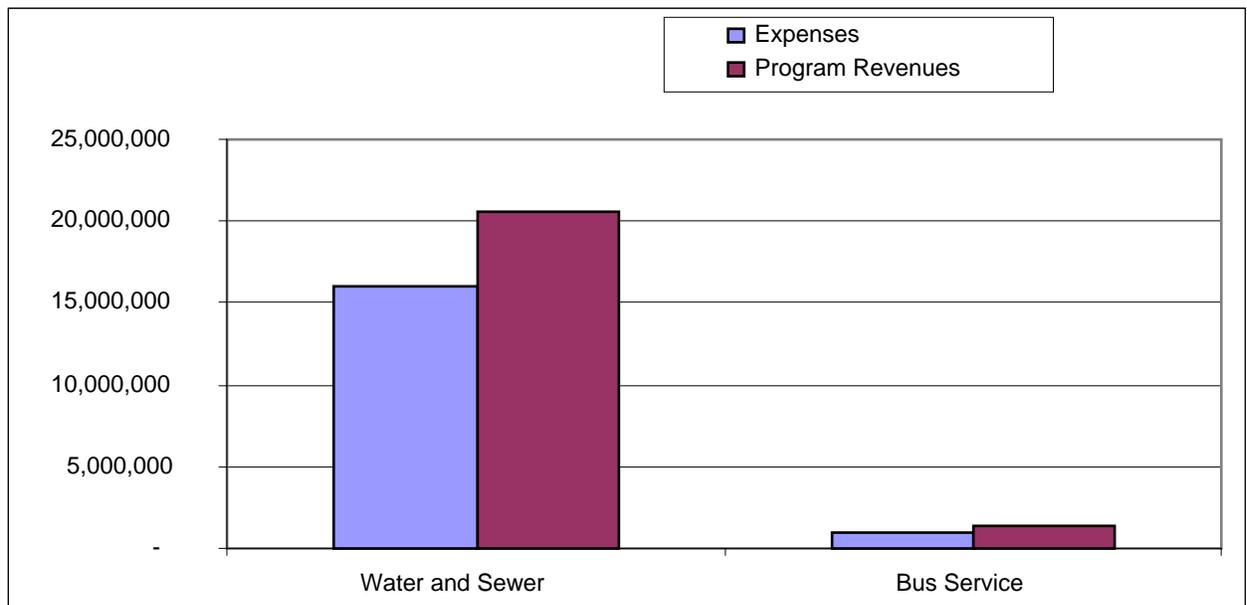
**Business-type activities.** The City's business-type activities include the water and sewer fund and the bus service fund. The net assets of these business-type activities totaled \$42.3 million (Table 2) an increase of \$3.8 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility and transit fees, which totaled \$18.0 million or 81.4% of the total revenues for business-type activities. Capital grants and

contributions increased 3.2 million from the prior year mainly due to an increase in contributed capital in the form of water & sewer infrastructure to the City. Expenses of the business-type activities totaled \$16.9 million (Table 2) an increase of \$1.7 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, 2009, the City's governmental funds reported combined fund balances of \$23.6 million, a decrease of \$7.0 million in comparison with the prior year. Approximately \$23.2 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, 2009, the unreserved, undesignated fund balance of the general fund was \$20.1 million, while total fund balance reached \$20.5 million. Unreserved, undesignated fund balance represents 26.7% 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 \$6.2 million during the current fiscal year. Key factors for the decrease include:

- The allocation of \$1.7 million reserves for capital improvement projects, such as traffic flow improvements downtown and on Loudoun Street and Papermill Road.
- General revenue taxes, including property taxes and sales tax fell short of budget projections by \$2.4 million due to the current economic downturn.
- The allocation of reserves to support Police and Sherriff salary increases, local matches for grant awards and to fund other increased operating costs.

**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, 2009, amounted to \$5.5 million, an increase of \$2.1 million from the prior year. The increase in the water and sewer can be mainly attributed to bond proceeds related to construction projects. Unrestricted net assets of the City's bus service fund amounted to \$0.2 million, the same as the prior year. The total increase in unrestricted net assets for both funds was \$2.1 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 \$2.0 million for the completion of capital projects from FY2008.

Actual revenues fell short of final budget amounts by \$2.4 million, while actual expenditures were \$3.0 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- General Property taxes fell short of estimated revenues by \$1.0 million, due to decreased collections in real estate and personal property taxes.
- Other local taxes fell short of estimated revenues by \$1.2 million, mainly due to the decreases in sales, communications, and meals tax revenue. This decrease is the result of the slowing economy and the growth in retail in the surrounding areas.
- Revenues from recovered costs exceeded estimated revenues by \$0.5 million, due to a refund of landfill charges.
- Actual combined general government, public safety, public works, health and welfare, and parks, recreation and cultural, expenditures were \$1.2 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, 2009, amounts to \$139.6 million net of depreciation, which represents an increase of \$21.7 million, or 18.4% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 8 to the financial statements.

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

- Completion of the Active Living Center project totaled \$5.5 million.
- Work in progress on the replacement of water and sewer lines and the renovation of the Percy D. Miller Water Treatment Plant; construction in progress at June 30, 2009 totaled \$15.7 million.
- Developer conveyance of infrastructure totaled \$2.6 million.

Table 3 summarizes the City's capital assets as of June 30, 2008 and 2009.

**Table 3**  
**City of Winchester's Capital Assets**  
**(net of depreciation)**  
**Fiscal Year ended June 30, 2009**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 3,205,485	\$ 3,205,485	\$ 1,451,070	\$ 1,451,070	\$ 4,656,555	\$ 4,656,555
Construction in progress	3,763,873	4,971,790	20,136,186	4,354,933	23,900,059	9,326,723
Buildings	21,391,842	15,447,342	2,751,776	2,228,565	24,143,618	17,675,907
Improvements other than buildings	2,328,617	2,514,540	6,351	6,806	2,334,968	2,521,346
Infrastructure	28,717,608	29,488,122	49,616,023	47,997,083	78,333,631	77,485,205
Machinery & Equipment	4,210,667	4,489,387	2,039,221	1,798,543	6,249,888	6,287,930
<b>Total Capital Assets</b>	<b>\$ 63,618,092</b>	<b>\$ 60,116,666</b>	<b>\$ 76,000,627</b>	<b>\$ 57,837,000</b>	<b>\$ 139,618,719</b>	<b>\$ 117,953,666</b>

**Long-term debt.** As shown in Table 4, the City of Winchester had total bonded debt outstanding of \$155.3 million, for the fiscal year ended June 30, 2009, an increase of \$18.0 million from the fiscal year ended June 30, 2008. This entire amount is backed by the full faith and credit of the City, with \$52.2 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2009, the City retired \$7.1 million of outstanding principal and issued \$25.1 million of new long-term debt. The City issued \$25.1 million of revenue bonds to fund utility projects. More detailed information regarding the City's long-term debt can be found in Note 10 to the financial statements.

**Table 4**  
**City of Winchester's Outstanding Debt**  
**Fiscal Year ended June 30, 2009**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 103,190,415	\$ 108,829,805	\$ 52,203,114	\$ 28,523,974	\$ 155,393,529	\$ 137,353,779
<b>Total Outstanding Debt</b>	<b>\$ 103,190,415</b>	<b>\$ 108,829,805</b>	<b>\$ 52,203,114</b>	<b>\$ 28,523,974</b>	<b>\$ 155,393,529</b>	<b>\$ 137,353,779</b>

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 \$302.5 million. As of June 30, 2009, the City's total debt applicable to the limitation totaled \$128.7 million, leaving a legal debt margin of \$173.8 million.

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

- The City of Winchester is currently preparing an Economic Development Master Plan and is in the process of updating the current Comprehensive Plan. The goal described in both of these new plans is to attract young professionals, and families headed by individuals over the age of 55. These are the two largest growing population segments in the country, with the largest amounts of disposable income and the minimal impact on municipal services. Our plans call for major changes in land use to allow for more mixed use development and increases in housing density with the hope that these changes will allow for the development of appropriate housing and work environments required to attract these population segments. These two populations groups will help provide a skilled workforce for future employment, particularly in our growing health services industries, along with providing market support for our retail and service sectors.
- The City continues to upgrade our current infrastructure to assure our capacity for growth and to improve our transportation networks. Currently the city is replacing the water and sewer system in the downtown area and simultaneously converting one way traffic to two way. These changes in traffic patterns should enhance the traffic flow into our core downtown area and water and sewer upgrades should allow for more intense use of the real property located there.
- The City will be implementing water and sewer rate increases each year during the next three years to finance the additional debt service for water and sewer infrastructure improvements. The rate increases are planned to go into effect June 1 of each year. At present, the estimated annual rate increase will be approximately 12.5%.
- For the month of June 2009, the City's unemployment rate was 8.7%, compared to the State's 7.3% and Federal rate of 9.7%.
- The City amended it's Charter to go from a biennial budget to an annual budget effective with the FY 2010 budget.

### **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, 2009

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
<b>ASSETS</b>					
Cash	\$ 17,912,671	\$ 2,218,519	\$ 20,131,190	\$ 4,731,086	\$ 733,282
Investments	8,715,416	17,041,725	25,757,141	2,858,856	1,292,844
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	2,290,911	-	2,290,911	-	-
Accounts	1,711,237	3,312,786	5,024,023	186,671	-
Interest	100,112	12,662	112,774	26,995	4,181
Promises to give	-	-	-	1,832,412	-
Due from other governments	2,983,866	400,994	3,384,860	956,442	-
Internal balances	301,479	(301,479)	-	-	-
Inventories	81,081	151,801	232,882	18,684	-
Deferred charges	655,973	480,380	1,136,353	10,895	208,506
Capital assets not being depreciated:					
Land	3,205,485	1,451,070	4,656,555	2,307,970	11,685
Construction in progress	3,763,872	20,136,186	23,900,058	21,454,723	-
Capital assets, net of accumulated depreciation:					
Buildings and system	21,391,842	2,751,776	24,143,618	88,703,645	8,860,145
Improvements other than buildings	2,328,617	6,351	2,334,968	237,382	1,363
Machinery and equipment	4,210,667	2,039,221	6,249,888	2,134,749	28,446
Infrastructure	28,717,608	49,616,023	78,333,631	-	-
Total assets	<u>98,370,837</u>	<u>99,318,015</u>	<u>197,688,852</u>	<u>125,460,510</u>	<u>11,140,452</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	4,200,386	4,054,234	8,254,620	5,345,287	20,838
Accrued interest payable	1,086,514	444,521	1,531,035	-	180,544
Unearned revenue	2,229,153	-	2,229,153	1,200	-
Noncurrent liabilities:					
Due within one year	5,886,603	1,661,942	7,548,545	630,651	161,557
Due in more than one year	99,326,463	50,767,534	150,093,997	3,111,958	9,031,213
Total liabilities	<u>112,729,119</u>	<u>56,928,231</u>	<u>169,657,350</u>	<u>9,089,096</u>	<u>9,394,152</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	44,602,441	36,807,871	81,410,312	112,430,425	671,522
Restricted for:					
Debt service	49,876	-	49,876	-	-
Capital projects	-	2,000	2,000	1,767,727	-
Unrestricted	(59,010,599)	5,579,913	(53,430,686)	2,173,262	1,074,778
Total net assets	<u>\$ (14,358,282)</u>	<u>\$ 42,389,784</u>	<u>\$ 28,031,502</u>	<u>\$ 116,371,414</u>	<u>\$ 1,746,300</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2009

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 4,646,225	\$ 795,459	\$ 291,223	\$ -	\$ (3,559,543)		\$ (3,559,543)		
Judicial administration	2,763,951	204,413	1,561,347	-	(998,191)		(998,191)		
Public safety	18,323,978	888,450	406,675	231,756	(16,797,097)		(16,797,097)		
Public works	7,067,534	1,064,374	2,505,200	1,349,445	(2,148,515)		(2,148,515)		
Health and welfare	7,579,302	90,838	4,013,713	-	(3,474,751)		(3,474,751)		
Education	27,924,540	-	-	-	(27,924,540)		(27,924,540)		
Parks, recreation and culture	3,354,192	607,476	5,000	-	(2,741,716)		(2,741,716)		
Community development	1,850,299	277,349	148,433	254,229	(1,170,288)		(1,170,288)		
Interest on long-term debt	4,610,500	-	-	-	(4,610,500)		(4,610,500)		
Total governmental activities	<u>78,120,521</u>	<u>3,928,359</u>	<u>8,931,591</u>	<u>1,835,430</u>	<u>(63,425,141)</u>		<u>(63,425,141)</u>		
Business-type activities:									
Water and sewer	16,030,605	17,926,218	-	2,656,540	-	\$ 4,552,153	4,552,153		
Bus service	910,514	79,959	560,688	755,733	-	485,866	485,866		
Total business-type activities	<u>16,941,119</u>	<u>18,006,177</u>	<u>560,688</u>	<u>3,412,273</u>	<u>-</u>	<u>5,038,019</u>	<u>5,038,019</u>		
Total primary government	<u>\$ 95,061,640</u>	<u>\$ 21,934,536</u>	<u>\$ 9,492,279</u>	<u>\$ 5,247,703</u>	<u>(63,425,141)</u>	<u>5,038,019</u>	<u>(58,387,122)</u>		
<b>Component units:</b>									
School board	51,428,596	957,618	19,567,683	1,471,063			\$ (29,432,232)	\$ -	
Parking authority	1,041,982	678,975	-	-			-	(363,007)	
Total component unit	<u>\$ 52,470,578</u>	<u>\$ 1,636,593</u>	<u>\$ 19,567,683</u>	<u>\$ 1,471,063</u>			<u>(29,432,232)</u>	<u>(363,007)</u>	
General revenues:									
Taxes:									
Property taxes					34,178,174	-	34,178,174	-	-
Sales taxes					8,037,031	-	8,037,031	-	-
Utility taxes					1,991,193	-	1,991,193	-	-
Business license taxes					5,458,468	-	5,458,468	-	-
Franchise taxes					293,529	-	293,529	-	-
Hotel and meals taxes					5,021,594	-	5,021,594	-	-
Communication taxes					2,277,662	-	2,277,662	-	-
Other local taxes					2,129,896	-	2,129,896	-	-
Miscellaneous					527,737	10,617	538,354	1,185,769	24
Payment from City of Winchester:									
Education - unrestricted					-	-	-	27,901,103	-
Grants and contributions not restricted to specific programs									
Unrestricted investment earnings					3,626,897	-	3,626,897	-	-
Gain on disposal of capital assets					460,609	125,725	586,334	216,949	111,570
Transfers					22,781	-	22,781	-	-
Total revenues and transfers					<u>1,354,150</u>	<u>(1,354,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets					65,379,721	(1,217,808)	64,161,913	29,303,821	111,594
Net assets - beginning - as adjusted (Note 19)					1,954,580	3,820,211	5,774,791	(128,411)	(251,413)
Net assets - ending					<u>(16,312,862)</u>	<u>38,569,573</u>	<u>22,256,711</u>	<u>116,499,825</u>	<u>1,997,713</u>
					<u>\$ (14,358,282)</u>	<u>\$ 42,389,784</u>	<u>\$ 28,031,502</u>	<u>\$ 116,371,414</u>	<u>\$ 1,746,300</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, 2009**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 13,716,406	\$ 2,460,642	\$ 16,177,048
Investments	6,814,293	1,222,695	8,036,988
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	2,290,911	-	2,290,911
Accounts	1,440,124	257,119	1,697,243
Interest	78,276	14,043	92,319
Due from other funds	502,800	-	502,800
Due from component unit	-	-	-
Due from other governments	1,707,894	1,275,972	2,983,866
<b>Total assets</b>	<b>\$ 26,550,704</b>	<b>\$ 5,230,471</b>	<b>\$ 31,781,175</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	456,189	1,465,320	1,921,509
Deposits payable	171,501	-	171,501
Accrued payroll	621,520	133,291	754,811
Retainage payable	-	89,803	89,803
Due to other funds	-	213,800	213,800
Amounts held for others	32,591	-	32,591
Deferred revenues	4,691,002	236,400	4,927,402
<b>Total liabilities</b>	<b>5,972,803</b>	<b>2,138,614</b>	<b>8,111,417</b>
<b>Fund balances:</b>			
Unreserved, designated for, reported in:			
Public safety	386,631	29,186	415,817
Public works	-	50,000	50,000
Unreserved, undesignated reported in:			
General fund	20,191,270	-	20,191,270
Special revenue funds	-	1,988,203	1,988,203
Debt service funds	-	49,876	49,876
Capital projects funds	-	974,592	974,592
<b>Total fund balances</b>	<b>20,577,901</b>	<b>3,091,857</b>	<b>23,669,758</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,550,704</b>	<b>\$ 5,230,471</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	63,613,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,698,249
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.	1,093,800
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(105,434,065)
<b>Net assets of governmental activities</b>	<b>\$ (14,358,282)</b>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2009**

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 33,704,350	\$ -	\$ 33,704,350
Other local taxes	25,209,373	-	25,209,373
Permits, privilege fees and regulatory licenses	285,131	-	285,131
Fines and forfeitures	159,077	-	159,077
Revenues from use of money and property	487,719	42,144	529,863
Charges for services	849,838	910,949	1,760,787
Miscellaneous	176,307	268,594	444,901
Recovered costs	1,443,981	10,823	1,454,804
Intergovernmental:			
Commonwealth	5,682,244	5,596,942	11,279,186
Federal	14,795	3,099,937	3,114,732
Total revenues	<u>68,012,815</u>	<u>9,929,389</u>	<u>77,942,204</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	3,999,143	-	3,999,143
Judicial administration	2,377,534	196,614	2,574,148
Public safety	16,609,516	1,297,829	17,907,345
Public works	2,996,891	5,614,470	8,611,361
Health and welfare	1,177,685	6,364,441	7,542,126
Education	27,924,540	-	27,924,540
Parks, recreation and culture	3,141,617	575,316	3,716,933
Community development	1,149,853	607,884	1,757,737
Capital projects	-	2,027,584	2,027,584
Debt service:			
Principal retirement	5,510,999	33,228	5,544,227
Interest and fiscal charges	4,515,256	175,131	4,690,387
Total expenditures	<u>69,403,034</u>	<u>16,892,497</u>	<u>86,295,531</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,390,219)</u>	<u>(6,963,108)</u>	<u>(8,353,327)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of property	43,198	-	43,198
Insurance recoveries - capital asset impairment	15,237	3,339	18,576
Transfers in	1,248,751	6,401,264	7,650,015
Transfers out	<u>(6,181,498)</u>	<u>(114,367)</u>	<u>(6,295,865)</u>
Total other financing sources and uses	<u>(4,874,312)</u>	<u>6,290,236</u>	<u>1,415,924</u>
Net change in fund balances	(6,264,531)	(672,872)	(6,937,403)
Fund balance - beginning	<u>26,842,432</u>	<u>3,764,729</u>	<u>30,607,161</u>
Fund balance - ending	<u>\$ 20,577,901</u>	<u>\$ 3,091,857</u>	<u>\$ 23,669,758</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, 2009**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ (6,937,403)
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 (6,204,119) exceeded depreciation (2,662,450) in the current period.	3,541,669
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.	(38,993)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	204,258
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.	5,544,227
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.	(113,266)
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>(245,912)</u>
Change in net assets of governmental activities	<u>\$ 1,954,580</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, 2009**

Exhibit 6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 33,754,000	\$ 34,786,000	\$ 33,704,350	\$ (1,081,650)
Other local taxes	28,445,000	26,460,974	25,209,373	(1,251,601)
Permits, privilege fees and regulatory licenses	400,700	400,700	285,131	(115,569)
Fines and forfeitures	200,000	200,000	159,077	(40,923)
Revenues from use of money and property	659,300	659,300	487,719	(171,581)
Charges for services	801,000	801,000	849,838	48,838
Miscellaneous	154,000	157,295	176,307	19,012
Recovered costs	885,000	880,500	1,443,981	563,481
Intergovernmental:				
Commonwealth	6,129,000	6,123,039	5,682,244	(440,795)
Federal	-	-	14,795	14,795
Total revenues	<u>71,428,000</u>	<u>70,468,808</u>	<u>68,012,815</u>	<u>(2,455,993)</u>
<b>EXPENDITURES</b>				
Current:				
General Government Administration:				
Legislative	144,000	105,760	90,767	14,993
General and Financial Administration	5,736,000	4,120,292	3,747,924	372,368
Board of Elections	137,000	161,046	160,452	594
Total General Government Administration	<u>6,017,000</u>	<u>4,387,098</u>	<u>3,999,143</u>	<u>387,955</u>
Judicial Administration:				
Courts	1,326,000	1,542,203	1,499,342	42,861
Commonwealth Attorney	802,000	890,976	878,192	12,784
Total Judicial Administration	<u>2,128,000</u>	<u>2,433,179</u>	<u>2,377,534</u>	<u>55,645</u>
Public Safety:				
Law Enforcement and Traffic Control	6,448,000	6,922,554	6,772,200	150,354
Fire and Rescue Services	3,844,306	4,135,095	4,104,526	30,569
Correction and Detention	4,060,251	4,096,309	3,977,398	118,911
Inspections	604,000	571,771	521,646	50,125
Other Protection	1,323,000	1,304,605	1,233,746	70,859
Total Public Safety	<u>16,279,557</u>	<u>17,030,334</u>	<u>16,609,516</u>	<u>420,818</u>
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks	113,630	149,973	147,585	2,388
Sanitation and Waste Removal	1,212,000	1,259,933	1,196,517	63,416
Maintenance of Buildings and Grounds	1,669,000	1,753,177	1,652,789	100,388
Total Public Works	<u>2,994,630</u>	<u>3,163,083</u>	<u>2,996,891</u>	<u>166,192</u>
Health and Welfare:				
Health	251,100	233,850	230,202	3,648
Chapter X Board	227,358	227,358	227,358	-
Welfare/Social Services	649,475	842,825	720,125	122,700
Total Health and Welfare	<u>1,127,933</u>	<u>1,304,033</u>	<u>1,177,685</u>	<u>126,348</u>
Education:				
Contributions to Community College	27,986	23,437	23,437	-
Contributions to City School Board	27,559,312	29,209,264	27,901,103	1,308,161
Total Education	<u>27,587,298</u>	<u>29,232,701</u>	<u>27,924,540</u>	<u>1,308,161</u>
Parks, Recreation and Cultural:				
Parks and Recreation	2,640,000	2,681,400	2,550,317	131,083
Cultural Enrichment	169,000	186,469	186,009	460
Contribution to Regional Library	405,291	405,291	405,291	-
Total Parks, Recreation, and Cultural	<u>3,214,291</u>	<u>3,273,160</u>	<u>3,141,617</u>	<u>131,543</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, 2009**

	Budgeted Amounts		Actual Amounts	Exhibit 6 (Cont'd) Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES (cont'd)</b>				
Current: (cont'd)				
Community Development:				
Planning and Community Development	\$ 985,078	\$ 1,118,877	\$ 1,115,128	\$ 3,749
Environmental Management	36,525	34,725	34,725	-
Total Community Development	<u>1,021,603</u>	<u>1,153,602</u>	<u>1,149,853</u>	<u>3,749</u>
Debt Service:				
Principal retirement	5,899,785	5,932,992	5,510,999	421,993
Interest and fiscal charges	4,434,215	4,552,216	4,515,256	36,960
Bond issuance costs	-	11,413	-	11,413
Total Debt Service	<u>10,334,000</u>	<u>10,496,621</u>	<u>10,026,255</u>	<u>470,366</u>
Total expenditures	<u>70,704,312</u>	<u>72,473,811</u>	<u>69,403,034</u>	<u>3,070,777</u>
Excess of revenues over expenditures	<u>723,688</u>	<u>(2,005,003)</u>	<u>(1,390,219)</u>	<u>614,784</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	43,198	43,198
Insurance recoveries - capital asset impairment	-	-	15,237	15,237
Capital lease	-	1,777,573	-	(1,777,573)
Transfers in	1,745,000	1,245,000	1,248,751	3,751
Transfers out	<u>(7,580,688)</u>	<u>(7,944,577)</u>	<u>(6,181,498)</u>	<u>1,763,079</u>
Total other financing sources (uses)	<u>(5,835,688)</u>	<u>(4,922,004)</u>	<u>(4,874,312)</u>	<u>47,692</u>
Net change in fund balances	(5,112,000)	(6,927,007)	(6,264,531)	662,476
Fund balances - beginning	<u>5,112,000</u>	<u>6,927,007</u>	<u>26,842,432</u>	<u>19,915,425</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,577,901</u>	<u>\$ 20,577,901</u>

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

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

Exhibit 7

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>ASSETS</b>				
Current assets:				
Cash	\$ 2,218,192	\$ 327	\$ 2,218,519	\$ 1,735,623
Investments	17,041,647	78	17,041,725	678,428
Accounts receivable (net of allowance for uncollectibles)	3,311,849	937	3,312,786	13,994
Interest receivable	12,661	1	12,662	7,793
Due from other funds	-	-	-	-
Due from other governments	-	400,994	400,994	-
Inventories	151,801	-	151,801	81,081
Total current assets	<u>22,736,150</u>	<u>402,337</u>	<u>23,138,487</u>	<u>2,516,919</u>
Noncurrent assets:				
Deferred charges	480,380	-	480,380	-
Capital assets:				
Land	1,451,070	-	1,451,070	-
Buildings and systems	3,718,119	1,254,542	4,972,661	-
Improvements other than buildings	118,837	-	118,837	-
Infrastructure	68,441,959	-	68,441,959	-
Machinery and equipment	2,268,283	943,127	3,211,410	99,967
Construction in progress	20,136,186	-	20,136,186	-
Less accumulated depreciation	(21,661,546)	(669,950)	(22,331,496)	(95,852)
Total capital assets (net of accumulated depreciation)	<u>74,472,908</u>	<u>1,527,719</u>	<u>76,000,627</u>	<u>4,115</u>
Total noncurrent assets	<u>74,953,288</u>	<u>1,527,719</u>	<u>76,481,007</u>	<u>4,115</u>
Total assets	<u>97,689,438</u>	<u>1,930,056</u>	<u>99,619,494</u>	<u>2,521,034</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	3,149,606	8,690	3,158,296	1,220,020
Customer deposits payable	216,504	-	216,504	-
Accrued payroll	109,614	16,939	126,553	10,151
Accrued interest payable	444,521	-	444,521	-
Retainage payable	552,881	-	552,881	-
Due to other funds	-	153,500	153,500	135,500
Compensated absences	14,000	1,000	15,000	-
General obligation bonds - current	1,646,942	-	1,646,942	-
Total current liabilities	<u>6,134,068</u>	<u>180,129</u>	<u>6,314,197</u>	<u>1,365,671</u>
Noncurrent liabilities:				
Compensated absences	186,330	25,032	211,362	11,542
Net OPEB obligation	-	-	-	198,000
General obligation bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	25,423,926	-	25,423,926	-
Revenue bonds payable (net of unamortized premiums)	25,132,246	-	25,132,246	-
Total noncurrent liabilities	<u>50,742,502</u>	<u>25,032</u>	<u>50,767,534</u>	<u>209,542</u>
Total liabilities	<u>56,876,570</u>	<u>205,161</u>	<u>57,081,731</u>	<u>1,575,213</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	35,280,152	1,527,719	36,807,871	4,115
Restricted for capital projects	-	2,000	2,000	-
Unrestricted	5,532,716	195,176	5,727,892	941,706
Total net assets	<u>\$ 40,812,868</u>	<u>\$ 1,724,895</u>	<u>\$ 42,537,763</u>	<u>\$ 945,821</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(147,979)</u>	
Net assets of business-type activities			<u>\$ 42,389,784</u>	

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

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2009**

Exhibit 8

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>OPERATING REVENUES</b>				
Revenue from use of property	\$ 4,200	\$ -	\$ 4,200	\$ -
Charges for services	14,288,360	79,959	14,368,319	4,089,934
Miscellaneous	3,902	2,515	6,417	-
Recovered costs	3,637,858	-	3,637,858	-
Total operating revenues	<u>17,934,320</u>	<u>82,474</u>	<u>18,016,794</u>	<u>4,089,934</u>
<b>OPERATING EXPENSES</b>				
Personal services	3,500,082	532,805	4,032,887	517,370
Contractual services	5,949,697	46,265	5,995,962	149,830
Other supplies and expenses	3,505,498	227,195	3,732,693	609,922
Insurance claims and expenses	-	-	-	3,127,047
Depreciation	1,267,398	104,249	1,371,647	1,250
Total operating expenses	<u>14,222,675</u>	<u>910,514</u>	<u>15,133,189</u>	<u>4,405,419</u>
Operating income (loss)	<u>3,711,645</u>	<u>(828,040)</u>	<u>2,883,605</u>	<u>(315,485)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental:				
Commonwealth	-	172,914	172,914	-
Federal	-	387,774	387,774	-
Investment earnings	125,631	94	125,725	13,582
Interest and fiscal charges	(1,751,938)	-	(1,751,938)	-
Total nonoperating revenues (expenses)	<u>(1,626,307)</u>	<u>560,782</u>	<u>(1,065,525)</u>	<u>13,582</u>
Income before contributions and transfers	2,085,338	(267,258)	1,818,080	(301,903)
Capital contributions	2,656,540	755,733	3,412,273	-
Transfers in	-	333,850	333,850	-
Transfers out	(1,688,000)	-	(1,688,000)	-
Change in net assets	3,053,878	822,325	3,876,203	(301,903)
Total net assets - beginning	<u>37,758,990</u>	<u>902,570</u>		<u>1,247,724</u>
Total net assets - ending	<u>\$ 40,812,868</u>	<u>\$ 1,724,895</u>		<u>\$ 945,821</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(55,992)</u>	
Change in net assets of business-type activities			<u>\$ 3,820,211</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, 2009**

Exhibit 9

	Busines-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers and users	\$ 13,953,747	\$ 82,034	\$ 14,035,781	\$ 4,082,231
Cash paid to suppliers	(9,296,080)	(265,421)	(9,561,501)	(817,199)
Cash paid to employees	(3,455,325)	(523,025)	(3,978,350)	(322,125)
Premiums paid	-	-	-	(2,948,925)
Other receipts (payments)	3,645,960	-	3,645,960	-
Net cash provided (used) by operating activities	<u>4,848,302</u>	<u>(706,412)</u>	<u>4,141,890</u>	<u>(6,018)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Subsidy from state grant	-	181,610	181,610	-
Subsidy from federal grant	-	368,301	368,301	-
Transfer from other funds	-	-	-	135,500
Transfer to other funds	(1,688,000)	280,350	(1,407,650)	-
Net cash provided (used) by noncapital financing activities	<u>(1,688,000)</u>	<u>830,261</u>	<u>(857,739)</u>	<u>135,500</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	25,141,241	-	25,141,241	-
Capital grants - state	-	45,319	45,319	-
Capital grants - federal	-	757,123	757,123	-
Acquisition and construction of capital assets	(14,241,531)	(926,577)	(15,168,108)	-
Principal paid on capital debt	(1,475,328)	-	(1,475,328)	-
Interest paid on capital debt	(1,579,640)	-	(1,579,640)	-
Bond issue costs	(352,826)	-	(352,826)	-
Net cash provided (used) by capital and related financing activities	<u>7,491,916</u>	<u>(124,135)</u>	<u>7,367,781</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income (loss)	112,970	93	113,063	5,789
Net cash provided by investing activities	<u>112,970</u>	<u>93</u>	<u>113,063</u>	<u>5,789</u>
Net increase (decrease) in cash and cash equivalents	10,765,188	(193)	10,764,995	135,271
Cash and cash equivalents - beginning of year	<u>8,494,651</u>	<u>598</u>	<u>8,495,249</u>	<u>2,278,780</u>
Cash and cash equivalents - end of year	<u>\$ 19,259,839</u>	<u>\$ 405</u>	<u>\$ 19,260,244</u>	<u>\$ 2,414,051</u>
Cash and cash equivalents at end of year is comprised of the following:				
Cash	2,218,192	327	2,218,519	1,735,623
Cash equivalents - Investments	<u>17,041,647</u>	<u>78</u>	<u>17,041,725</u>	<u>678,428</u>
Total	<u>\$ 19,259,839</u>	<u>\$ 405</u>	<u>\$ 19,260,244</u>	<u>\$ 2,414,051</u>

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2009**

Exhibit 9 (Cont'd)

	Busines-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 3,711,645	\$ (828,040)	\$ 2,883,605	\$ (315,485)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,267,398	104,249	1,371,647	1,250
(Increase) decrease in accounts receivable	(352,848)	(440)	(353,288)	(7,703)
(Increase) decrease in inventories	20,273	-	20,273	56,864
Increase (decrease) in accounts payable	138,842	8,039	146,881	63,811
Increase (decrease) in accrued payroll	29,977	4,027	34,004	4,460
Increase (decrease) in net OPEB obligation	-	-	-	198,000
Increase (decrease) in compensated absences	14,780	5,753	20,533	(7,215)
Increase (decrease) in customer deposits payable	18,235	-	18,235	-
Total adjustments	<u>1,136,657</u>	<u>121,628</u>	<u>1,258,285</u>	<u>309,467</u>
Net cash provided (used) by operating activities	<u>\$ 4,848,302</u>	<u>\$ (706,412)</u>	<u>\$ 4,141,890</u>	<u>\$ (6,018)</u>
<b>Noncash investing, capital and financing activities:</b>				
Capital contributions of water and sewer lines from developers	\$ 2,656,540	\$ -	\$ 2,656,540	\$ -

CITY OF WINCHESTER, VIRGINIA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2009

Exhibit 10

		Total Agency Funds
<b>ASSETS</b>		
Cash	\$	416,888
Investments		769,322
Accounts receivable		291,670
Interest receivable		2,314
Due from other governments		5,747
Total assets	\$	<u>1,485,941</u>
<b>LIABILITIES</b>		
Accounts payable		27,885
Accrued payroll		65,040
Amounts held for social service clients		11,390
Amounts held for NRJA		567,830
Amounts held for NRJDC		813,796
Total liabilities	\$	<u>1,485,941</u>

CITY OF WINCHESTER, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

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 2009, the City provided total support of \$55,024.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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 2009, the City provided total support of \$381,830.

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 \$405,291 to the Board for operating support for fiscal year 2009.

**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, 2009**

**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, 2009**

**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 other post-employment benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Employee Benefits Fund, Equipment Operating Fund and Other Post-Employment Benefits Fund.

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

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

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

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

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

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

**City of Winchester, Virginia  
Notes to Financial Statements  
June 30, 2009**

**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, 2009**

**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 \$1,584,122 at June 30, 2009 and consisted of the following:

General Fund (property taxes)	\$ 1,329,830
Emergency Medical Service Fund	95,808
Water and Sewer Fund	<u>158,484</u>
Total	<u>\$ 1,584,122</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 \$50 a day for any unused sick leave up to a maximum of 90 days. All employees who are classified as full-time twelve-month employees are entitled to annual leave and shall be paid per diem upon retirement or termination (based on their final annual salary) for their unused annual leave.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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 \$105,434,065 and \$3,742,609 differences for the primary government and discretely presented component unit-school board, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ 101,700,196	\$ -
Less: Unamortized bond issue costs	(655,973)	-
Less: Deferred charge on refunding	(532,967)	-
Plus: Issuance premium	2,023,186	-
Loan Payable	-	220,000
Capital leases payable	-	2,188,044
Accrued interest payable	1,086,514	-
Compensated absences	1,813,109	1,334,565
	<u>1,813,109</u>	<u>1,334,565</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 105,434,065</u>	<u>\$ 3,742,609</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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 \$1,093,800 difference in the primary government are as follows:

Net assets of the internal service funds	\$ 945,821
Add: Internal payable representing charges in excess of cost to business-type activities – prior years	91,987
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	<u>55,992</u>
Net adjustments to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 1,093,800</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 these \$5,544,227 and \$(1,573,299) differences for the primary government and discretely presented component unit-school board are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Debt issued or incurred:		
Capital lease financing	\$ -	\$ (1,777,573)
Issuance of loan payable	-	(220,000)
Principal repayments:		
Capital lease	-	424,274
General obligation debt	<u>5,544,227</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>\$ 5,544,227</u>	<u>\$ (1,573,299)</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 \$(113,266) and \$(700,960) differences for the primary government, discretely presented component unit-school board and parking authority, respectively, is as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Compensated absences	\$ (193,153)	\$ (707,469)
Accrued interest	58,153	-
Amortization of debt issue costs	(73,429)	6,509
Amortization of issuance premium	216,030	-
Amortization of deferred charge on refunding	<u>(120,867)</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>\$ (113,266)</u>	<u>\$ (700,960)</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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 \$(245,912) difference in the primary government are as follows:

Changes in net assets of the internal service funds	\$ (301,904)
Add: Loss from costs in excess of charges to business-type activities	<u>55,992</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>\$ (245,912)</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 \$(147,979) difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities – prior years	\$ (91,987)
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>(55,992)</u>
Net adjustment to decrease <i>net assets-total enterprise funds</i> to arrive at <i>net assets-business-type activities</i>	<u>\$ (147,979)</u>

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

1. Prior to March 30 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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated biennial budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and component unit - school board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Funds. The discretely presented component unit - school board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all City funds.
8. 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 \$17,999,862. Included in this amount are the anticipated expenditures from unspent bond proceeds in the amount of \$8,080,000 for the Parking Authority Component Unit.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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, 2009 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Investment Type</u>	Fair Value	Fair Quality Ratings		
		AAA	A	Unrated
<u>Primary Government</u>				
U.S. Agencies	\$ 3,939,909	\$ 3,939,909	\$ -	\$ -
Virginia State Non-Arbitrage Program	16,507,257	16,507,257	-	-
Local Government Investment Pool	6,079,297	6,079,297	-	-
	<u>\$ 26,526,463</u>	<u>\$ 26,526,463</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Component Unit – School Board</u>				
U.S. Agencies	\$ 975,638	\$ 975,638	\$ -	\$ -
Money Market Funds	374,295	-	-	374,295
Local Government Investment Pool	2,014,174	2,014,174	-	-
	<u>\$ 3,364,107</u>	<u>\$ 2,989,812</u>	<u>\$ -</u>	<u>\$ 374,295</u>
<u>Component Unit – Parking Authority</u>				
U.S. Agencies	\$ 143,134	\$ 143,134	\$ -	\$ -
Virginia State Non-Arbitrage Program	928,854	928,854	-	-
Local Government Investment Pool	220,856	220,856	-	-
	<u>\$ 1,292,844</u>	<u>\$ 1,292,844</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Fair Value</b>	<u>\$ 31,183,414</u>	<u>\$ 30,809,119</u>	<u>\$ -</u>	<u>\$ 374,295</u>

(Notes continued on next page)

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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, 2009, the City's investment in the Federal Home Loan Bank was 16.22% of the City's total investments.

*Interest Rate Risk* – As of June 30, 2009, the City had investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
<u>Primary Government</u>				
U.S. Agencies	\$ 3,939,909	\$ -	\$ 3,939,909	\$ -
Virginia State Non-Arbitrage Program	16,507,257	16,507,257	-	-
Local Government Investment Pool	6,079,297	6,079,297	-	-
	<u>\$ 26,526,463</u>	<u>\$ 22,586,554</u>	<u>\$ 3,939,909</u>	<u>\$ -</u>
<u>Component Unit – School Board</u>				
U.S. Agencies	\$ 975,638	\$ -	\$ 975,638	\$ -
Corporate Bonds	344,411	344,411	-	-
Money Market Funds	29,884	29,884	-	-
Local Government Investment Pool	2,014,174	2,014,174	-	-
	<u>\$ 3,364,107</u>	<u>\$ 2,388,469</u>	<u>\$ 975,638</u>	<u>\$ -</u>
<u>Component Unit – Parking Authority</u>				
U.S. Agencies	\$ 143,134	\$ -	\$ 143,134	\$ -
Virginia State Non-Arbitrage Program	928,854	928,854	-	-
Local Government Investment Pool	220,856	220,856	-	-
	<u>\$ 1,292,844</u>	<u>\$ 1,149,710</u>	<u>\$ 143,134</u>	<u>\$ -</u>
Total Fair Value	<u>\$ 31,183,414</u>	<u>\$ 26,124,733</u>	<u>\$ 5,058,681</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:

	<u>Primary Government</u>	<u>Component Unit-School Board</u>
Commonwealth of Virginia:		
School funds	\$ -	\$ 704,763
State sales tax	-	251,679
Shared expenses	182,631	-
Local sales tax	1,304,936	-
Communication tax	169,071	-
Welfare funds	439,792	-
Transit grants	400,994	-
Highway planning and construction grants	659,829	-
Other state funds	227,607	-
Total Due from the Commonwealth	<u>3,384,860</u>	<u>956,442</u>
Total Due from Other Governments	<u>\$ 3,384,860</u>	<u>\$ 956,442</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**6. PROMISES TO GIVE**

Unconditional promises to give reported by the Component Unit School Board for the Handley Capital Project at June 30, 2009, are as follows:

Receivable in less than one year	\$ 340,402
Receivable in one to five years	1,005,896
Receivable in five to ten years	615,118
Receivable in ten to fifteen years	427,641
Receivable in fifteen to twenty years	87,788
Receivable in twenty to twenty five years	<u>4,000</u>
Total unconditional promises to give	2,480,845
Less discounts in present value	<u>(648,433)</u>

Net unconditional promises to give at June 30, 2009 \$ 1,832,412

Discount rate used on long-term promises to give was 5% for fiscal year 2009.

**7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Inter-fund balances at June 30, 2009 consisted of the following:

Primary Government:

Due to General Fund from:

Non-major enterprise fund - Bus Service	\$ 153,500
Non-major internal service funds	135,500
Non-major governmental funds	<u>213,800</u>
Total due to General Fund from other funds for cash advances	<u>\$ 502,800</u>

Component Unit School Board:

Due to School Operating Fund from:

Federal Grants Fund for cash advance	\$ 264,168
Total due to School Operating Fund from other funds for cash advances	<u>\$ 264,168</u>

Inter-fund transfers for the year ended June 30, 2009 consisted of the following:

Primary Government:

Transfers to General Fund from:

Water and Sewer Fund	\$ 1,245,000
Non-major governmental funds	<u>3,751</u>
Total transfers to General Fund	<u>\$ 1,248,751</u>

Transfers to non-major governmental funds from:

General Fund	\$ 5,847,648
Water and Sewer Fund	443,000
Non-major governmental funds	<u>110,616</u>
Total transfers to non-major governmental funds	<u>\$ 6,401,264</u>

Transfers to non-major enterprise fund from:

General Fund	<u>\$ 333,850</u>
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Component Unit School Board:

Transfers to School Operating Fund from:

School Fundraising Fund	<u>\$ 30,000</u>
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Transfers to School Capital Improvement Fund from:

School Operating Fund	<u>\$ 1,714,751</u>
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Transfers to non-major governmental funds from:

School Operating Fund	<u>\$ 150,000</u>
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**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Cont'd)**

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.

**8. CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 3,205,485	\$ -	\$ -	\$ 3,205,485
Construction in progress	<u>4,971,790</u>	<u>5,169,376</u>	<u>(6,377,294)</u>	<u>3,763,872</u>
Total capital assets not being depreciated	<u>8,177,275</u>	<u>5,169,376</u>	<u>(6,377,294)</u>	<u>6,969,357</u>
Capital assets, being depreciated:				
Buildings	21,779,368	6,415,991	(37,410)	28,157,949
Improvements other than buildings	5,108,222	12,015	-	5,120,237
Infrastructure	40,973,550	220,307	-	41,193,857
Equipment	<u>9,771,631</u>	<u>763,723</u>	<u>(386,619)</u>	<u>10,148,735</u>
Total capital assets being depreciated	<u>77,632,771</u>	<u>7,412,036</u>	<u>(424,029)</u>	<u>84,620,778</u>
Less accumulated depreciation for:				
Buildings	(6,332,026)	(453,010)	18,929	(6,766,107)
Improvements other than buildings	(2,593,682)	(197,938)	-	(2,791,620)
Infrastructure	(11,485,428)	(990,821)	-	(12,476,249)
Equipment	<u>(5,282,244)</u>	<u>(1,021,931)</u>	<u>366,107</u>	<u>(5,938,068)</u>
Total accumulated depreciation (1)	<u>(25,693,380)</u>	<u>(2,663,700)</u>	<u>385,036</u>	<u>(27,972,044)</u>
Total capital assets being depreciated, net	<u>51,939,391</u>	<u>4,748,336</u>	<u>(38,993)</u>	<u>56,648,734</u>
Governmental activities capital assets, net	<u>\$ 60,116,666</u>	<u>\$ 9,917,712</u>	<u>\$(6,416,287)</u>	<u>\$ 63,618,091</u>

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

Governmental activities:	
General government	\$ 267,542
Judicial administration	176,569
Public safety	516,909
Public works	1,317,934
Health and welfare	14,009
Parks, recreation, and cultural	288,410
Community development	<u>82,327</u>
Total depreciation expense – governmental activities	<u>\$ 2,663,700</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 1,451,070	\$ -	\$ -	\$ 1,451,070
Construction in progress	<u>4,354,933</u>	<u>16,392,095</u>	<u>(610,842)</u>	<u>20,136,186</u>
Total capital assets not being depreciated	<u>5,806,003</u>	<u>16,392,095</u>	<u>(610,842)</u>	<u>21,587,256</u>
Capital assets, being depreciated:				
Buildings	4,361,820	610,841	-	4,972,661
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	65,785,419	2,656,540	-	68,441,959
Equipment	<u>2,971,469</u>	<u>486,640</u>	<u>(246,699)</u>	<u>3,211,410</u>
Total capital assets being depreciated	<u>73,237,545</u>	<u>3,754,021</u>	<u>(246,699)</u>	<u>76,744,867</u>
Less accumulated depreciation for:				
Buildings	(2,133,255)	(87,630)	-	(2,220,885)
Improvements other than buildings	(112,031)	(455)	-	(112,486)
Infrastructure	(17,788,336)	(1,037,600)	-	(18,825,936)
Equipment	<u>(1,172,926)</u>	<u>(245,962)</u>	<u>246,699</u>	<u>(1,172,189)</u>
Total accumulated depreciation	<u>(21,206,548)</u>	<u>(1,371,647)</u>	<u>246,699</u>	<u>(22,331,496)</u>
Total capital assets being depreciated, net	<u>52,030,997</u>	<u>2,382,374</u>	<u>-</u>	<u>54,413,371</u>
Business-type activities capital assets, net	<u>\$ 57,837,000</u>	<u>\$ 18,774,469</u>	<u>\$(610,842)</u>	<u>\$ 76,000,627</u>

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

Business-type activities:	
Water and Sewer fund	\$ 1,267,398
Bus Fund	<u>104,249</u>
Total depreciation expense – business type activities	<u>\$ 1,371,647</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**

	<u>Balance as</u> <u>last reported</u> <u>June 30, 2008</u>	<u>Net</u> <u>Restate-</u> <u>ment*</u>	<u>Restated</u> <u>Balance</u> <u>July 1, 2008</u>
Capital assets, not being depreciated:			
Construction in progress	<u>\$ 9,412,432</u>	<u>\$ (904,664)</u>	<u>\$ 8,507,768</u>

\*Costs of \$904,664 were erroneously capitalized as fiscal year 2008 construction in progress.

	<u>Restated</u> <u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 2,307,970	\$ -	\$ -	\$ 2,307,970
Construction in progress	<u>8,507,768</u>	<u>12,946,955</u>	<u>-</u>	<u>21,454,723</u>
Total capital assets not being depreciated	<u>10,815,738</u>	<u>12,946,955</u>	<u>-</u>	<u>23,762,693</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**8. CAPITAL ASSETS (Cont'd)**

**COMPONENT UNIT - SCHOOL BOARD** (cont'd)

	Restated Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, being depreciated:				
Buildings	\$ 104,249,327	\$ -	\$ -	\$ 104,249,327
Improvements other than buildings	1,932,214	13,036	-	1,945,250
Equipment	<u>5,395,158</u>	<u>312,444</u>	<u>(51,000)</u>	<u>5,656,602</u>
Total capital assets being depreciated	<u>111,576,699</u>	<u>325,480</u>	<u>(51,000)</u>	<u>111,851,179</u>
Less accumulated depreciation for:				
Buildings	(12,499,613)	(3,046,069)	-	(15,545,682)
Improvements other than buildings	(1,683,721)	(24,147)	-	(1,707,868)
Equipment	<u>(3,160,490)</u>	<u>(412,363)</u>	<u>51,000</u>	<u>(3,521,853)</u>
Total accumulated depreciation	<u>(17,343,824)</u>	<u>(3,482,579)</u>	<u>51,000</u>	<u>(20,775,403)</u>
Total capital assets being depreciated, net	<u>94,232,875</u>	<u>(3,157,099)</u>	<u>-</u>	<u>91,075,776</u>
School Board capital assets, net	<u>\$ 105,048,613</u>	<u>\$ 9,789,856</u>	<u>\$ -</u>	<u>\$ 114,838,469</u>

**COMPONENT UNIT - PARKING AUTHORITY**

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital Assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Construction in progress	<u>1,297,954</u>	<u>6,660,950</u>	<u>(7,958,904)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,309,639</u>	<u>6,660,950</u>	<u>(7,958,904)</u>	<u>11,685</u>
Capital assets, being depreciated:				
Buildings	1,792,495	7,958,904	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	<u>166,661</u>	<u>-</u>	<u>-</u>	<u>166,661</u>
Total capital assets being depreciated	<u>2,015,335</u>	<u>7,958,904</u>	<u>-</u>	<u>9,974,239</u>
Less accumulated depreciation for:				
Buildings	(842,197)	(49,057)	-	(891,254)
Improvements other than buildings	(54,280)	(536)	-	(54,816)
Equipment	<u>(126,808)</u>	<u>(11,407)</u>	<u>-</u>	<u>(138,215)</u>
Total accumulated depreciation	<u>(1,023,285)</u>	<u>(61,000)</u>	<u>-</u>	<u>(1,084,285)</u>
Total capital assets being depreciated, net	<u>992,050</u>	<u>7,897,904</u>	<u>-</u>	<u>8,889,954</u>
Parking Authority capital assets, net	<u>\$ 2,301,689</u>	<u>\$ 14,558,854</u>	<u>\$(7,958,904)</u>	<u>\$ 8,901,639</u>

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

Governmental activities:	
School Board - Education	<u>\$ 3,482,579</u>
Business-type activities:	
Parking Authority – Public works	<u>\$ 61,000</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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 2009, 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, 2009 (General Fund)	\$ 2,079,818	\$ -
Deferred Joint Judicial Commission Debt Service Charges, representing uncollected Debt Service billings at June 30, 2009 (General Fund)	455,299	-
Deferred EMS Transportation Charges, representing uncollected EMS billings at June 30, 2009 (Special Revenue Fund)	163,132	-
Property Taxes Paid in Advance, representing property taxes not yet due, but paid by June 30, 2009 (General Fund)	-	2,155,885
Grants received in advance, representing advance grant funding, not yet expended at June 30, 2009 (Special Revenue Fund)	<u>-</u>	<u>73,268</u>
Total deferred revenue for governmental funds	<u>\$ 2,698,249</u>	<u>\$ 2,229,153</u>

**10. LONG-TERM DEBT**

**PRIMARY GOVERNMENT**

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

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>			
	<u>General Obligation</u>		<u>General Obligation</u>		<u>Revenue Bonds</u>	
	Debt		Debt		Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 5,709,665	\$ 4,337,636	\$ 1,577,709	\$ 1,163,974	\$ -	\$ 1,093,351
2011	5,880,991	4,110,542	1,665,313	1,094,869	770,000	1,149,538
2012	5,689,273	3,884,301	1,757,124	1,028,794	805,000	1,111,503
2013	5,917,816	3,665,384	1,824,893	959,579	845,000	1,073,497
2014	6,145,007	3,436,364	1,900,293	884,780	885,000	1,038,353
2015-2019	28,488,376	13,496,900	9,751,260	3,184,712	5,055,000	4,534,753
2020-2024	30,597,038	6,756,025	6,577,961	1,143,884	6,430,000	3,129,244
2025-2029	13,272,030	832,029	1,967,970	116,591	8,225,000	1,303,031
2030-2034	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>905,000</u>	<u>21,222</u>
Total	<u>\$101,700,196</u>	<u>\$ 40,519,181</u>	<u>\$ 27,022,523</u>	<u>\$ 9,577,183</u>	<u>\$ 23,920,000</u>	<u>\$ 14,454,492</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**

<u>Governmental Activities:</u>	<u>Balance as</u> <u>last reported</u> <u>June 30, 2008</u>	<u>Net</u> <u>Restate-</u> <u>ment*</u>	<u>Restated</u> <u>Balance</u> <u>July 1, 2008</u>
Capital Leases	\$ 834,745	\$ (834,745)	\$ -

\*Capital leases issued by the Component Unit School Board were erroneously reported as debt of the Primary Government.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**10. LONG-TERM DEBT (Cont'd)**

**PRIMARY GOVERNMENT (cont'd)**

Changes in Long-Term Debt (cont'd)

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2009:

<u>Governmental Activities:</u>	<u>Restated Balance July 1, 2008</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2009</u>	<u>Due within one year</u>
General Obligation Bonds	\$106,884,423	\$ -	\$ 5,424,227	\$101,460,196	\$ 5,589,665
Unamortized Bond Premium	2,239,216	-	216,030	2,023,186	208,795
Unamortized Deferred Amount on Refunding	(653,834)	-	(120,867)	(532,967)	(108,857)
School Bonds	360,000	-	120,000	240,000	120,000
Compensated absences	1,638,713	262,894	76,956	1,824,651	77,000
Net OPEB Obligation	-	198,000	-	198,000	-
Total Governmental Activities	<u>\$110,468,518</u>	<u>\$ 460,894</u>	<u>\$ 5,716,346</u>	<u>\$105,213,066</u>	<u>\$ 5,886,603</u>
 <u>Business-type Activities:</u>					
General Obligation Bonds	\$ 28,497,851	\$ -	\$ 1,475,328	\$ 27,022,523	\$ 1,577,709
Revenue Bonds	-	23,920,000	-	23,920,000	-
Unamortized Bond Premium	455,311	1,212,246	47,997	1,619,560	133,952
Unamortized Deferred Amount on Refunding	(429,188)	-	(70,219)	(358,969)	(64,719)
Compensated absences	205,829	35,052	14,519	226,362	15,000
Total Business-type Activities	<u>\$ 28,729,803</u>	<u>\$ 25,167,298</u>	<u>\$ 1,467,625</u>	<u>\$ 52,429,476</u>	<u>1,661,942</u>
 Primary Government Totals	 <u>\$139,198,321</u>	 <u>\$ 25,628,192</u>	 <u>\$ 7,183,971</u>	 <u>\$157,642,542</u>	 <u>\$ 7,548,545</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, 2009, \$11,542 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>
<u>General Obligation Bonds:</u>		
\$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 capital projects	\$ 1,034,101	\$ 80,900
\$10,000,000 General Obligation Public Improvement Bonds, Series of 1999A, issued June 16, 1999, maturing annually beginning June 1, 2000 through June 3, 2019, interest payable semi-annually at 4.86% Purpose: General and Utilities capital projects	3,076,359	3,076,360
\$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 capital projects	138,000	322,000

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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 capital projects	\$ 3,058,600	\$ 4,401,400
\$3,680,000 General Obligation Public Improvement Bonds, Series of 2002A, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2023, interest payable semi-annually at 3.58%. Purpose: General and School capital projects	2,825,000	-
\$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 capital projects	2,805,388	703,645
\$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 capital projects	5,509,029	2,368,579
\$35,020,000 General Obligation Public Improvement and Refunding Bonds, Series of 2004, issued October 21, 2004, maturing annually beginning January 15, 2005 through January 15, 2025, interest payable semi-annually at 3.77% (including premium and net of deferred charge). Purpose: General, Utilities, and School capital projects	21,365,536	6,004,378
\$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 capital projects	37,568,977	5,887,107
\$23,660,000 General Obligation Public Improvement, Series of 2006, issued December 21, 2006, maturing annually beginning December 1, 2007 through December 1, 2026, interest payable semi-annually at 3.84% (including premium). Purpose: Utilities and School capital projects	18,531,193	4,226,499
\$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 capital projects	<u>7,038,232</u>	<u>-</u>
Total General Obligation Bonds	<u>102,950,415</u>	<u>27,070,868</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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>		
Revenue Bonds:		
\$12,100,000 Virginia Resources Authority Revenue Bond, Series of 2008, issued November 21, 2008, maturing annually beginning October 1, 2010 through October 1, 2028 interest payable semi-annually at rates of 3.125-5.375% (including premium). Purpose: Utilities capital projects	\$ -	\$ 12,381,890
\$11,820,000 Virginia Resources Authority Revenue Bond, Series of 2009, issued June 1, 2009, maturing annually beginning October 1, 2010 through October 1, 2029 interest payable semi-annually at rates of 4.125-5.125% (including premium). Purpose: Utilities capital projects	-	12,750,356
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. Purpose: School capital projects	240,000	-
Total General Obligation Debt	103,190,415	52,203,114
Compensated Absences	1,824,651	226,362
Net OPEB Obligation	198,000	-
Total Primary Government Long-Term Debt	\$ 105,213,066	\$ 52,429,476

**COMPONENT UNIT SCHOOL BOARD**

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

<u>Year Ending June 30</u>	<u>Component Unit School Board</u>	
	<u>Capital Lease Agreements</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 398,650	\$ 75,995
2011	348,703	65,091
2012	283,820	51,335
2013	198,942	40,608
2014	146,282	33,432
2015-2019	811,647	86,921
Total	\$ 2,188,044	\$ 353,382

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

	Balance as last reported June 30, 2008	Net Restate- ment*	Restated Balance July 1, 2008
<u>Component Unit School Board:</u>			
Capital leases	\$ -	\$ 834,745	\$ 834,745

\*Capital leases issued by the Component Unit School Board were erroneously reported as debt of the Primary Government.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**10. LONG-TERM DEBT (Cont'd)**

**COMPONENT UNIT SCHOOL BOARD (cont'd)**

Changes in Long-Term Debt (cont'd)

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2009:

<u>Governmental Activities:</u>	<u>Restated Balance July 1, 2008</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2009</u>	<u>Due within one year</u>
Loan payable	\$ -	\$ 220,000	\$ -	\$ 220,000	\$ -
Capital leases	834,745	1,777,573	424,274	2,188,044	398,651
Compensated absences	<u>627,096</u>	<u>1,732,418</u>	<u>1,024,949</u>	<u>1,334,565</u>	<u>232,000</u>
Component Unit School Board Totals	<u>\$ 1,461,841</u>	<u>\$ 3,729,991</u>	<u>\$ 1,449,223</u>	<u>\$ 3,742,609</u>	<u>\$ 630,651</u>

Details of Long-Term Indebtedness

Loan Payable:

School Loan Payable for financing completion of the Handley High School renovations, entered into during fiscal year 2009. Funds up to \$1,500,000 can be drawn within three years of the first advancement on an interest-free basis, and thereafter for up to seven more years at an interest rate of 3.5% per annum.

\$ 220,000

Capital Lease Obligations:

\$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.

58,539

\$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.

147,158

\$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.

264,610

\$277,573 School Capital lease for financing the purchase of 3 buses entered into during fiscal year 2009, due in annual installments, including principal and interest at a rate of 3.895% per annum.

217,737

\$1,500,000 School Capital lease for financing capital projects related to facilities at John Handley High School entered into during fiscal year 2009, due in annual installments, including principal and interest at a rate of 3.49% per annum.

1,500,000

Total Capital Lease Obligations

2,188,044

Compensated absences

1,334,565

Total Component Unit School Board Long-Term Debt

\$ 3,742,609

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**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	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2010	\$ 145,000	\$ 435,556
2011	155,000	428,987
2012	160,000	421,900
2013	165,000	414,588
2014	175,000	406,938
2015-2019	1,000,000	1,895,000
2020-2024	1,280,000	1,611,250
2025-2029	1,630,000	1,249,250
2030-2034	2,080,000	788,000
2035-2038	<u>2,070,000</u>	<u>213,250</u>
Total	<u>\$ 8,860,000</u>	<u>\$ 7,864,719</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, 2009:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due within</u> <u>one year</u>
Revenue Bonds	\$ 9,000,000	\$ -	\$ 140,000	\$ 8,860,000	\$ 145,000
Unamortized Bond Premium	315,759	-	16,788	298,971	16,557
Compensated absences	<u>48,240</u>	<u>-</u>	<u>14,441</u>	<u>33,799</u>	<u>-</u>
Component Unit Parking Authority Totals	<u>\$ 9,363,999</u>	<u>\$ -</u>	<u>\$ 171,229</u>	<u>\$ 9,192,770</u>	<u>\$ 161,557</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	\$ 9,158,971
Compensated absences	<u>33,799</u>
Total Component Unit Parking Authority Long-Term Debt	<u>\$ 9,192,770</u>

(Notes continued on next page)

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**11. CAPITAL LEASES**

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

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

Year Ending June 30,	Amount
2010	\$ 474,645
2011	413,793
2012	335,155
2013	239,550
2014	179,714
2015-2019	<u>898,569</u>
Total minimum lease payments	2,541,426
Less: amount representing interest	<u>(353,382)</u>
Present value of minimum lease payments	<u>\$ 2,188,044</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 Utilities revenue bonds issued in 2009, the City public utilities department continued or began major renovations or construction of the water treatment plant and water and sewer line replacements. These projects are expected to exceed \$12,200,050.

	Utilities
Estimated project costs	\$ 12,200,050
Costs incurred through 6-30-09	<u>(8,949,021)</u>
Estimated remaining costs	<u>\$ 3,251,029</u>

In connection with the Utilities revenue bonds issued in 2009, the City public utilities department continued or began major replacements of water and sewer lines. These projects are expected to exceed \$12,626,223.

	Utilities
Estimated project costs	\$ 12,626,223
Costs incurred through 6-30-09	-
Estimated remaining costs	<u>\$ 12,626,223</u>

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**14. EMPLOYEE RETIREMENT SYSTEMS**

**A. Virginia Retirement System**

Plan Description

The City of Winchester contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the City of Winchester School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2009 was 8.37% of annual covered payroll. The City School Board contribution rate for the fiscal year ended 2009 was 7.64% of annual covered payroll of non-professional employees.

The City School Board's required contributions to the teacher cost-sharing pool were \$2,162,926 for fiscal year 2009, \$2,380,095 for fiscal year 2008 and \$2,024,040 for fiscal year 2007. In each year, the School Board contributed 100% of the required contributions.

Annual Pension Cost

For fiscal year 2009, the City's annual pension cost of \$1,686,297 was equal to the City's required and actual contributions. For fiscal year 2009, the City School Board's annual pension cost of \$149,330 for its non-professional employees was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustments of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

Three-Year Trend Information

<u>City</u>	<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>
	June 30, 2007	\$ 1,416,559	100%	-
	June 30, 2008	1,581,898	100%	-
	June 30, 2009	1,686,297	100%	-

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**14. EMPLOYEE RETIREMENT SYSTEMS (Cont'd)**

**A. Virginia Retirement System (cont'd)**

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 School Board (non-professional employees)</u>			
June 30, 2007	\$ 112,468	100%	-
June 30, 2008	122,059	100%	-
June 30, 2009	149,330	100%	-

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 90.6% and 95.0% funded for the City and the City's School Board (non-professional employees), respectively. The actuarial accrued liability for benefits was \$63,672,417 and \$4,415,953, and the actuarial value of assets was \$57,696,699 and \$4,195,951, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,975,718 and \$220,002 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 \$19,553,367 and \$1,784,253, and ratio of the UAAL to the covered payroll was 30.6% and 12.3% for the City and the City's School Board (non-professional employees).

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, 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.

**B. VRS Health Insurance Credit**

Plan Description

Retirees who have 15 or more years of creditable VRS service are granted the option to participate in the VRS Health Insurance Credit Program by paying 100% of their monthly health insurance premium less a \$1.50 per month per year of service for a maximum health insurance credit of \$45.00 from VRS. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend the benefit provisions to the General Assembly of Virginia. The health insurance credit program is financed by payments from the City and the City's School Board (non-professional employees) for all active employees to VRS. For fiscal year ended June 30, 2009, the contributions made by the City and the City's School Board (non-professional employees) were \$68,548 and \$10,359, respectively. The surplus funds are not considered advance funded because the City, the City's School Board, its employees, and retirees have no vested rights to access the excess funds. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

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

Funding Policy and Annual Benefit Contribution

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute actuarial percentage of their annual reported compensation of the VRS for the retiree health insurance credit. The City and the City's School Board (non-professional employees) have assumed this contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2009 was 0.347% of annual covered payroll. The City School Board contribution rate for the fiscal year ended 2009 was 0.53% of annual covered payroll of non-professional employees.

Actuarial Methods and Assumptions

The required contributions for the City and the City's School Board (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2008 using the entry age normal cost method. The actuarial assumptions at June 30, 2008 included (a) 7.50% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City and the City's School Board (non-professional) assets are equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008 was 28 years.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**14. EMPLOYEE RETIREMENT SYSTEMS (Cont'd)**

**A. VRS Health Insurance Credit (cont'd)**

Three-Year Trend Information

<u>City</u>	<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Benefit</u> <u>Cost (ABC)</u> <u>Employer Portion</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
	June 30, 2007	\$ 60,724	100%	-
	June 30, 2008	94,837	100%	-
	June 30, 2009	68,548	100%	-
<u>City School Board (non-professional employees)</u>				
	June 30, 2007	\$ 8,267	100%	-
	June 30, 2008	10,094	100%	-
	June 30, 2009	10,359	100%	-

Funding Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the VRS health insurance credit program was 100.00% funded. The actuarial liability for the City and City's School Board (non-professional employees) benefits were \$634,002 and \$78,876, respectively, and the actuarial value of assets was \$634,002 and \$78,876, resulting in an unfunded actuarial liability (UAAL) of \$0 for the City and the City's School Board (non-professional employees). The covered City and City's School Board (non-professional employees) payroll for the fiscal year ended June 30, 2008 were \$19,553,367 and \$1,784,253, respectively.

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

**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.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**15. RISK MANAGEMENT (Cont'd)**

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, 2009 of \$583,857 and \$409,096, 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 2007, 2008, and 2009 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>				
2007	\$ 192,576	\$ 2,697,300	\$ 2,672,560	\$ 217,316
2008	217,316	3,189,418	2,993,877	412,857
2009	412,857	3,294,376	3,123,376	583,857
<u>Component Unit – School Board</u>				
2007	\$ 342,173	\$ 3,221,514	\$ 3,166,106	\$ 397,581
2008	397,581	3,567,437	3,549,379	415,639
2009	415,639	3,723,825	3,730,368	409,096

**16. SURETY BONDS**

	<u>Amount</u>
<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 2009, the City paid \$20,542 and \$3,687 to Tire Distributors, Inc. and Gearclean, Inc., respectively, for automobile repair services and fire and rescue equipment testing. As noted in the annual statements of economic interests filed by Council members and other city administrators, two members of the City's Common Council had economic interests in these businesses.

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**18. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The City of Winchester administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. The plan was established under the authority of the City of Winchester's Council.

Funding Policy

The City pays a certain dollar amount (\$314 per month as of the valuation date) for the retiree, which covers the entire cost of the KeyCare 1000 plan. The retiree pays 100% for the dependent coverage. Employees must meet the unreduced retirement eligibility as described in the pension plan to be eligible for post-retirement health coverage.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$179,000 for fiscal year 2009. The annual employer contributions for fiscal year 2009 were \$110,428.

The City has elected not to pre-fund OPEB liabilities. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 377,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>377,000</u>
Estimated contributions made	<u>(179,000)</u>
Increase (decrease) in net OPEB obligation	198,000
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 198,000</u>

Trend Information:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 were as follows:

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2009	\$ 377,000	47.5%	\$ 198,000

Funded Status and Funding Progress:

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefit was \$3,694,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,694,000. As of the valuation date, the covered payroll (annual payroll of active employees covered by the plan) was \$16,282,810, and the ratio of the UAAL to the covered payroll was 22.69%.

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

**City of Winchester, Virginia**  
**Notes to Financial Statements**  
**June 30, 2009**

**18. OTHER POSTEMPLOYMENT BENEFITS (Cont'd)**

Actuarial Methods and Assumptions:

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

In the July 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2008 was 30 years.

The following additional simplifying assumptions were made:

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

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

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

*Economic Assumptions* – Medical claims are assumed to increase 9.5 % from 2006 to 2007, decreasing 1% per year to an ultimate rate of 5.5%. While medical costs have increased by a rate well in excess of 5.5% in recent years, prevailing practice is to assume that these increases will slow in the future. This is based on the macroeconomic assumption that if they do not moderate, medical expenses will consume an unacceptable percentage of the gross national product. The long-term assumption selected is consistent with the Centers for Medicare and Medicaid Services office of the actuary's assumption for per-capita increases in medical costs.

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

**19. PRIOR PERIOD ADJUSTMENTS**

Beginning net assets as of July 1, 2008 were restated for the following prior period adjustments:

<u>Government-wide Financial Statements</u>	<u>Primary Governmental Activities</u>	<u>Component Unit School Board</u>
Net Assets at June 30, 2008, as last reported	\$ (17,143,221)	\$ 118,234,848
Adjustments:		
Reclassify capital leases issued by School Board	834,745	(834,745)
Reclassify related lease issue costs for School capital leases	(4,386)	4,386
Adjust for overstatement of retainage and other costs included in construction in progress	-	(904,664)
Net Assets, restated at July 1, 2008	<u>\$ (16,312,862)</u>	<u>\$ 116,499,825</u>

**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, 2009, \$15,170,000 of bonds outstanding are considered defeased.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

<b>CITY - DEFINED BENEFIT PENSION PLAN</b>						Exhibit 11
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 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%
June 30, 2008	57,696,699	63,672,417	5,975,718	90.6%	19,553,367	30.6%

<b>SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - DEFINED BENEFIT PENSION PLAN</b>						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 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%
June 30, 2008	4,195,951	4,415,953	220,002	95.0%	1,784,253	12.3%

<b>CITY - VRS HEALTH INSURANCE CREDIT PROGRAM</b>						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	53,065	777,446	724,381	6.8%	18,101,083	4.0%
June 30, 2008	127,117	634,002	506,885	20.0%	19,553,367	2.6%

<b>SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - VRS HEALTH INSURANCE CREDIT PROGRAM</b>						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	8,248	94,461	86,213	8.7%	1,756,985	4.9%
June 30, 2008	16,123	78,876	62,753	20.4%	1,784,253	3.5%

<b>CITY - RETIREE HEALTH PLAN</b>						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2008	-	198,000	198,000	0.0%	16,282,810	1.2%

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**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.

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.

**CITY OF WINCHESTER, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009**

Exhibit 12

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,426,996	\$ 33,193	\$ 1,000,453	\$ 2,460,642
Investments	709,076	16,494	497,125	1,222,695
Accounts receivable (net of allowance for uncollectibles)	257,119	-	-	257,119
Interest receivable	8,143	189	5,711	14,043
Due from other governments	<u>616,143</u>	<u>-</u>	<u>659,829</u>	<u>1,275,972</u>
Total assets	<u>\$ 3,017,477</u>	<u>\$ 49,876</u>	<u>\$ 2,163,118</u>	<u>\$ 5,230,471</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	416,597	-	1,048,723	1,465,320
Accrued payroll	133,291	-	-	133,291
Retainage payable	-	-	89,803	89,803
Due to other funds	213,800	-	-	213,800
Deferred revenue	<u>236,400</u>	<u>-</u>	<u>-</u>	<u>236,400</u>
Total liabilities	<u>1,000,088</u>	<u>-</u>	<u>1,138,526</u>	<u>2,138,614</u>
Fund balances:				
Unreserved, designated for:				
Public safety	29,186	-	-	29,186
Public works	-	-	50,000	50,000
Unreserved, undesignated	<u>1,988,203</u>	<u>49,876</u>	<u>974,592</u>	<u>3,012,671</u>
Total fund balances	<u>2,017,389</u>	<u>49,876</u>	<u>1,024,592</u>	<u>3,091,857</u>
Total liabilities and fund balances	<u>\$ 3,017,477</u>	<u>\$ 49,876</u>	<u>\$ 2,163,118</u>	<u>\$ 5,230,471</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2009**

Exhibit 13

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Revenues from use of money and property	\$ 27,671	\$ 1,289	\$ 13,184	\$ 42,144
Charges for services	910,949	-	-	910,949
Miscellaneous	243,594	-	25,000	268,594
Recovered costs	10,823	-	-	10,823
Intergovernmental:				
Commonwealth	4,859,064	-	737,878	5,596,942
Federal	2,488,370	-	611,567	3,099,937
Total revenues	<u>8,540,471</u>	<u>1,289</u>	<u>1,387,629</u>	<u>9,929,389</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	196,614	-	-	196,614
Public safety	1,297,829	-	-	1,297,829
Public works	2,911,882	-	2,702,588	5,614,470
Health and welfare	6,364,441	-	-	6,364,441
Parks, recreation, and culture	-	-	575,316	575,316
Community development	607,884	-	-	607,884
Capital projects	-	-	2,027,584	2,027,584
Debt service:				
Principal	-	33,228	-	33,228
Interest and fiscal charges	-	20,188	154,943	175,131
Total expenditures	<u>11,378,650</u>	<u>53,416</u>	<u>5,460,431</u>	<u>16,892,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,838,179)</u>	<u>(52,127)</u>	<u>(4,072,802)</u>	<u>(6,963,108)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries - capital asset impairment	3,339	-	-	3,339
Transfers in	3,146,065	-	3,255,199	6,401,264
Transfers out	(114,367)	-	-	(114,367)
Total other financing sources (uses)	<u>3,035,037</u>	<u>-</u>	<u>3,255,199</u>	<u>6,290,236</u>
Net change in fund balances	196,858	(52,127)	(817,603)	(672,872)
Fund balance - beginning	<u>1,820,531</u>	<u>102,003</u>	<u>1,842,195</u>	<u>3,764,729</u>
Fund balance - ending	<u>\$ 2,017,389</u>	<u>\$ 49,876</u>	<u>\$ 1,024,592</u>	<u>\$ 3,091,857</u>

**CITY OF WINCHESTER, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2009**

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund
<b>ASSETS</b>					
Cash	\$ 146	\$ 23	\$ 14	\$ 273,195	\$ 169,439
Investments	72	12	7	135,751	84,195
Accounts receivable (net of allowance for uncollectibles)	-	13,715	-	-	-
Interest receivable	-	-	-	1,559	967
Due from other governments	245,435	215,794	144,811	7,603	-
	<u>245,653</u>	<u>229,544</u>	<u>144,832</u>	<u>418,108</u>	<u>254,601</u>
<b>Total assets</b>	<b>\$ 245,653</b>	<b>\$ 229,544</b>	<b>\$ 144,832</b>	<b>\$ 418,108</b>	<b>\$ 254,601</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	74,980	144,678	65,500	36,386	-
Accrued payroll	63,523	4,545	7,132	1,208	2,866
Due to other funds	89,500	52,100	72,200	-	-
Deferred revenue	-	-	-	-	-
	<u>228,003</u>	<u>201,323</u>	<u>144,832</u>	<u>37,594</u>	<u>2,866</u>
<b>Total liabilities</b>	<b>228,003</b>	<b>201,323</b>	<b>144,832</b>	<b>37,594</b>	<b>2,866</b>
Fund balances:					
Unreserved:					
Designated for public safety	-	-	-	-	-
Undesignated	17,650	28,221	-	380,514	251,735
	<u>17,650</u>	<u>28,221</u>	<u>-</u>	<u>380,514</u>	<u>251,735</u>
<b>Total fund balances</b>	<b>17,650</b>	<b>28,221</b>	<b>-</b>	<b>380,514</b>	<b>251,735</b>
<b>Total liabilities and fund balances</b>	<b>\$ 245,653</b>	<b>\$ 229,544</b>	<b>\$ 144,832</b>	<b>\$ 418,108</b>	<b>\$ 254,601</b>

## 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
\$ 180,587	\$ 332,060	\$ 360,975	\$ 10,370	\$ 16,779	\$ 83,408	\$ 1,426,996
89,734	165,001	179,369	5,153	8,337	41,445	709,076
67,500	-	167,720	-	8,184	-	257,119
1,031	1,895	2,060	59	96	476	8,143
-	2,500	-	-	-	-	616,143
<u>\$ 338,852</u>	<u>\$ 501,456</u>	<u>\$ 710,124</u>	<u>\$ 15,582</u>	<u>\$ 33,396</u>	<u>\$ 125,329</u>	<u>\$ 3,017,477</u>
16,250	38,665	8,727	5,427	3,109	22,875	416,597
1,416	34,213	13,645	4,348	395	-	133,291
-	-	-	-	-	-	213,800
-	-	163,132	-	-	73,268	236,400
<u>17,666</u>	<u>72,878</u>	<u>185,504</u>	<u>9,775</u>	<u>3,504</u>	<u>96,143</u>	<u>1,000,088</u>
-	-	-	-	-	29,186	29,186
321,186	428,578	524,620	5,807	29,892	-	1,988,203
<u>321,186</u>	<u>428,578</u>	<u>524,620</u>	<u>5,807</u>	<u>29,892</u>	<u>29,186</u>	<u>2,017,389</u>
<u>\$ 338,852</u>	<u>\$ 501,456</u>	<u>\$ 710,124</u>	<u>\$ 15,582</u>	<u>\$ 33,396</u>	<u>\$ 125,329</u>	<u>\$ 3,017,477</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, 2009**

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Housing Choice Voucher Program Fund
<b>REVENUES</b>					
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ 5,825	\$ 3,874
Charges for services	-	-	-	-	-
Miscellaneous	-	87,353	-	-	-
Recovered costs	900	9,121	-	-	-
Intergovernmental:					
Commonwealth	1,251,108	1,005,085	124,091	-	135,581
Federal	<u>1,745,520</u>	<u>-</u>	<u>483,769</u>	<u>254,229</u>	<u>-</u>
Total revenues	<u>2,997,528</u>	<u>1,101,559</u>	<u>607,860</u>	<u>260,054</u>	<u>139,455</u>
<b>EXPENDITURES</b>					
Current:					
Judicial administration	-	-	155,190	-	-
Public safety	-	-	522,219	-	-
Public works	-	-	-	-	-
Health and welfare	4,089,459	2,180,210	-	-	94,772
Community development	-	-	12,852	214,789	-
Total expenditures	<u>4,089,459</u>	<u>2,180,210</u>	<u>690,261</u>	<u>214,789</u>	<u>94,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,091,931)</u>	<u>(1,078,651)</u>	<u>(82,401)</u>	<u>45,265</u>	<u>44,683</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries - capital asset impairment	-	-	-	-	-
Transfers in	1,082,000	1,080,548	82,401	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,616)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,082,000</u>	<u>1,080,548</u>	<u>82,401</u>	<u>(110,616)</u>	<u>-</u>
Net change in fund balances	(9,931)	1,897	-	(65,351)	44,683
Fund balance - beginning	<u>27,581</u>	<u>26,324</u>	<u>-</u>	<u>445,865</u>	<u>207,052</u>
Fund balance - ending	<u>\$ 17,650</u>	<u>\$ 28,221</u>	<u>\$ -</u>	<u>\$ 380,514</u>	<u>\$ 251,735</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
\$ 4,569	\$ 2,765	\$ 8,023	\$ 310	\$ 493	\$ 1,812	\$ 27,671
-	-	884,563	-	26,386	-	910,949
-	1,417	-	154,824	-	-	243,594
-	802	-	-	-	-	10,823
-	2,301,207	-	-	-	41,992	4,859,064
-	4,852	-	-	-	-	2,488,370
<u>4,569</u>	<u>2,311,043</u>	<u>892,586</u>	<u>155,134</u>	<u>26,879</u>	<u>43,804</u>	<u>8,540,471</u>
-	-	-	-	27,726	13,698	196,614
-	-	745,203	-	-	30,407	1,297,829
-	2,911,882	-	-	-	-	2,911,882
-	-	-	-	-	-	6,364,441
<u>84,590</u>	<u>-</u>	<u>-</u>	<u>295,653</u>	<u>-</u>	<u>-</u>	<u>607,884</u>
<u>84,590</u>	<u>2,911,882</u>	<u>745,203</u>	<u>295,653</u>	<u>27,726</u>	<u>44,105</u>	<u>11,378,650</u>
<u>(80,021)</u>	<u>(600,839)</u>	<u>147,383</u>	<u>(140,519)</u>	<u>(847)</u>	<u>(301)</u>	<u>(2,838,179)</u>
-	3,339	-	-	-	-	3,339
40,000	760,616	-	100,500	-	-	3,146,065
-	-	-	-	-	(3,751)	(114,367)
<u>40,000</u>	<u>763,955</u>	<u>-</u>	<u>100,500</u>	<u>-</u>	<u>(3,751)</u>	<u>3,035,037</u>
(40,021)	163,116	147,383	(40,019)	(847)	(4,052)	196,858
<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>\$ 321,186</u>	<u>\$ 428,578</u>	<u>\$ 524,620</u>	<u>\$ 5,807</u>	<u>\$ 29,892</u>	<u>\$ 29,186</u>	<u>\$ 2,017,389</u>

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2009**

	Social Service Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Recovered costs	-	-	900	900
Intergovernmental:				
Commonwealth	1,510,000	1,510,000	1,251,108	(258,892)
Federal	2,133,000	2,135,000	1,745,520	(389,480)
Total revenues	<u>3,643,000</u>	<u>3,645,000</u>	<u>2,997,528</u>	<u>(647,472)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	4,730,000	4,727,000	4,089,459	637,541
Community development	-	-	-	-
Total expenditures	<u>4,730,000</u>	<u>4,727,000</u>	<u>4,089,459</u>	<u>637,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,087,000)</u>	<u>(1,082,000)</u>	<u>(1,091,931)</u>	<u>(9,931)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries - capital asset impairment	-	-	-	-
Transfers in	1,087,000	1,082,000	1,082,000	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>1,087,000</u>	<u>1,082,000</u>	<u>1,082,000</u>	<u>-</u>
Net change in fund balances	-	-	(9,931)	(9,931)
Fund balance - beginning	-	-	27,581	27,581
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,650</u>	<u>\$ 17,650</u>

	Community Development Block Grant Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 5,825	\$ 5,825
Charges for services	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	260,000	1,006,230	254,229	(752,001)
Total revenues	<u>260,000</u>	<u>1,006,230</u>	<u>260,054</u>	<u>(746,176)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	260,000	1,301,061	214,789	1,086,272
Total expenditures	<u>260,000</u>	<u>1,301,061</u>	<u>214,789</u>	<u>1,086,272</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(294,831)</u>	<u>45,265</u>	<u>340,096</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(110,616)	(110,616)	-
Total other financing sources and uses	<u>-</u>	<u>(110,616)</u>	<u>(110,616)</u>	<u>-</u>
Net change in fund balances	-	(405,447)	(65,351)	340,096
Fund balance - beginning	-	405,447	445,865	40,418
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,514</u>	<u>\$ 380,514</u>

Exhibit 16

Comprehensive Services Fund				Federal and State Grants Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
110,000	110,000	87,353	(22,647)	-	-	-	-
-	-	9,121	9,121	-	-	-	-
1,684,000	1,684,000	1,005,085	(678,915)	19,600	148,804	124,091	(24,713)
-	-	-	-	318,500	661,697	483,769	(177,928)
<u>1,794,000</u>	<u>1,794,000</u>	<u>1,101,559</u>	<u>(692,441)</u>	<u>338,100</u>	<u>810,501</u>	<u>607,860</u>	<u>(202,641)</u>
-	-	-	-	192,000	283,711	155,190	128,521
-	-	-	-	219,000	605,501	522,219	83,282
-	-	-	-	-	-	-	-
3,615,000	3,615,000	2,180,210	1,434,790	-	-	-	-
-	-	-	-	14,000	12,852	12,852	-
<u>3,615,000</u>	<u>3,615,000</u>	<u>2,180,210</u>	<u>1,434,790</u>	<u>425,000</u>	<u>902,064</u>	<u>690,261</u>	<u>211,803</u>
<u>(1,821,000)</u>	<u>(1,821,000)</u>	<u>(1,078,651)</u>	<u>742,349</u>	<u>(86,900)</u>	<u>(91,563)</u>	<u>(82,401)</u>	<u>9,162</u>
-	-	-	-	-	-	-	-
1,821,000	1,821,000	1,080,548	(740,452)	86,900	91,563	82,401	(9,162)
-	-	-	-	-	-	-	-
<u>1,821,000</u>	<u>1,821,000</u>	<u>1,080,548</u>	<u>(740,452)</u>	<u>86,900</u>	<u>91,563</u>	<u>82,401</u>	<u>(9,162)</u>
-	-	1,897	1,897	-	-	-	-
-	-	26,324	26,324	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,221</u>	<u>\$ 28,221</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)
\$ -	\$ -	\$ 3,874	\$ 3,874	\$ -	\$ -	\$ 4,569	\$ 4,569
-	-	-	-	-	-	-	-
70,000	95,000	135,581	40,581	-	-	-	-
-	-	-	-	-	-	-	-
<u>70,000</u>	<u>95,000</u>	<u>139,455</u>	<u>44,455</u>	<u>-</u>	<u>-</u>	<u>4,569</u>	<u>4,569</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
70,000	95,000	94,772	228	-	-	-	-
-	-	-	-	340,000	320,800	84,590	236,210
<u>70,000</u>	<u>95,000</u>	<u>94,772</u>	<u>228</u>	<u>340,000</u>	<u>320,800</u>	<u>84,590</u>	<u>236,210</u>
-	-	44,683	44,683	(340,000)	(320,800)	(80,021)	240,779
-	-	-	-	340,000	40,000	40,000	-
-	-	-	-	-	-	-	-
-	-	-	-	340,000	40,000	40,000	-
-	-	44,683	44,683	-	(280,800)	(40,021)	240,779
-	-	207,052	207,052	-	280,800	361,207	80,407
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,735</u>	<u>\$ 251,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,186</u>	<u>\$ 321,186</u>

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**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2009**

	Highway Maintenance Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ 5,000	\$ 5,000	\$ 2,765	\$ (2,235)
Charges for services	-	-	-	-
Miscellaneous	-	-	1,417	1,417
Recovered costs	-	-	802	802
Intergovernmental:				
Commonwealth	2,245,000	2,245,000	2,301,207	56,207
Federal	-	-	4,852	4,852
Total revenues	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,311,043</u>	<u>61,043</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	2,930,000	3,040,616	2,911,882	128,734
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>2,930,000</u>	<u>3,040,616</u>	<u>2,911,882</u>	<u>128,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(680,000)</u>	<u>(790,616)</u>	<u>(600,839)</u>	<u>189,777</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries - capital asset impairment	-	-	3,339	3,339
Transfers in	650,000	760,616	760,616	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>650,000</u>	<u>760,616</u>	<u>763,955</u>	<u>3,339</u>
Net change in fund balances	(30,000)	(30,000)	163,116	193,116
Fund balance - beginning	30,000	30,000	265,462	235,462
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,578</u>	<u>\$ 428,578</u>

	Law Library Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 493	\$ 493
Charges for services	30,000	30,000	26,386	(3,614)
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>26,879</u>	<u>(3,121)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	30,000	30,000	27,726	2,274
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>27,726</u>	<u>2,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(847)</u>	<u>(847)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(847)	(847)
Fund balance - beginning	-	-	30,739	30,739
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,892</u>	<u>\$ 29,892</u>

Emergency Medical Services Fund				Win-Fred Convention and Visitors Bureau Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ 5,000	\$ 8,023	\$ 3,023	\$ -	\$ -	\$ 310	\$ 310
700,000	750,000	884,563	134,563	-	-	-	-
-	-	-	-	199,500	199,500	154,824	(44,676)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
700,000	755,000	892,586	137,586	199,500	199,500	155,134	(44,366)
-	-	-	-	-	-	-	-
700,000	755,000	745,203	9,797	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	300,000	300,000	295,653	4,347
700,000	755,000	745,203	9,797	300,000	300,000	295,653	4,347
-	-	147,383	147,383	(100,500)	(100,500)	(140,519)	(40,019)
-	-	-	-	-	-	-	-
-	-	-	-	100,500	100,500	100,500	-
-	-	-	-	-	-	-	-
-	-	-	-	100,500	100,500	100,500	-
-	-	147,383	147,383	-	-	(40,019)	(40,019)
-	-	377,237	377,237	-	-	45,826	45,826
\$ -	\$ -	\$ 524,620	\$ 524,620	\$ -	\$ -	\$ 5,807	\$ 5,807

Asset Forfeiture Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 1,812	\$ 1,812
-	-	-	-
-	37,275	41,992	4,717
-	-	-	-
-	37,275	43,804	6,529
-	15,417	13,698	1,719
-	30,407	30,407	-
-	-	-	-
-	-	-	-
-	45,824	44,105	1,719
-	(8,549)	(301)	8,248
-	-	-	-
-	-	(3,751)	(3,751)
-	-	(3,751)	(3,751)
-	(8,549)	(4,052)	4,497
-	8,549	33,238	24,689
\$ -	\$ -	\$ 29,186	\$ 29,186

**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, 2009**

Exhibit 17

	School Bonds Debt Service Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 1,289	\$ 1,289
Total revenues	<u>-</u>	<u>-</u>	<u>1,289</u>	<u>1,289</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	33,500	33,500	33,228	272
Interest and fiscal charges	<u>20,500</u>	<u>20,500</u>	<u>20,188</u>	<u>312</u>
Total expenditures	<u>54,000</u>	<u>54,000</u>	<u>53,416</u>	<u>584</u>
Net change in fund balances	(54,000)	(54,000)	(52,127)	1,873
Fund balance - beginning	<u>54,000</u>	<u>54,000</u>	<u>102,003</u>	<u>48,003</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,876</u>	<u>\$ 49,876</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, 2009**

Exhibit 18

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ 13,200	\$ 13,184	\$ (16)
Miscellaneous	670,000	-	25,000	25,000
Intergovernmental:				
Commonwealth	-	-	737,878	737,878
Federal	400,000	1,611,300	611,567	(999,733)
Total revenues	<u>1,070,000</u>	<u>1,624,500</u>	<u>1,387,629</u>	<u>(236,871)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	55,000	55,000	-	55,000
Public works	12,760,000	3,649,920	2,702,588	947,332
Parks, recreation and culture	705,000	1,500,444	575,316	925,128
Capital projects	4,250,000	2,189,100	2,027,584	161,516
Debt service:				
Interest and fiscal charges	-	155,000	154,943	57
Total expenditures	<u>17,770,000</u>	<u>7,549,464</u>	<u>5,460,431</u>	<u>2,089,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,700,000)</u>	<u>(5,924,964)</u>	<u>(4,072,802)</u>	<u>1,852,162</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	14,050,000	-	-	-
Transfers in	2,650,000	4,161,964	3,255,199	(906,765)
Total other financing sources and uses	<u>16,700,000</u>	<u>4,161,964</u>	<u>3,255,199</u>	<u>(906,765)</u>
Net change in fund balances	-	(1,763,000)	(817,603)	945,397
Fund balance - beginning	-	1,763,000	1,842,195	79,195
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024,592</u>	<u>\$ 1,024,592</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.

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

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2009**

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,601,919	\$ 27	\$ 133,677	\$ 1,735,623
Investments	611,990	14	66,424	678,428
Accounts receivable (net of allowance for uncollectibles)	12,155	1,839	-	13,994
Interest	7,030	-	763	7,793
Due from other governments	-	-	-	-
Inventory	-	81,081	-	81,081
Total current assets	<u>2,233,094</u>	<u>82,961</u>	<u>200,864</u>	<u>2,516,919</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	-	99,967	-	99,967
Less accumulated depreciation	-	(95,852)	-	(95,852)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>4,115</u>	<u>-</u>	<u>4,115</u>
Total noncurrent assets	<u>-</u>	<u>4,115</u>	<u>-</u>	<u>4,115</u>
Total assets	<u>2,233,094</u>	<u>87,076</u>	<u>200,864</u>	<u>2,521,034</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,203,227	16,793	-	1,220,020
Accrued payroll	2,557	7,594	-	10,151
Due to other funds	-	135,500	-	135,500
Total current liabilities	<u>1,205,784</u>	<u>159,887</u>	<u>-</u>	<u>1,365,671</u>
Noncurrent liabilities:				
Compensated absences	1,402	10,140	-	11,542
Net OPEB obligation	-	-	198,000	198,000
Total noncurrent liabilities	<u>1,402</u>	<u>10,140</u>	<u>198,000</u>	<u>209,542</u>
Total liabilities	<u>1,207,186</u>	<u>170,027</u>	<u>198,000</u>	<u>1,575,213</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	4,115	-	4,115
Unrestricted	1,025,908	(87,066)	2,864	941,706
Total net assets	<u>\$ 1,025,908</u>	<u>\$ (82,951)</u>	<u>\$ 2,864</u>	<u>\$ 945,821</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, 2009**

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,985,848	\$ 906,086	\$ 198,000	\$ 4,089,934
Total operating revenues	<u>2,985,848</u>	<u>906,086</u>	<u>198,000</u>	<u>4,089,934</u>
<b>OPERATING EXPENSES</b>				
Personal services	84,695	234,675	198,000	517,370
Contractual services	-	149,830	-	149,830
Other supplies and expenses	-	609,922	-	609,922
Insurance claims and expenses	3,127,047	-	-	3,127,047
Depreciation	-	1,250	-	1,250
Total operating expenses	<u>3,211,742</u>	<u>995,677</u>	<u>198,000</u>	<u>4,405,419</u>
Operating income (loss)	<u>(225,894)</u>	<u>(89,591)</u>	<u>-</u>	<u>(315,485)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	10,718	-	2,864	13,582
Total nonoperating revenues (expenses)	<u>10,718</u>	<u>-</u>	<u>2,864</u>	<u>13,582</u>
Change in net assets	(215,176)	(89,591)	2,864	(301,903)
Total net assets - beginning	<u>1,241,084</u>	<u>6,640</u>	<u>-</u>	<u>1,247,724</u>
Total net assets - ending	<u>\$ 1,025,908</u>	<u>\$ (82,951)</u>	<u>\$ 2,864</u>	<u>\$ 945,821</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2009**

Exhibit 21

	Employee Benefits Fund	Equipment Operating Fund	Other Post- Employment Benefits Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from internal services provided	\$ 2,975,338	\$ 908,893	\$ 198,000	\$ 4,082,231
Cash paid to suppliers	-	(817,199)	-	(817,199)
Cash paid to employees	(83,778)	(238,347)	-	(322,125)
Premiums paid	(2,948,925)	-	-	(2,948,925)
Net cash provided (used) by operating activities	<u>(57,365)</u>	<u>(146,653)</u>	<u>198,000</u>	<u>(6,018)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer from other funds	-	135,500	-	135,500
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>135,500</u>	<u>-</u>	<u>135,500</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	3,688	-	2,101	5,789
Net cash provided by investing activities	<u>3,688</u>	<u>-</u>	<u>2,101</u>	<u>5,789</u>
Net increase (decrease) in cash and cash equivalents	(53,677)	(11,153)	200,101	135,271
Cash and cash equivalents - beginning of year	<u>2,267,586</u>	<u>11,194</u>	<u>-</u>	<u>2,278,780</u>
Cash and cash equivalents - end of year	<u>\$ 2,213,909</u>	<u>\$ 41</u>	<u>\$ 200,101</u>	<u>\$ 2,414,051</u>
Cash and cash equivalents at end of year is comprised of the following:				
Cash	1,601,919	27	133,677	1,735,623
Cash equivalents - Investments	611,990	14	66,424	678,428
Total	<u>\$ 2,213,909</u>	<u>\$ 41</u>	<u>\$ 200,101</u>	<u>\$ 2,414,051</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(225,894)	(89,591)	-	(315,485)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	1,250	-	1,250
(Increase) decrease in accounts receivable	(10,510)	2,807	-	(7,703)
(Increase) decrease in inventory	-	56,864	-	56,864
Increase (decrease) in accounts payable	178,122	(114,311)	-	63,811
Increase (decrease) in accrued payroll	670	3,790	-	4,460
Increase (decrease) in net OPEB obligation	-	-	198,000	198,000
Increase (decrease) in accrued leave	247	(7,462)	-	(7,215)
Total adjustments	<u>168,529</u>	<u>(57,062)</u>	<u>198,000</u>	<u>309,467</u>
Net cash provided (used) by operating activities	<u>\$ (57,365)</u>	<u>\$ (146,653)</u>	<u>\$ 198,000</u>	<u>\$ (6,018)</u>

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

There are no noncash activities to disclose.

**FIDUCIARY FUNDS**AGENCY FUNDS

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**June 30, 2009**

Exhibit 22

	Northern Shenandoah CSA Trust Fund	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
<b>ASSETS</b>					
Cash	\$ 890	\$ 11,390	\$ -	\$ 404,608	\$ 416,888
Investments	443	-	567,830	201,049	769,322
Accounts receivable	4,050	-	-	287,620	291,670
Interest receivable	5	-	-	2,309	2,314
Due from other governments	5,747	-	-	-	5,747
Total assets	<u>\$ 11,135</u>	<u>\$ 11,390</u>	<u>\$ 567,830</u>	<u>\$ 895,586</u>	<u>\$ 1,485,941</u>
<b>LIABILITIES</b>					
Accounts payable	11,135	-	-	16,750	27,885
Accrued payroll	-	-	-	65,040	65,040
Amounts held for social service clients	-	11,390	-	-	11,390
Amounts held for NRJA	-	-	567,830	-	567,830
Amounts held for NRJDC	-	-	-	813,796	813,796
Total liabilities	<u>\$ 11,135</u>	<u>\$ 11,390</u>	<u>\$ 567,830</u>	<u>\$ 895,586</u>	<u>\$ 1,485,941</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2009**

Exhibit 23

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Northern Shenandoah CSA Trust Fund</b>				
Assets:				
Cash	\$ 1,562	\$ 133,144	\$ 133,816	\$ 890
Investments	3,802	-	3,359	443
Accounts receivable	40	4,050	40	4,050
Interest receivable	-	5	-	5
Due from other governments	5,747	5,747	5,747	5,747
Total Assets	<u>\$ 11,151</u>	<u>\$ 142,946</u>	<u>\$ 142,962</u>	<u>\$ 11,135</u>
Liabilities:				
Accounts payable	11,151	11,135	11,151	11,135
Amounts held for social service clients	-	132,451	132,451	-
Total Liabilities	<u>\$ 11,151</u>	<u>\$ 143,586</u>	<u>\$ 143,602</u>	<u>\$ 11,135</u>
<b>Special Welfare Fund</b>				
Assets:				
Cash	9,009	104,602	102,221	11,390
Total Assets	<u>\$ 9,009</u>	<u>\$ 104,602</u>	<u>\$ 102,221</u>	<u>\$ 11,390</u>
Liabilities:				
Amounts held for social service clients	9,009	104,602	102,221	11,390
Total Liabilities	<u>\$ 9,009</u>	<u>\$ 104,602</u>	<u>\$ 102,221</u>	<u>\$ 11,390</u>
<b>Northwestern Regional Jail Authority Construction Fund</b>				
Assets:				
Cash	180,852	1,574,258	1,755,110	-
Investments	1,107,225	-	539,395	567,830
Interest receivable	1,516	-	1,516	-
Total Assets	<u>\$ 1,289,593</u>	<u>\$ 1,574,258</u>	<u>\$ 2,296,021</u>	<u>\$ 567,830</u>
Liabilities:				
Amounts held for NRJA	1,289,593	1,034,863	1,756,626	567,830
Total Liabilities	<u>\$ 1,289,593</u>	<u>\$ 1,034,863</u>	<u>\$ 1,756,626</u>	<u>\$ 567,830</u>
<b>Northwestern Regional Juvenile Detention Center Fund</b>				
Assets:				
Cash	102,916	2,614,137	2,312,445	404,608
Investments	250,532	-	49,483	201,049
Accounts receivable	339,646	287,620	339,646	287,620
Interest receivable	-	2,309	-	2,309
Total Assets	<u>\$ 693,094</u>	<u>\$ 2,904,066</u>	<u>\$ 2,701,574</u>	<u>\$ 895,586</u>
Liabilities:				
Accounts payable	17,239	16,750	17,239	16,750
Accrued payroll	48,581	65,040	48,581	65,040
Amounts held for NRJDC	627,274	2,835,937	2,649,415	813,796
Total Liabilities	<u>\$ 693,094</u>	<u>\$ 2,917,727</u>	<u>\$ 2,715,235</u>	<u>\$ 895,586</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash	294,339	4,426,141	4,303,592	416,888
Investments	1,361,559	-	592,237	769,322
Accounts receivable	339,686	291,670	339,686	291,670
Interest receivable	1,516	2,314	1,516	2,314
Due from other governments	5,747	5,747	5,747	5,747
Total Assets	<u>\$ 2,002,847</u>	<u>\$ 4,725,872</u>	<u>\$ 5,242,778</u>	<u>\$ 1,485,941</u>
Liabilities:				
Accounts payable	28,390	27,885	28,390	27,885
Accrued payroll	48,581	65,040	48,581	65,040
Amounts held for social service clients	9,009	237,053	234,672	11,390
Amounts held for NRJA	1,289,593	1,034,863	1,756,626	567,830
Amounts held for NRJDC	627,274	2,835,937	2,649,415	813,796
Total Liabilities	<u>\$ 2,002,847</u>	<u>\$ 4,200,778</u>	<u>\$ 4,717,684</u>	<u>\$ 1,485,941</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 Capital Improvement Fund - created to account for unexpended school funds allowed by the Common Council to be carried over to future periods for school related capital projects.

**NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

School Cafeteria Fund - to account for the operation and maintenance of 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 21<sup>st</sup> 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 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.

**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, 2009**

Exhibit 24

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 2,031,087	\$ 89,804	\$ 1,038,394	\$ 289,560	\$ 3,448,845
Investments	1,009,000	552,889	515,978	143,843	2,221,710
Receivables (Net of allowance for uncollectibles):					
Accounts	48,728	1,654	98,752	-	149,134
Interest	11,590	507	5,927	1,652	19,676
Promises to give	-	1,832,412	-	-	1,832,412
Due from other funds	264,168	-	-	-	264,168
Due from other governments	514,916	-	-	441,526	956,442
Inventories	-	-	-	18,684	18,684
<b>Total assets</b>	<b>\$ 3,879,489</b>	<b>\$ 2,477,266</b>	<b>\$ 1,659,051</b>	<b>\$ 895,265</b>	<b>\$ 8,911,071</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	241,432	276,750	22,172	4,550	544,904
Accrued payroll	3,627,342	-	-	273,479	3,900,821
Retainage payable	-	432,789	-	-	432,789
Due to other funds	-	-	-	264,168	264,168
Deferred revenue	1,200	1,832,412	-	-	1,833,612
<b>Total liabilities</b>	<b>3,869,974</b>	<b>2,541,951</b>	<b>22,172</b>	<b>542,197</b>	<b>6,976,294</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Inventories	-	-	-	18,684	18,684
<b>Unreserved, designated for:</b>					
Capital campaign	3,361	-	-	-	3,361
Education programs	6,154	-	-	-	6,154
<b>Unreserved, undesignated reported in:</b>					
Special revenue funds	-	-	-	334,384	334,384
Capital projects funds	-	(64,685)	1,636,879	-	1,572,194
<b>Total fund balances</b>	<b>9,515</b>	<b>(64,685)</b>	<b>1,636,879</b>	<b>353,068</b>	<b>1,934,777</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,879,489</b>	<b>\$ 2,477,266</b>	<b>\$ 1,659,051</b>	<b>\$ 895,265</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,801,676
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,843,307
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.	1,534,263
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,742,609)
<b>Net assets of governmental activities</b>	<b>\$ 116,371,414</b>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2009**

Exhibit 25

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenues from use of money and property	\$ 98,059	\$ 92,191	\$ 7,983	\$ 44,598	\$ 242,831
Charges for services	191,706	-	-	733,943	925,649
Miscellaneous	208,102	1,937,281	16,691	6,661	2,168,735
Recovered costs	31,969	-	120,247	-	152,216
Intergovernmental revenues:					
Local	27,901,103	-	-	-	27,901,103
Commonwealth	17,101,556	-	-	27,941	17,129,497
Federal	-	-	-	2,793,383	2,793,383
Total revenues	<u>45,532,495</u>	<u>2,029,472</u>	<u>144,921</u>	<u>3,606,526</u>	<u>51,313,414</u>
<b>EXPENDITURES</b>					
Current:					
Education	43,522,886	-	1,353,495	3,868,095	48,744,476
Capital projects	-	11,164,332	-	630,049	11,794,381
Debt service:					
Principal retirement	424,281	-	-	-	424,281
Interest and other fiscal charges	36,067	9,065	-	-	45,132
Total expenditures	<u>43,983,234</u>	<u>11,173,397</u>	<u>1,353,495</u>	<u>4,498,144</u>	<u>61,008,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,549,261</u>	<u>(9,143,925)</u>	<u>(1,208,574)</u>	<u>(891,618)</u>	<u>(9,694,856)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issued	-	220,000	-	-	220,000
Capital lease	277,573	1,500,000	-	-	1,777,573
Transfers in	30,000	-	1,714,751	150,000	1,894,751
Transfers out	(1,864,751)	(30,000)	-	-	(1,894,751)
Total other financing sources (uses)	<u>(1,557,178)</u>	<u>1,690,000</u>	<u>1,714,751</u>	<u>150,000</u>	<u>1,997,573</u>
Net change in fund balances	(7,917)	(7,453,925)	506,177	(741,618)	(7,697,283)
Fund balances - beginning	<u>17,432</u>	<u>7,389,240</u>	<u>1,130,702</u>	<u>1,094,686</u>	
Fund balances (deficits) - ending	<u>\$ 9,515</u>	<u>\$ (64,685)</u>	<u>\$ 1,636,879</u>	<u>\$ 353,068</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 (13,272,435) exceeded depreciation (3,470,824) in the current period.

9,801,611

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(13,229)

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.

(1,573,299)

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.

54,749

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.

(700,960)

Change in net assets of governmental activities

\$ (128,411)

CITY OF WINCHESTER, VIRGINIA  
 STATEMENT OF NET ASSETS  
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 PROPRIETARY FUNDS  
 June 30, 2009

	Exhibit 26
	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,282,241
Investments	637,146
Receivables (net of allowance for uncollectibles:	
Accounts	37,537
Interest	7,319
Total current assets	1,964,243
Noncurrent assets:	
Capital assets:	
Machinery and equipment	224,896
Less accumulated depreciation	(188,103)
Total capital assets (net of accumulated depreciation)	36,793
Total noncurrent assets	36,793
Total assets	2,001,036
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	466,773
Total liabilities	466,773
<b>NET ASSETS</b>	
Invested in capital assets	36,793
Unrestricted	1,497,470
Total net assets	\$ 1,534,263

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, 2009**

	Exhibit 27 Governmental Activities- Internal Service Funds
<hr/>	
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,875,869
Total operating revenues	<u>4,875,869</u>
<b>OPERATING EXPENSES</b>	
Personal services	643,385
Contractual services	256,764
Other supplies and expenses	208,867
Insurance claims and expenses	3,728,745
Depreciation	<u>11,755</u>
Total operating expenses	<u>4,849,516</u>
Operating income (loss)	<u>26,353</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	<u>28,396</u>
Total nonoperating revenues (expenses)	<u>28,396</u>
Change in net assets	54,749
Total net assets - beginning	<u>1,479,514</u>
Total net assets - ending	<u>\$ 1,534,263</u>

CITY OF WINCHESTER, VIRGINIA  
STATEMENT OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2009

Exhibit 28

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from internal services provided	\$ 4,860,876
Cash paid to suppliers	(480,734)
Cash paid to employees	(643,508)
Premiums paid	<u>(3,735,288)</u>
Net cash provided (used) by operating activities	<u>1,346</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	<u>21,077</u>
Net cash provided by investing activities	<u>21,077</u>
Net increase (decrease) in cash and cash equivalents	22,423
Cash and cash equivalents - beginning of year	<u>1,896,964</u>
Cash and cash equivalents - end of year	<u>\$ 1,919,387</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	1,282,241
Cash equivalents - Investments	<u>637,146</u>
Total	<u>\$ 1,919,387</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	26,353
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	11,755
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(14,993)
Increase (decrease) in accounts payable	<u>(21,769)</u>
Total adjustments	<u>(25,007)</u>
Net cash provided (used) by operating activities	<u>\$ 1,346</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, 2009

Exhibit 29

	Private- Purpose Trust Funds	Employee Benefits Agency Fund
<b>ASSETS</b>		
Cash	\$ 95,065	\$ 319,035
Investments	374,295	130,956
Interest receivable	-	1,504
Accounts receivable	-	6,308
Total assets	<u>469,360</u>	<u>\$ 457,803</u>
<b>LIABILITIES</b>		
Accounts payable	-	457,803
Total liabilities	<u>-</u>	<u>\$ 457,803</u>
<b>NET ASSETS</b>		
Held in trust for scholarships	<u>\$ 469,360</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, 2009**

	Exhibit 30
	Private- Purpose Trust Funds
<b>ADDITIONS</b>	
Gifts and contributions	\$ 62,775
Investment earnings:	
Interest	5,863
Dividends	12,828
Net increase (decrease) in the fair value of investments	(39,551)
Total additions	41,915
<b>DEDUCTIONS</b>	
Administrative expenses	2,894
Scholarships awarded	55,288
Total deductions	58,182
Change in net assets	(16,267)
Net assets - beginning	485,627
Net assets - ending	\$ 469,360

**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, 2009**

Exhibit 31

	School Operating Fund			Variance with Final Budget - Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from use of money and property	\$ 212,652	\$ 137,647	\$ 98,059	\$ (39,588)
Charges for services	159,000	164,020	191,706	27,686
Miscellaneous	125,500	175,849	208,102	32,253
Recovered costs	34,000	35,000	31,969	(3,031)
Intergovernmental:				
Local government	27,559,312	27,718,329	27,901,103	182,774
Commonwealth	17,259,574	17,167,180	17,101,556	(65,624)
Total revenues	<u>45,350,038</u>	<u>45,398,025</u>	<u>45,532,495</u>	<u>134,470</u>
<b>EXPENDITURES</b>				
Current:				
Education	44,950,038	45,440,457	43,522,886	1,917,571
Debt service:				
Principal	-	-	424,281	(424,281)
Interest and other fiscal charges	-	-	36,067	(36,067)
Total expenditures	<u>44,950,038</u>	<u>45,440,457</u>	<u>43,983,234</u>	<u>1,457,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>400,000</u>	<u>(42,432)</u>	<u>1,549,261</u>	<u>1,591,693</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease	-	-	277,573	277,573
Transfers in	-	30,000	30,000	-
Transfers out	<u>(400,000)</u>	<u>(305,000)</u>	<u>(1,864,751)</u>	<u>(1,559,751)</u>
Total other financing sources (uses)	<u>(400,000)</u>	<u>(275,000)</u>	<u>(1,557,178)</u>	<u>(1,282,178)</u>
Net change in fund balances	-	(317,432)	(7,917)	309,515
Fund balance - beginning	-	317,432	17,432	(300,000)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,515</u>	<u>\$ 9,515</u>

CITY OF WINCHESTER, VIRGINIA  
 COMBINING BALANCE SHEET  
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

Exhibit 32

	Special Revenue			Total	Capital Projects	Total Nonmajor Governmental Funds
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund		School Construction Fund	
<b>ASSETS</b>						
Cash	\$ 121,018	\$ -	\$ 168,542	\$ 289,560	\$ -	\$ 289,560
Investments	60,094	-	83,749	143,843	-	143,843
Interest receivable	690	-	962	1,652	-	1,652
Due from other governments	-	441,526	-	441,526	-	441,526
Inventory	18,684	-	-	18,684	-	18,684
<b>Total assets</b>	<b>\$ 200,486</b>	<b>\$ 441,526</b>	<b>\$ 253,253</b>	<b>\$ 895,265</b>	<b>\$ -</b>	<b>\$ 895,265</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	316	4,234	-	4,550	-	4,550
Accrued payroll	100,355	173,124	-	273,479	-	273,479
Due to other funds	-	264,168	-	264,168	-	264,168
<b>Total liabilities</b>	<b>100,671</b>	<b>441,526</b>	<b>-</b>	<b>542,197</b>	<b>-</b>	<b>542,197</b>
Fund balances:						
Reserved for:						
Inventories	18,684	-	-	18,684	-	18,684
Unreserved	81,131	-	253,253	334,384	-	334,384
<b>Total fund balances</b>	<b>99,815</b>	<b>-</b>	<b>253,253</b>	<b>353,068</b>	<b>-</b>	<b>353,068</b>
<b>Total liabilities and fund balances</b>	<b>\$ 200,486</b>	<b>\$ 441,526</b>	<b>\$ 253,253</b>	<b>\$ 895,265</b>	<b>\$ -</b>	<b>\$ 895,265</b>

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, 2009**

Exhibit 33

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total	School Construction Fund	
<b>REVENUES</b>						
Revenues from use of money and property	\$ 1,932	\$ -	\$ 2,059	\$ 3,991	\$ 40,607	\$ 44,598
Charges for services	733,943	-	-	733,943	-	733,943
Miscellaneous	5,069	-	1,592	6,661	-	6,661
Intergovernmental revenues:						
Commonwealth	27,941	-	-	27,941	-	27,941
Federal	940,581	1,852,802	-	2,793,383	-	2,793,383
Total revenues	<u>1,709,466</u>	<u>1,852,802</u>	<u>3,651</u>	<u>3,565,919</u>	<u>40,607</u>	<u>3,606,526</u>
<b>EXPENDITURES</b>						
Current:						
Education	1,823,363	1,852,802	191,930	3,868,095	-	3,868,095
Capital projects	-	-	-	-	630,049	630,049
Total expenditures	<u>1,823,363</u>	<u>1,852,802</u>	<u>191,930</u>	<u>3,868,095</u>	<u>630,049</u>	<u>4,498,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,897)</u>	<u>-</u>	<u>(188,279)</u>	<u>(302,176)</u>	<u>(589,442)</u>	<u>(891,618)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	150,000	150,000	-	150,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Net change in fund balances	(113,897)	-	(38,279)	(152,176)	(589,442)	(741,618)
Fund balance - beginning, as adjusted	<u>213,712</u>	<u>-</u>	<u>291,532</u>	<u>505,244</u>	<u>589,442</u>	<u>1,094,686</u>
Fund balances - ending	<u>\$ 99,815</u>	<u>\$ -</u>	<u>\$ 253,253</u>	<u>\$ 353,068</u>	<u>\$ -</u>	<u>\$ 353,068</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, 2009**

	School Cafeteria Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 3,000	\$ 9,000	\$ 1,932	\$ (7,068)
Charges for services	858,653	878,068	733,943	(144,125)
Miscellaneous	9,000	9,000	5,069	(3,931)
Intergovernmental:				
Commonwealth	24,000	29,149	27,941	(1,208)
Federal	720,000	762,540	940,581	178,041
Total revenues	<u>1,614,653</u>	<u>1,687,757</u>	<u>1,709,466</u>	<u>21,709</u>
<b>EXPENDITURES</b>				
Current:				
Education	1,639,653	1,760,257	1,823,363	(63,106)
Total expenditures	<u>1,639,653</u>	<u>1,760,257</u>	<u>1,823,363</u>	<u>(63,106)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,000)</u>	<u>(72,500)</u>	<u>(113,897)</u>	<u>(41,397)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(25,000)	(72,500)	(113,897)	(41,397)
Fund balance - beginning	<u>25,000</u>	<u>72,500</u>	<u>213,712</u>	<u>141,212</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,815</u>	<u>\$ 99,815</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		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,059	\$ 2,059
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,592	1,592
-	-	-	-	-	-	-	-
<u>2,114,849</u>	<u>2,511,232</u>	<u>1,852,802</u>	<u>(658,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,114,849</u>	<u>2,511,232</u>	<u>1,852,802</u>	<u>(658,430)</u>	<u>-</u>	<u>-</u>	<u>3,651</u>	<u>3,651</u>
<u>2,114,849</u>	<u>2,511,232</u>	<u>1,852,802</u>	<u>658,430</u>	<u>400,000</u>	<u>291,532</u>	<u>191,930</u>	<u>99,602</u>
<u>2,114,849</u>	<u>2,511,232</u>	<u>1,852,802</u>	<u>658,430</u>	<u>400,000</u>	<u>291,532</u>	<u>191,930</u>	<u>99,602</u>
-	-	-	-	(400,000)	(291,532)	(188,279)	103,253
-	-	-	-	400,000	-	150,000	150,000
-	-	-	-	400,000	-	150,000	150,000
-	-	-	-	-	(291,532)	(38,279)	253,253
-	-	-	-	-	291,532	291,532	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,253</u>	<u>\$ 253,253</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, 2009**

	School Fundraising Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ 90,497	\$ 92,191	\$ 1,694
Miscellaneous	-	1,218,132	1,937,281	719,149
Recovered costs	-	-	-	-
Total revenues	<u>-</u>	<u>1,308,629</u>	<u>2,029,472</u>	<u>720,843</u>
<b>EXPENDITURES</b>				
Current:				
Education	-	-	-	-
Capital projects	-	11,688,805	11,164,332	524,473
Debt service:				
Interest and other fiscal charges	-	-	9,065	(9,065)
Total expenditures	<u>-</u>	<u>11,688,805</u>	<u>11,173,397</u>	<u>515,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(10,380,176)</u>	<u>(9,143,925)</u>	<u>1,236,251</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	-	1,500,000	220,000	(1,280,000)
Capital lease	-	1,490,936	1,500,000	9,064
Transfers in	-	-	-	-
Transfers out	-	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>-</u>	<u>2,960,936</u>	<u>1,690,000</u>	<u>(1,270,936)</u>
Net change in fund balances	-	(7,419,240)	(7,453,925)	(34,685)
Fund balance - beginning	<u>-</u>	<u>7,419,240</u>	<u>7,389,240</u>	<u>(30,000)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,685)</u>	<u>\$ (64,685)</u>

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		
\$ -	\$ -	\$ 7,983	\$ 7,983	\$ -	\$ -	\$ 40,607	\$ 40,607
-	-	16,691	16,691	-	-	-	-
-	-	120,247	120,247	-	-	-	-
-	-	144,921	144,921	-	-	40,607	40,607
-	1,430,702	1,353,495	77,207	-	-	-	-
-	-	-	-	-	630,050	630,049	1
-	-	-	-	-	-	-	-
-	1,430,702	1,353,495	77,207	-	630,050	630,049	1
-	(1,430,702)	(1,208,574)	222,128	-	(630,050)	(589,442)	40,608
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	300,000	1,714,751	1,414,751	-	-	-	-
-	-	-	-	-	-	-	-
-	300,000	1,714,751	1,414,751	-	-	-	-
-	(1,130,702)	506,177	1,636,879	-	(630,050)	(589,442)	40,608
-	1,130,702	1,130,702	-	-	630,050	589,442	(40,608)
\$ -	\$ -	\$ 1,636,879	\$ 1,636,879	\$ -	\$ -	\$ -	\$ -

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2009**

Exhibit 36

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,205,900	\$ 76,341	\$ 1,282,241
Investments	599,212	37,934	637,146
Receivables (net of allowance for uncollectibles:			
Accounts	37,537	-	37,537
Interest	6,883	436	7,319
Total current assets	<u>1,849,532</u>	<u>114,711</u>	<u>1,964,243</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	224,896	224,896
Less accumulated depreciation	-	(188,103)	(188,103)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>36,793</u>	<u>36,793</u>
Total noncurrent assets	<u>-</u>	<u>36,793</u>	<u>36,793</u>
Total assets	<u>1,849,532</u>	<u>151,504</u>	<u>2,001,036</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	<u>409,096</u>	<u>57,677</u>	<u>466,773</u>
Total liabilities	<u>409,096</u>	<u>57,677</u>	<u>466,773</u>
<b>NET ASSETS</b>			
Invested in capital assets	-	36,793	36,793
Unrestricted	<u>1,440,436</u>	<u>57,034</u>	<u>1,497,470</u>
Total net assets	<u>\$ 1,440,436</u>	<u>\$ 93,827</u>	<u>\$ 1,534,263</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, 2009**

Exhibit 37

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	<u>\$ 3,771,415</u>	<u>\$ 1,104,454</u>	<u>\$ 4,875,869</u>
Total operating revenues	<u>3,771,415</u>	<u>1,104,454</u>	<u>4,875,869</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,500	641,885	643,385
Contractual services	123	256,641	256,764
Other supplies and expenses	-	208,867	208,867
Insurance claims and expenses	3,728,745	-	3,728,745
Depreciation	-	11,755	11,755
Total operating expenses	<u>3,730,368</u>	<u>1,119,148</u>	<u>4,849,516</u>
Operating income (loss)	<u>41,047</u>	<u>(14,694)</u>	<u>26,353</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	<u>27,725</u>	<u>671</u>	<u>28,396</u>
Total nonoperating revenues (expenses)	<u>27,725</u>	<u>671</u>	<u>28,396</u>
Change in net assets	68,772	(14,023)	54,749
Total net assets - beginning	<u>1,371,664</u>	<u>107,850</u>	<u>1,479,514</u>
Total net assets - ending	<u>\$ 1,440,436</u>	<u>\$ 93,827</u>	<u>\$ 1,534,263</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, 2009**

Exhibit 38

	School Insurance Fund	School Consolidated Maintenance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from internal services provided	\$ 3,756,422	\$ 1,104,454	\$ 4,860,876
Cash paid to suppliers	-	(480,734)	(480,734)
Cash paid to employees	(1,623)	(641,885)	(643,508)
Premiums paid	(3,735,288)	-	(3,735,288)
Net cash provided (used) by operating activities	<u>19,511</u>	<u>(18,165)</u>	<u>1,346</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	<u>20,842</u>	<u>235</u>	<u>21,077</u>
Net cash provided by investing activities	<u>20,842</u>	<u>235</u>	<u>21,077</u>
Net increase (decrease) in cash and cash equivalents	40,353	(17,930)	22,423
Cash and cash equivalents - beginning of year	<u>1,764,759</u>	<u>132,205</u>	<u>1,896,964</u>
Cash and cash equivalents - end of year	<u>\$ 1,805,112</u>	<u>\$ 114,275</u>	<u>\$ 1,919,387</u>
Cash and cash equivalents at end of year is comprised of the following:			
Cash	1,205,900	76,341	1,282,241
Cash equivalents - Investments	<u>599,212</u>	<u>37,934</u>	<u>637,146</u>
Total	<u>\$ 1,805,112</u>	<u>\$ 114,275</u>	<u>\$ 1,919,387</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	41,047	(14,694)	26,353
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	11,755	11,755
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(14,993)	-	(14,993)
Increase (decrease) in accounts payable	(6,543)	(15,226)	(21,769)
Total adjustments	<u>(21,536)</u>	<u>(3,471)</u>	<u>(25,007)</u>
Net cash provided (used) by operating activities	<u>\$ 19,511</u>	<u>\$ (18,165)</u>	<u>\$ 1,346</u>
<b>Noncash investing, capital, and financing activities:</b>			
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, 2009

Exhibit 39

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ASSETS</b>				
Cash	\$ 12,882	\$ 6,825	\$ 75,358	\$ 95,065
Investments	336,698	37,597	-	374,295
Total assets	<u>\$ 349,580</u>	<u>\$ 44,422</u>	<u>\$ 75,358</u>	<u>\$ 469,360</u>
<b>NET ASSETS</b>				
Held in trust for scholarships	<u>\$ 349,580</u>	<u>\$ 44,422</u>	<u>\$ 75,358</u>	<u>\$ 469,360</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, 2009**

Exhibit 40

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ADDITIONS</b>				
Gifts and contributions	\$ 26,002	\$ -	\$ 36,773	\$ 62,775
Investment earnings:				
Interest	4,204	-	1,659	5,863
Dividends	11,804	1,024	-	12,828
Net increase (decrease) in fair value of investments	<u>(31,540)</u>	<u>(8,011)</u>	<u>-</u>	<u>(39,551)</u>
Total additions	<u>10,470</u>	<u>(6,987)</u>	<u>38,432</u>	<u>41,915</u>
<b>DEDUCTIONS</b>				
Administrative expenses	2,840	54	-	2,894
Scholarships awarded	<u>11,877</u>	<u>6,638</u>	<u>36,773</u>	<u>55,288</u>
Total deductions	<u>14,717</u>	<u>6,692</u>	<u>36,773</u>	<u>58,182</u>
Change in net assets	(4,247)	(13,679)	1,659	(16,267)
Net assets - beginning	<u>353,827</u>	<u>58,101</u>	<u>73,699</u>	<u>485,627</u>
Net assets - ending	<u>\$ 349,580</u>	<u>\$ 44,422</u>	<u>\$ 75,358</u>	<u>\$ 469,360</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, 2009**

Exhibit 41

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>School Employee Benefits Fund</b>				
Assets:				
Cash	\$ 175,103	\$ 14,570,149	\$ 14,426,217	\$ 319,035
Investments	294,042	-	163,086	130,956
Interest receivable	-	1,504	-	1,504
Accounts receivable	4,583	6,308	4,583	6,308
Total Assets	<u>\$ 473,728</u>	<u>\$ 14,577,961</u>	<u>\$ 14,593,886</u>	<u>\$ 457,803</u>
Liabilities:				
Accounts payable	<u>\$ 473,728</u>	<u>\$ 14,577,961</u>	<u>\$ 14,593,886</u>	<u>\$ 457,803</u>
Total Liabilities	<u>\$ 473,728</u>	<u>\$ 14,577,961</u>	<u>\$ 14,593,886</u>	<u>\$ 457,803</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, 2009

	Exhibit 42 Parking Authority Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 733,282
Investments	1,292,844
Interest receivable	4,181
Total current assets	2,030,307
Noncurrent assets:	
Deferred charges	208,506
Capital assets:	
Land	11,685
Buildings and systems	9,751,399
Improvements other than buildings	56,179
Machinery and equipment	166,661
Less accumulated depreciation	(1,084,285)
Total capital assets (net of accumulated depreciation)	8,901,639
Total noncurrent assets	9,110,145
Total assets	11,140,452
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	9,309
Accrued payroll	11,529
Accrued interest payable	180,544
Revenue bonds payable - current	161,557
Total current liabilities	362,939
Noncurrent liabilities:	
Compensated absences	33,799
Revenue bonds payable (net of unamortized premium)	8,997,414
Total noncurrent liabilities	9,031,213
Total liabilities	9,394,152
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	671,522
Unrestricted	1,074,778
Total net assets	\$ 1,746,300

**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, 2009**

Exhibit 43

	Parking Authority Fund
<hr/>	
<b>OPERATING REVENUES</b>	
Charges for services	\$ 678,975
Miscellaneous	<u>24</u>
Total operating revenues	<u>678,999</u>
<b>OPERATING EXPENSES</b>	
Personal services	416,071
Contractual services	12,382
Other supplies and expenses	119,673
Depreciation	<u>61,000</u>
Total operating expenses	<u>609,126</u>
Operating income (loss)	<u>69,873</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	111,570
Interest and fiscal charges	<u>(432,856)</u>
Total nonoperating revenues (expenses)	<u>(321,286)</u>
Change in net assets	(251,413)
Total net assets - beginning	<u>1,997,713</u>
Total net assets - ending	<u>\$ 1,746,300</u>

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**  
**ENTERPRISE FUND**  
**For the Year Ended June 30, 2009**

Exhibit 44

	Parking Authority Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 681,867
Cash paid to suppliers	(127,198)
Cash paid to employees	(428,608)
Net cash provided (used) by operating activities	126,061
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(7,389,178)
Principal paid on capital debt	(140,000)
Interest paid on capital debt	(441,614)
Net cash provided (used) by capital and related financing activities	(7,970,792)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income (loss)	107,389
Net cash provided by investing activities	107,389
Net increase (decrease) in cash and cash equivalents	(7,737,342)
Cash and cash equivalents - beginning of year	9,763,468
Cash and cash equivalents - end of year	\$ 2,026,126
Cash and cash equivalents at end of year is comprised of the following:	
Cash	733,282
Cash equivalents - Investments	1,292,844
Total	\$ 2,026,126
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	69,873
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	61,000
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	2,868
Increase (decrease) in accounts payable	4,857
Increase (decrease) in accrued payroll	1,904
Increase (decrease) in compensated absences	(14,441)
Total adjustments	56,188
Net cash provided (used) by operating activities	\$ 126,061

**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, 2009**

Exhibit 45

Function and Activity	Total	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Infrastructure	Machinery and Equipment
<b>PRIMARY GOVERNMENT:</b>							
General Government							
Finance and Administration	\$ 31,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,136
Information Technology	1,165,450	-	-	-	-	-	1,165,450
Other - Unclassified	709,879	10,590	-	556,659	-	-	142,630
Total General Government	<u>1,906,465</u>	<u>10,590</u>	<u>-</u>	<u>556,659</u>	<u>-</u>	<u>-</u>	<u>1,339,216</u>
Judicial Administration	<u>6,277,574</u>	<u>-</u>	<u>-</u>	<u>5,408,781</u>	<u>499,739</u>	<u>-</u>	<u>369,054</u>
Public Safety							
Law Enforcement and Traffic Control	1,880,479	-	-	-	-	-	1,880,479
Fire and Rescue Services	1,064,949	-	-	142,125	-	-	922,824
Inspection	95,510	-	-	-	-	-	95,510
Other - Unclassified	8,253,246	1,096,484	-	6,149,916	165,200	-	841,646
Total Public Safety	<u>11,294,184</u>	<u>1,096,484</u>	<u>-</u>	<u>6,292,041</u>	<u>165,200</u>	<u>-</u>	<u>3,740,459</u>
Public Works							
Maintenance of Highways, Streets, Bridges and Sidewalks	36,131,885	-	2,946,862	-	19,950	31,278,129	1,886,944
Sanitation and Waste Removal	7,606,852	-	-	-	-	6,783,143	823,709
Maintenance of Buildings & Grounds	1,753,617	-	-	1,645,258	-	-	108,359
Other - Unclassified	8,258,043	138,023	-	4,767,737	204,536	3,132,585	15,162
Total Public Works	<u>53,750,397</u>	<u>138,023</u>	<u>2,946,862</u>	<u>6,412,995</u>	<u>224,486</u>	<u>41,193,857</u>	<u>2,834,174</u>
Other Departments							
Health and Welfare	261,721	33,270	-	72,252	-	-	156,199
Parks, Recreation and Cultural	17,564,070	1,927,118	817,011	9,415,221	4,230,812	-	1,173,908
Community Development	435,757	-	-	-	-	-	435,757
Total Other Departments	<u>18,261,548</u>	<u>1,960,388</u>	<u>817,011</u>	<u>9,487,473</u>	<u>4,230,812</u>	<u>-</u>	<u>1,765,864</u>
Total Primary Government	<u>\$ 91,490,168</u>	<u>\$ 3,205,485</u>	<u>\$ 3,763,873</u>	<u>\$ 28,157,949</u>	<u>\$ 5,120,237</u>	<u>\$ 41,193,857</u>	<u>\$ 10,048,767</u>
<b>COMPONENT UNIT SCHOOL BOARD:</b>							
Schools:							
Education	<u>\$ 135,388,977</u>	<u>\$ 2,307,970</u>	<u>\$ 21,454,723</u>	<u>\$ 104,249,327</u>	<u>\$ 1,945,250</u>	<u>\$ -</u>	<u>\$ 5,431,707</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, 2009**

Exhibit 46

Function and Activity	Governmental Funds Capital Assets July 1, 2008	Net Restate- ment	Governmental Funds Capital Assets July 1, 2008 (as restated)	Additions	Deductions	Transfers	Governmental Funds Capital Assets June 30, 2009
<b>PRIMARY GOVERNMENT:</b>							
General Government							
Finance and Administration	\$ 31,136	\$ -	\$ 31,136	\$ -	\$ -	\$ -	\$ 31,136
Information Technology	1,180,215	-	1,180,215	204,945	219,710	-	1,165,450
Other - Unclassified	783,169	-	783,169	-	-	(73,290)	709,879
Judicial Administration							
Judicial Administration	6,285,481	-	6,285,481	24,320	32,227	-	6,277,574
Public Safety							
Law Enforcement and Traffic Control	1,856,402	-	1,856,402	79,453	55,376	-	1,880,479
Fire and Rescue Services	765,866	-	765,866	242,109	6,463	63,437	1,064,949
Inspection	99,755	-	99,755	13,357	17,602	-	95,510
Other - Unclassified	8,316,683	-	8,316,683	-	-	(63,437)	8,253,246
Public Works							
Maintenance of Highways, Streets, Bridges and Sidewalks	33,519,946	-	33,519,946	2,678,132	-	(66,193)	36,131,885
Sanitation and Waste Removal	7,404,707	-	7,404,707	217,519	15,374	-	7,606,852
Maintenance of Buildings and Grounds	1,773,814	-	1,773,814	-	-	(20,197)	1,753,617
Other - Unclassified	11,691,173	-	11,691,173	11,218	-	(3,444,348)	8,258,043
Health and Welfare	245,295	-	245,295	16,426	-	-	261,721
Parks, Recreational and Cultural	11,307,700	-	11,307,700	2,716,639	64,297	3,604,028	17,564,070
Community Development	448,737	-	448,737	-	12,980	-	435,757
<b>Total Primary Government</b>	<b>\$ 85,710,079</b>	<b>\$ -</b>	<b>\$ 85,710,079</b>	<b>\$ 6,204,118</b>	<b>\$ 424,029</b>	<b>\$ -</b>	<b>\$ 91,490,168</b>
<b>COMPONENT UNIT SCHOOL BOARD:</b>							
Schools:							
Education	\$ 123,072,205	\$ (904,664)	\$ 122,167,541	\$ 13,272,436	\$ 51,000	\$ -	\$ 135,388,977

\* 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, 2009**

Schedule 1

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 23,054,000	\$ 24,086,000	\$ 23,547,950	\$ (538,050)
Public services corporation taxes:				
Real and personal	401,000	401,000	424,268	23,268
Personal property taxes	8,500,000	8,500,000	7,995,819	(504,181)
Mobile home taxes	1,000	1,000	1,236	236
Machinery and tools taxes	1,575,000	1,575,000	1,452,772	(122,228)
Penalties	162,000	162,000	198,903	36,903
Interest	61,000	61,000	83,402	22,402
Total General Property Taxes	<u>33,754,000</u>	<u>34,786,000</u>	<u>33,704,350</u>	<u>(1,081,650)</u>
Other Local Taxes:				
Local sales and use taxes	9,600,000	8,200,000	8,037,031	(162,969)
Communication sales and use taxes	2,500,000	2,500,000	2,277,662	(222,338)
Consumers' utility taxes	1,995,000	1,995,000	1,991,193	(3,807)
Business license taxes	6,115,000	5,530,974	5,458,468	(72,506)
Franchise license taxes	250,000	250,000	293,529	43,529
Motor vehicle licenses	490,000	490,000	426,968	(63,032)
Bank franchise taxes	550,000	550,000	523,541	(26,459)
Taxes on recordation and wills	410,000	410,000	260,300	(149,700)
Transient occupancy tax	610,000	610,000	558,613	(51,387)
Tobacco tax	280,000	280,000	225,079	(54,921)
Admissions tax	100,000	100,000	112,265	12,265
Restaurant/meal tax	5,515,000	5,515,000	5,021,594	(493,406)
Short-term rental tax	30,000	30,000	23,130	(6,870)
Total Other Local Taxes	<u>28,445,000</u>	<u>26,460,974</u>	<u>25,209,373</u>	<u>(1,251,601)</u>
Permits, Privilege Fees and Regulatory Licenses:				
Animal licenses	4,000	4,000	7,782	3,782
Other permits and fees	396,700	396,700	277,349	(119,351)
Total Permits, Privilege Fees, and Regulatory Licenses	<u>400,700</u>	<u>400,700</u>	<u>285,131</u>	<u>(115,569)</u>
Fines and Forfeitures:				
Court fines and forfeitures	200,000	200,000	159,077	(40,923)
Revenue from Use of Money and Property:				
Revenue from use of money	626,300	626,300	404,883	(221,417)
Revenue from use of property	33,000	33,000	82,836	49,836
Total Revenue from Use of Money and Property	<u>659,300</u>	<u>659,300</u>	<u>487,719</u>	<u>(171,581)</u>
Charges for Services:				
Sheriff's fees	3,000	3,000	2,949	(51)
Assessment fees - court	30,000	30,000	29,015	(985)
Courthouse security fees	44,000	44,000	56,923	12,923
Commonwealth attorney	2,000	2,000	2,744	744
Animal impounding fees	3,000	3,000	674	(2,326)
Gas inspection fees	40,000	40,000	54,000	14,000
Swimming pool fees - outdoor	85,000	85,000	65,801	(19,199)
Swimming pool fees - indoor	78,000	78,000	135,383	57,383
Recycle material	30,000	30,000	24,654	(5,346)
Charges for law enforcement and traffic control	33,000	33,000	71,403	38,403
Recreation fees	245,000	245,000	223,280	(21,720)
School age child care	208,000	208,000	183,012	(24,988)
Total Charges for Services	<u>801,000</u>	<u>801,000</u>	<u>849,838</u>	<u>48,838</u>
Miscellaneous Revenue:				
Miscellaneous	143,000	146,295	161,615	15,320
Donations	11,000	11,000	14,692	3,692
Total Miscellaneous Revenue	<u>154,000</u>	<u>157,295</u>	<u>176,307</u>	<u>19,012</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, 2009**

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Revenue from Local Sources: (cont'd)				
Recovered Costs:				
Joint judicial center - Frederick Co.	\$ 530,000	\$ 474,000	\$ 463,234	\$ (10,766)
Other recovered costs	355,000	406,500	980,747	574,247
Total Recovered Costs	885,000	880,500	1,443,981	563,481
Total Revenue from Local Sources	65,299,000	64,345,769	62,315,776	(2,029,993)
Revenue from the Commonwealth:				
Non-Categorical Aid:				
ABC profits	13,000	-	-	-
Wine taxes	14,000	-	-	-
Motor vehicle carriers tax	6,000	6,000	7,109	1,109
Mobile home titling taxes	2,000	2,000	120	(1,880)
Auto rental tax	160,000	160,000	137,004	(22,996)
Grantor's tax	100,000	100,000	73,085	(26,915)
Personal property tax reimbursement	2,600,000	2,600,000	2,339,923	(260,077)
Assistance to localities with police departments	1,018,000	930,039	889,716	(40,323)
Recordation tax	105,000	105,000	102,013	(2,987)
Total Non-Categorical Aid	4,018,000	3,903,039	3,548,970	(354,069)
Categorical Aid:				
Shared Expenses:				
Commonwealth's attorney	639,000	639,000	670,195	31,195
Sheriff	357,000	357,000	349,317	(7,683)
Commissioner of the Revenue	119,000	119,000	115,304	(3,696)
Treasurer	125,000	125,000	123,718	(1,282)
Registrar/electoral board	50,000	50,000	52,201	2,201
Clerk of the Circuit Court	331,000	361,000	370,165	9,165
Total Shared Expenses	1,621,000	1,651,000	1,680,900	29,900
Other Categorical Aid:				
Armory operation	9,000	-	7,636	7,636
Jury reimbursement	11,000	11,000	20,310	9,310
General District Court	6,000	6,000	7,299	1,299
Litter control	5,000	5,000	6,544	1,544
Wireless E-911 Service Board	-	-	47,449	47,449
Jail funding	-	-	51,087	51,087
Fire services & equipment grant	32,000	64,000	64,182	182
Arts	5,000	5,000	5,000	-
Street debt service reimbursement	370,000	426,000	184,961	(241,039)
Two for life grant	10,000	10,000	22,381	12,381
Hazardous materials	24,000	24,000	15,000	(9,000)
Juvenile & Domestic relations	6,000	6,000	8,066	2,066
Health department	12,000	12,000	12,000	-
Miscellaneous state funds	-	-	459	459
Total Other Categorical Aid	490,000	569,000	452,374	(116,626)
Total Categorical Aid	2,111,000	2,220,000	2,133,274	(86,726)
Total Revenue from the Commonwealth	6,129,000	6,123,039	5,682,244	(440,795)
Revenue from the Federal Government:				
Categorical Aid:				
Emergency services	-	-	8,905	8,905
Safe street act grant	-	-	5,890	5,890
Total Revenue from the Federal Government	-	-	14,795	14,795
Total General Fund	\$ 71,428,000	\$ 70,468,808	\$ 68,012,815	\$ (2,455,993)

cont'd

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD**  
**For the Year Ended June 30, 2009**

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds:				
Social Service Fund:				
Revenue from Local Sources:				
Recovered costs	\$ -	\$ -	\$ 900	\$ 900
Total Revenue from Local Sources	-	-	900	900
Revenue from the Commonwealth:				
Other Categorical Aid:				
Public assistance & welfare administration	1,510,000	1,510,000	1,251,108	(258,892)
Revenue from the Federal Government:				
Other Categorical Aid:				
Public assistance & welfare administration	2,133,000	2,135,000	1,745,520	(389,480)
Total Social Service Fund	<u>\$ 3,643,000</u>	<u>\$ 3,645,000</u>	<u>\$ 2,997,528</u>	<u>\$ (647,472)</u>
Comprehensive Services Fund:				
Revenue from Local Sources:				
Miscellaneous Revenue:				
Winchester	-	-	-	-
Frederick County	80,000	80,000	64,928	(15,072)
Clarke County	30,000	30,000	22,425	(7,575)
Total Miscellaneous Revenue	110,000	110,000	87,353	(22,647)
Recovered Costs	-	-	9,121	9,121
Total Revenue from Local Sources	110,000	110,000	96,474	(13,526)
Revenue from the Commonwealth:				
Categorical Aid:				
CSA Grants	1,684,000	1,684,000	1,005,085	(678,915)
Total Comprehensive Services Fund	<u>\$ 1,794,000</u>	<u>\$ 1,794,000</u>	<u>\$ 1,101,559</u>	<u>\$ (692,441)</u>
Federal and State Grants Fund:				
Revenue from the Commonwealth:				
Categorical Aid:				
Victim/Witness	19,600	19,600	18,485	(1,115)
Department of Health	-	98,504	78,837	(19,667)
Fire program grant	-	30,700	26,769	(3,931)
Total Revenue from the Commonwealth	19,600	148,804	124,091	(24,713)
Revenue from the Federal Government:				
Categorical Aid:				
Dedicated officer offender review	35,200	-	-	-
Police mini-grants	39,500	39,500	43,753	4,253
V-Stop grant	23,000	23,000	-	(23,000)
Fire program grant	-	78,196	77,468	(728)
Victim/Witness	78,500	78,500	72,187	(6,313)
Homeland Security	-	143,973	137,692	(6,281)
NVRDTF Grant	72,500	72,500	79,806	7,306
EPA Brownfield's	14,000	12,852	12,852	-
Other federal grants	55,800	213,176	60,011	(153,165)
Total Revenue from the Federal Government	318,500	661,697	483,769	(177,928)
Total Federal and State Grants Fund	<u>\$ 338,100</u>	<u>\$ 810,501</u>	<u>\$ 607,860</u>	<u>\$ (202,641)</u>
Community Development Block Grant Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	5,825	5,825
Total Revenue from Local Sources	-	-	5,825	5,825

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, 2009**

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)				
Community Development Block Grant Fund: (cont'd)				
Revenue from the Federal Government:				
Other Categorical Aid:				
Community Development Block Grant	\$ 260,000	\$ 1,006,230	\$ 254,229	\$ (752,001)
Total Community Development Block Grant Fund	<u>\$ 260,000</u>	<u>\$ 1,006,230</u>	<u>\$ 260,054</u>	<u>\$ (746,176)</u>
Housing Choice Voucher Program Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	3,874	3,874
Revenue from the Commonwealth:				
Other Categorical Aid:				
Virginia Housing Development Authority	70,000	95,000	135,581	40,581
Total Housing Choice Voucher Program Fund	<u>\$ 70,000</u>	<u>\$ 95,000</u>	<u>\$ 139,455</u>	<u>\$ 44,455</u>
Housing Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	4,569	4,569
Total Revenue from Local Sources	-	-	4,569	4,569
Total Housing Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,569</u>	<u>\$ 4,569</u>
Highway Maintenance Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	5,000	5,000	2,765	(2,235)
Miscellaneous	-	-	1,417	1,417
Recovered Costs	-	-	802	802
Total Revenue from Local Sources	<u>5,000</u>	<u>5,000</u>	<u>4,984</u>	<u>(16)</u>
Revenue from the Commonwealth:				
Other Categorical Aid:				
Street and highway maintenance	2,245,000	2,245,000	2,301,207	56,207
Revenue from the Federal Government:				
Other Categorical Aid:				
Forestry grant	-	-	4,852	4,852
Total Highway Maintenance Fund	<u>\$ 2,250,000</u>	<u>\$ 2,250,000</u>	<u>\$ 2,311,043</u>	<u>\$ 61,043</u>
Emergency Medical Services Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	5,000	8,023	3,023
Charges for Services:				
EMS transport fees	700,000	750,000	884,563	134,563
Total Emergency Medical Services Fund	<u>\$ 700,000</u>	<u>\$ 755,000</u>	<u>\$ 892,586</u>	<u>\$ 137,586</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, 2009**

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	\$ -	\$ -	\$ 310	\$ 310
Miscellaneous Revenue:				
Frederick County	100,500	100,500	100,500	-
Miscellaneous	99,000	99,000	54,324	(44,676)
Total Miscellaneous Revenue	<u>199,500</u>	<u>199,500</u>	<u>154,824</u>	<u>(44,676)</u>
Total Revenue from Local Sources	<u>199,500</u>	<u>199,500</u>	<u>155,134</u>	<u>(44,366)</u>
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	<u>\$ 199,500</u>	<u>\$ 199,500</u>	<u>\$ 155,134</u>	<u>\$ (44,366)</u>
Law Library Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	493	493
Charges for Services:				
Special assessment	30,000	30,000	26,386	(3,614)
Total Law Library Fund	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 26,879</u>	<u>\$ (3,121)</u>
Asset Forfeiture Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	1,812	1,812
Revenue from the Commonwealth:				
Categorical Aid:				
Asset Forfeiture Funds	-	37,275	41,992	4,717
Total Asset Forfeiture Fund	<u>\$ -</u>	<u>\$ 37,275</u>	<u>\$ 43,804</u>	<u>\$ 6,529</u>
Total Special Revenue Funds	<u>\$ 9,284,600</u>	<u>\$ 10,622,506</u>	<u>\$ 8,540,471</u>	<u>\$ (2,082,035)</u>
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	13,200	13,184	(16)
Miscellaneous	670,000	-	25,000	25,000
Total Revenue from Local Sources	<u>670,000</u>	<u>13,200</u>	<u>38,184</u>	<u>24,984</u>
Revenue from the Commonwealth:				
Categorical Aid:				
Pedestrian safety grant	-	-	737,878	737,878
Revenue from the Federal Government:				
Categorical Aid:				
ISTEA grant	400,000	1,048,800	197,857	(850,943)
Traffic signal grant	-	562,500	413,710	(148,790)
Total Revenue from the Federal Government	<u>400,000</u>	<u>1,611,300</u>	<u>611,567</u>	<u>(999,733)</u>
Total Capital Improvements Fund	<u>\$ 1,070,000</u>	<u>\$ 1,624,500</u>	<u>\$ 1,387,629</u>	<u>\$ (236,871)</u>
Total Capital Projects Funds	<u>\$ 1,070,000</u>	<u>\$ 1,624,500</u>	<u>\$ 1,387,629</u>	<u>\$ (236,871)</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, 2009**

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	\$ -	\$ -	\$ 1,289	\$ 1,289
Total School Bond Debt Service Fund	\$ -	\$ -	\$ 1,289	\$ 1,289
Total Debt Service Funds	\$ -	\$ -	\$ 1,289	\$ 1,289
Grand Total - Revenues - All Governmental Funds	\$ 81,782,600	\$ 82,715,814	\$ 77,942,204	\$ (4,773,610)
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	72,177	(16,675)
Revenue from use of property	123,800	48,795	25,882	(22,913)
Total Revenue from Use of Money and Property	212,652	137,647	98,059	(39,588)
Charges for Services:				
Charges for education:				
Tuition or other payments from another county or city	159,000	164,020	191,706	27,686
Miscellaneous	125,500	175,849	208,102	32,253
Recovered Costs	34,000	35,000	31,969	(3,031)
Total Revenue from Local Sources	531,152	512,516	529,836	17,320
Revenue from Local Government:				
Contribution from City of Winchester	27,559,312	27,718,329	27,901,103	182,774
Total Revenue from Local Government	27,559,312	27,718,329	27,901,103	182,774
Revenue from the Commonwealth:				
Categorical Aid:				
Share of state sales tax	4,080,512	3,574,589	3,271,737	(302,852)
Basic school aid	7,601,683	8,403,047	8,615,488	212,441
Lottery distribution	400,000	-	-	-
Regular foster care	100,000	163,346	93,071	(70,275)
Gifted and talented	70,000	79,873	80,618	745
Remedial education	290,000	395,117	382,409	(12,708)
Special education	900,000	803,282	810,737	7,455
Textbook payments	200,000	201,416	203,296	1,880
Vocational education	175,000	137,653	138,938	1,285
Hospital, clinics, detention homes	100,000	98,026	95,498	(2,528)
Social security	420,000	446,949	451,120	4,171
Teacher retirement	600,000	577,804	583,197	5,393
Group life insurance instructional	25,000	18,694	18,868	174
GED Funding	15,717	15,717	15,717	-
Early intervention	50,000	66,781	76,943	10,162
Regional programs	380,000	292,909	392,441	99,532
Salary supplement	400,000	-	-	-
Special education - foster care	-	-	91,589	91,589
At risk	330,000	468,088	464,559	(3,529)
Medicaid reimbursement	140,000	30,000	-	(30,000)
Primary class size	280,000	316,413	356,543	40,130
Local school construction	133,662	539,397	475,444	(63,953)
Algebra - SOL	40,000	26,689	28,141	1,452
Technology initiative	206,000	206,000	112,413	(93,587)
English as a second language	300,000	260,477	277,380	16,903
Other - Education	22,000	44,913	65,409	20,496
Total Revenue from the Commonwealth	17,259,574	17,167,180	17,101,556	(65,624)
Total School Operating Fund	\$ 45,350,038	\$ 45,398,025	\$ 45,532,495	\$ 134,470

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, 2009**

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Cafeteria Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ 3,000	\$ 9,000	\$ 1,932	\$ (7,068)
Charges for Services:				
Cafeteria sales	858,653	878,068	733,943	(144,125)
Miscellaneous	9,000	9,000	5,069	(3,931)
Total Revenue from Local Sources	<u>870,653</u>	<u>896,068</u>	<u>740,944</u>	<u>(155,124)</u>
Revenue from the Commonwealth:				
Categorical Aid:				
School food program grant	24,000	29,149	27,941	(1,208)
Revenue from the Federal Government:				
Categorical Aid:				
School food program grant	720,000	762,540	940,581	178,041
Total School Cafeteria Fund	<u>\$ 1,614,653</u>	<u>\$ 1,687,757</u>	<u>\$ 1,709,466</u>	<u>\$ 21,709</u>
School Federal Grants Fund:				
Revenue from the Federal Government:				
Categorical Aid:				
21st Century Grant	-	262,167	195,899	(66,268)
Title I	857,004	838,435	652,129	(186,306)
Title II Part A	195,473	183,698	162,174	(21,524)
Language Acquisition	69,141	139,757	71,876	(67,881)
Title VI	10,816	115	115	-
Drug Free Schools	18,352	24,178	11,897	(12,281)
Vocational education	65,506	65,506	64,577	(929)
Technology Literacy Challenge	12,010	8,102	7,795	(307)
Preschool Grant	-	31,205	30,752	(453)
Title VI-B - Special Education	886,547	958,069	655,588	(302,481)
Total School Federal Grants Fund	<u>\$ 2,114,849</u>	<u>\$ 2,511,232</u>	<u>\$ 1,852,802</u>	<u>\$ (658,430)</u>
School Textbook Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	2,059	2,059
Miscellaneous	-	-	1,592	1,592
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>3,651</u>	<u>3,651</u>
Total School Textbook Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,651</u>	<u>\$ 3,651</u>
Total Special Revenue Funds	<u>\$ 49,079,540</u>	<u>\$ 49,597,014</u>	<u>\$ 49,098,414</u>	<u>\$ (498,600)</u>
Capital Projects Funds:				
School Fundraising Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	90,497	92,191	1,694
Miscellaneous Revenue:				
Developer fee - John Handley High School	-	-	650,000	650,000
Handley fundraising	-	959,323	1,013,389	54,066
Miscellaneous	-	258,809	273,892	15,083
Total Miscellaneous Revenue	<u>-</u>	<u>1,218,132</u>	<u>1,937,281</u>	<u>719,149</u>
Total Revenue from Local Sources	<u>-</u>	<u>1,308,629</u>	<u>2,029,472</u>	<u>720,843</u>
Total School Fundraising Fund	<u>\$ -</u>	<u>\$ 1,308,629</u>	<u>\$ 2,029,472</u>	<u>\$ 720,843</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, 2009**

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Schedule 1 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Component Unit - School Board: (cont'd)				
Capital Projects Funds: (cont'd)				
School Capital Improvement Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 7,983	\$ 7,983
Miscellaneous	-	-	16,691	16,691
Recovered Costs	-	-	120,247	120,247
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>144,921</u>	<u>144,921</u>
Total School Capital Improvement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,921</u>	<u>\$ 144,921</u>
School Construction Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	40,607	40,607
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>40,607</u>	<u>40,607</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,607</u>	<u>\$ 40,607</u>
Total Capital Projects Funds	<u>\$ -</u>	<u>\$ 1,308,629</u>	<u>\$ 2,215,000</u>	<u>\$ 906,371</u>
Grand Total Revenues - Component Unit School Board	<u>\$ 49,079,540</u>	<u>\$ 50,905,643</u>	<u>\$ 51,313,414</u>	<u>\$ 407,771</u>

**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, 2009**

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	\$ 74,000	\$ 72,516	\$ 62,464	\$ 10,052
Clerk of Council	70,000	33,244	28,303	4,941
Total Legislative	144,000	105,760	90,767	14,993
General and Financial Administration:				
City Manager	181,000	436,161	413,261	22,900
Administration	538,000	485,687	457,036	28,651
City Attorney	279,000	256,386	255,255	1,131
Independent Auditor	67,000	57,000	54,479	2,521
Commissioner of Revenue	245,000	249,356	247,562	1,794
Assessor	167,000	168,623	166,884	1,739
Equalization Board	80,000	76,000	41,388	34,612
City Parking Program	85,000	85,000	84,773	227
Treasurer	428,000	458,791	444,158	14,633
Accounting	481,000	508,515	499,552	8,963
Data Processing	960,000	1,025,148	837,691	187,457
Personal Property/Tax Field Office	147,000	124,625	83,844	40,781
Other Adjustments	2,000,000	111,000	110,475	525
Risk Management	78,000	78,000	51,566	26,434
Total General and Financial Administration	5,736,000	4,120,292	3,747,924	372,368
Board of Elections:				
Electoral Board and Officials	36,000	54,376	54,358	18
Registrar	101,000	106,670	106,094	576
Total Board of Elections	137,000	161,046	160,452	594
Total General Government Administration	6,017,000	4,387,098	3,999,143	387,955
Judicial Administration:				
Courts:				
Circuit court	67,000	73,780	71,195	2,585
General District Court	23,000	23,000	17,790	5,210
Juvenile and Domestic Relations Court	17,000	31,700	22,491	9,209
Clerk of the Circuit Court	496,000	533,497	510,067	23,430
Jurors	25,000	25,000	23,590	1,410
Sheriff	698,000	855,226	854,209	1,017
Total Courts	1,326,000	1,542,203	1,499,342	42,861
Commonwealth Attorney:				
Commonwealth Attorney	802,000	890,976	878,192	12,784
Total Judicial Administration	2,128,000	2,433,179	2,377,534	55,645
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	5,331,000	5,677,518	5,616,812	60,706
Police Criminal Investigations	1,117,000	1,245,036	1,155,388	89,648
Total Law Enforcement and Traffic Control	6,448,000	6,922,554	6,772,200	150,354
Fire and Rescue Services:				
Fire Department	3,792,000	4,077,342	4,046,881	30,461
Lord Fairfax EMS Council	8,306	8,306	8,306	-
Emergency Medical Services	44,000	49,447	49,339	108
Total Fire and Rescue Services	3,844,306	4,135,095	4,104,526	30,569
Correction and Detention:				
Regional Correction Centers	4,058,251	4,094,309	3,976,131	118,178
Probation Office	2,000	2,000	1,267	733
Total Correction and Detention	4,060,251	4,096,309	3,977,398	118,911

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, 2009**

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	\$ 604,000	\$ 571,771	\$ 521,646	\$ 50,125
Other Protection:				
Animal Control	225,000	247,498	243,834	3,664
Emergency Services	74,000	63,857	58,412	5,445
Hazardous Materials	46,000	45,019	27,119	17,900
Flood Control	50,000	-	-	-
Communication Operations	928,000	948,231	904,381	43,850
Total Other Protection	1,323,000	1,304,605	1,233,746	70,859
Total Public Safety	16,279,557	17,030,334	16,609,516	420,818
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
Highways, Streets, Bridges & Sidewalks	68,630	114,973	113,849	1,124
Storm Drainage	45,000	35,000	33,736	1,264
Total Maintenance of Highways, Streets, Bridges & Sidewalks	113,630	149,973	147,585	2,388
Sanitation and Waste Removal:				
Refuse Collection and Disposal	1,212,000	1,259,933	1,196,517	63,416
Maintenance of Buildings and Grounds:				
General Properties	592,000	624,146	622,753	1,393
Loudoun Mall	123,000	112,238	107,638	4,600
Joint Judicial Center	754,000	779,162	685,450	93,712
Public Safety Building	200,000	237,631	236,948	683
Total Maintenance of Buildings and Grounds	1,669,000	1,753,177	1,652,789	100,388
Total Public Works	2,994,630	3,163,083	2,996,891	166,192
Health and Welfare:				
Health:				
Our Health	25,000	23,750	23,750	-
Supplement to Local Health Department	226,100	210,100	206,452	3,648
Total Health	251,100	233,850	230,202	3,648
Mental Health and Mental Retardation:				
Chapter X Board	227,358	227,358	227,358	-
Welfare/Social Services:				
Area Agency on Aging	30,000	28,500	28,500	-
Property Tax Relief for the Elderly	500,000	700,000	577,188	122,812
Other Assistance	103,275	98,125	98,200	(75)
Comprehensive Services - Local Match	16,200	16,200	16,237	(37)
Total Welfare/Social Services	649,475	842,825	720,125	122,700
Total Health and Welfare	1,127,933	1,304,033	1,177,685	126,348
Education:				
Contributions to Community College	27,986	23,437	23,437	-
Contributions to City School Board	27,559,312	29,209,264	27,901,103	1,308,161
Total Education	27,587,298	29,232,701	27,924,540	1,308,161

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, 2009**

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	\$ 496,000	\$ 416,509	\$ 413,201	\$ 3,308
Maintenance	850,000	1,144,806	1,118,037	26,769
Recreation Activities	-	66,235	65,237	998
Outdoor Swimming Pool	113,000	134,942	134,098	844
War Memorial Building	721,000	456,904	407,608	49,296
Armory	39,000	-	-	-
After-School Child Care	245,000	253,373	224,888	28,485
Athletic programs	176,000	208,631	187,248	21,383
Total Parks and Recreation	<u>2,640,000</u>	<u>2,681,400</u>	<u>2,550,317</u>	<u>131,083</u>
Cultural Enrichment:				
Apple Blossom Festival	34,000	35,219	34,759	460
Museums	50,000	48,125	48,125	-
Historical Society	75,000	93,125	93,125	-
Virginia Commissions of Arts	10,000	10,000	10,000	-
Total Cultural Enrichment	<u>169,000</u>	<u>186,469</u>	<u>186,009</u>	<u>460</u>
Library:				
Contribution to Regional Library	405,291	405,291	405,291	-
Total Parks, Recreation, and Cultural	<u>3,214,291</u>	<u>3,273,160</u>	<u>3,141,617</u>	<u>131,543</u>
Community Development:				
Planning and Community Development:				
Planning and Zoning	425,000	467,506	462,073	5,433
Other Economic Development	347,820	458,837	438,669	20,168
Downtown Development	160,000	174,283	159,362	14,921
Contribution to Regional Airport	52,258	18,251	55,024	(36,773)
Total Planning and Community Development	<u>985,078</u>	<u>1,118,877</u>	<u>1,115,128</u>	<u>3,749</u>
Environmental Management:				
Environmental Quality	36,525	34,725	34,725	-
Total Community Development	<u>1,021,603</u>	<u>1,153,602</u>	<u>1,149,853</u>	<u>3,749</u>
Debt Service:				
Principal retirement	5,899,785	5,932,992	5,510,999	421,993
Interest and fiscal charges	4,434,215	4,552,216	4,515,256	36,960
Bond issuance costs	-	11,413	-	11,413
Total Debt Service	<u>10,334,000</u>	<u>10,496,621</u>	<u>10,026,255</u>	<u>470,366</u>
Total General Fund	<u>\$ 70,704,312</u>	<u>\$ 72,473,811</u>	<u>\$ 69,403,034</u>	<u>\$ 3,070,777</u>
Special Revenue Funds:				
Social Service Fund:				
Health and Welfare:				
Welfare/Social Services:				
Social Services Administration	2,649,000	2,646,000	2,546,527	99,473
Public Assistance	2,081,000	2,081,000	1,542,932	538,068
Total Social Service Fund	<u>\$ 4,730,000</u>	<u>\$ 4,727,000</u>	<u>\$ 4,089,459</u>	<u>\$ 637,541</u>
Comprehensive Services Fund:				
Health and Welfare:				
Community Services	3,615,000	3,615,000	2,180,210	1,434,790
Total Comprehensive Services Fund	<u>\$ 3,615,000</u>	<u>\$ 3,615,000</u>	<u>\$ 2,180,210</u>	<u>\$ 1,434,790</u>
Federal and State Grants Fund:				
Judicial Administration:				
City Sheriff	-	85,500	-	85,500
Victim/Witness Grant	135,000	141,211	128,038	13,173
Grand Jury	34,000	34,000	27,152	6,848

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, 2009**

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)				
Judicial Administration: (cont'd)				
Domestic Violence	\$ 23,000	\$ 23,000	\$ -	\$ 23,000
Total Judicial Administration	<u>192,000</u>	<u>283,711</u>	<u>155,190</u>	<u>128,521</u>
Public Safety:				
Police Mini-Grants	43,000	78,724	55,390	23,334
Police Department	-	23,550	22,991	559
Domestic Violence	61,000	-	-	-
Drug Task Force	73,000	81,565	79,806	1,759
Law Enforcement Block Grant	24,000	41,900	14,959	26,941
Fire & Emergency Services	-	379,762	349,073	30,689
Other	18,000	-	-	-
Total Public Safety	<u>219,000</u>	<u>605,501</u>	<u>522,219</u>	<u>83,282</u>
Community Development:				
Brownfields	14,000	12,852	12,852	-
Total Federal and State Grants Fund	<u>\$ 425,000</u>	<u>\$ 902,064</u>	<u>\$ 690,261</u>	<u>\$ 211,803</u>
Community Development Block Grant Fund:				
Planning and Community Development:				
Redevelopment and Housing Assistance	260,000	1,301,061	214,789	1,086,272
Total Community Development Block Grant Fund	<u>\$ 260,000</u>	<u>\$ 1,301,061</u>	<u>\$ 214,789</u>	<u>\$ 1,086,272</u>
Housing Choice Voucher Program Fund:				
Health and Welfare:				
Housing Assistance	70,000	95,000	94,772	228
Total Housing Choice Voucher Program Fund	<u>\$ 70,000</u>	<u>\$ 95,000</u>	<u>\$ 94,772</u>	<u>\$ 228</u>
Housing Fund:				
Planning and Community Development:				
Housing and Neighborhood Assistance	340,000	320,800	84,590	236,210
Total Housing Fund	<u>\$ 340,000</u>	<u>\$ 320,800</u>	<u>\$ 84,590</u>	<u>\$ 236,210</u>
Highway Maintenance Fund:				
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
General Engineering	449,000	323,965	304,035	19,930
Highways, Streets, Bridges & Sidewalks	1,515,000	1,705,966	1,621,508	84,458
Storm Drainage	35,000	26,695	26,292	403
Street Lights	355,000	351,000	346,260	4,740
Snow and Ice Removal	109,000	142,065	135,608	6,457
Traffic Signals	377,000	394,900	382,824	12,076
Tree Division	90,000	96,025	95,355	670
Total Highway Maintenance Fund	<u>\$ 2,930,000</u>	<u>\$ 3,040,616</u>	<u>\$ 2,911,882</u>	<u>\$ 128,734</u>
Emergency Medical Service Fund:				
Public Safety:				
Emergency Medical Services	700,000	755,000	745,203	9,797
Total Emergency Medical Service Fund	<u>\$ 700,000</u>	<u>\$ 755,000</u>	<u>\$ 745,203</u>	<u>\$ 9,797</u>
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Community Development:				
Tourism	300,000	300,000	295,653	4,347
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 295,653</u>	<u>\$ 4,347</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, 2009**

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	\$ 27,726	\$ 2,274
Total Law Library Fund	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 27,726</u>	<u>\$ 2,274</u>
Asset Forfeiture Fund:				
Judicial Administration:				
City Sheriff	-	417	417	-
Commonwealth attorney	-	15,000	13,281	1,719
Total Judicial Administration	<u>-</u>	<u>15,417</u>	<u>13,698</u>	<u>1,719</u>
Public Safety:				
Police Department	-	30,407	30,407	-
Total Asset Forfeiture Fund	<u>\$ -</u>	<u>\$ 45,824</u>	<u>\$ 44,105</u>	<u>\$ 1,719</u>
Total Special Revenue Funds	<u>\$ 13,400,000</u>	<u>\$ 15,132,365</u>	<u>\$ 11,378,650</u>	<u>\$ 3,753,715</u>
Capital Projects Funds:				
Capital Improvements Fund:				
Current:				
General Government Administration	55,000	55,000	-	55,000
Public Works	12,760,000	3,649,920	2,702,588	947,332
Parks and Recreation	705,000	1,500,444	575,316	925,128
Total Current Expenditures	<u>13,520,000</u>	<u>5,205,364</u>	<u>3,277,904</u>	<u>1,927,460</u>
Capital Projects:				
Parks and Recreation Administration	-	2,189,100	2,027,584	161,516
Parking Improvements	4,250,000	-	-	-
Total Capital Projects	<u>4,250,000</u>	<u>2,189,100</u>	<u>2,027,584</u>	<u>161,516</u>
Debt Service:				
Interest and fiscal charges	-	155,000	154,943	57
Total Capital Improvements Fund	<u>\$ 17,770,000</u>	<u>\$ 7,549,464</u>	<u>\$ 5,460,431</u>	<u>\$ 2,089,033</u>
Total Capital Projects Funds	<u>\$ 17,770,000</u>	<u>\$ 7,549,464</u>	<u>\$ 5,460,431</u>	<u>\$ 2,089,033</u>
Debt Service Funds:				
School Bond Debt Service Fund:				
Debt Service:				
Principal retirement	33,500	33,500	33,228	272
Interest and fiscal charges	20,500	20,500	20,188	312
Total School Bond Debt Service Fund	<u>\$ 54,000</u>	<u>\$ 54,000</u>	<u>\$ 53,416</u>	<u>\$ 584</u>
Total Debt Service Funds	<u>\$ 54,000</u>	<u>\$ 54,000</u>	<u>\$ 53,416</u>	<u>\$ 584</u>
Grand Total - Expenditures - All Governmental Funds	<u>\$ 101,928,312</u>	<u>\$ 95,209,640</u>	<u>\$ 86,295,531</u>	<u>\$ 8,914,109</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, 2009**

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	\$ 38,124,228	\$ 38,215,482	\$ 37,380,527	\$ 834,955
Administration of Schools	2,391,453	2,585,976	2,193,447	392,529
Operating Costs:				
Pupil Transportation	1,566,098	1,961,092	1,639,400	321,692
Operation and Maintenance of School Plant	2,868,259	2,677,907	2,309,512	368,395
Total Education	<u>44,950,038</u>	<u>45,440,457</u>	<u>43,522,886</u>	<u>1,917,571</u>
Debt Service:				
Principal retirement	-	-	424,281	(424,281)
Interest and fiscal charges	-	-	36,067	(36,067)
Total Debt Service	<u>-</u>	<u>-</u>	<u>460,348</u>	<u>(460,348)</u>
Total School Operating Fund	<u>\$ 44,950,038</u>	<u>\$ 45,440,457</u>	<u>\$ 43,983,234</u>	<u>\$ 1,457,223</u>
School Cafeteria Fund:				
Education:				
School Food Services	1,637,778	1,758,957	1,822,693	(63,736)
Operation and Maintenance	1,875	1,300	670	630
Total School Cafeteria Fund	<u>\$ 1,639,653</u>	<u>\$ 1,760,257</u>	<u>\$ 1,823,363</u>	<u>\$ (63,106)</u>
School Federal Grants Fund:				
Education:				
Instruction Costs	2,114,849	2,511,232	1,852,802	658,430
Total School Federal Grants Fund	<u>\$ 2,114,849</u>	<u>\$ 2,511,232</u>	<u>\$ 1,852,802</u>	<u>\$ 658,430</u>
School Textbook Fund:				
Education:				
Purchase of textbooks	400,000	291,532	191,930	99,602
Total School Textbook Fund	<u>\$ 400,000</u>	<u>\$ 291,532</u>	<u>\$ 191,930</u>	<u>\$ 99,602</u>
Total Special Revenue Funds	<u>\$ 49,104,540</u>	<u>\$ 50,003,478</u>	<u>\$ 47,851,329</u>	<u>\$ 2,152,149</u>
Capital Projects Funds:				
School Fundraising Fund:				
Capital projects:				
John Handley High School	-	11,688,805	11,164,332	524,473
Debt Service:				
Interest and fiscal charges	-	-	9,065	(9,065)
Total Debt Service	<u>-</u>	<u>-</u>	<u>9,065</u>	<u>(9,065)</u>
Total School Fundraising Fund	<u>\$ -</u>	<u>\$ 11,688,805</u>	<u>\$ 11,173,397</u>	<u>\$ 515,408</u>
School Capital Improvement Fund:				
Education:				
Instruction	-	176,702	121,053	55,649
Operations and Maintenance	-	1,254,000	1,232,442	21,558
Total Education	<u>-</u>	<u>1,430,702</u>	<u>1,353,495</u>	<u>77,207</u>
Total School Capital Improvement Fund	<u>\$ -</u>	<u>\$ 1,430,702</u>	<u>\$ 1,353,495</u>	<u>\$ 77,207</u>
School Construction Fund:				
Capital projects:				
John Handley High School	-	630,050	630,049	1
Total School Construction Fund	<u>\$ -</u>	<u>\$ 630,050</u>	<u>\$ 630,049</u>	<u>\$ 1</u>
Total Capital Projects Funds	<u>\$ -</u>	<u>\$ 13,749,557</u>	<u>\$ 13,156,941</u>	<u>\$ 592,616</u>
Grand Total - Expenditures - Component Unit School Board	<u>\$ 49,104,540</u>	<u>\$ 63,753,035</u>	<u>\$ 61,008,270</u>	<u>\$ 2,744,765</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.

<b>Contents</b>	<u>Tables</u>	<u>Pages</u>
<p><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.</p>	1 - 4	109-113
<p><i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</p>	5 - 8	114-117
<p><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.</p>	9 - 13	118-122
<p><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.</p>	14 - 15	123-124
<p><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.</p>	16 - 18	125-127

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

Table 1

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

## 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 Seven Fiscal Years (1)**  
**(accrual basis of accounting)**

Table 2

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

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

cont'd

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

Table 2 (Cont'd)

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

## 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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Unreserved	\$ 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	\$ 20,577,901
Total general fund	<u>\$ 8,058,258</u>	<u>\$ 7,681,125</u>	<u>\$ 10,983,201</u>	<u>\$ 12,572,449</u>	<u>\$ 14,714,401</u>	<u>\$ 18,982,128</u>	<u>\$ 25,075,724</u>	<u>\$ 28,957,466</u>	<u>\$ 26,842,432</u>	<u>\$ 20,577,901</u>
All Other Governmental Funds										
Reserved	-	-	111,534	117,459	117,459	126,832	-	-	-	-
Unreserved, reported in:										
Special revenue funds	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	2,017,389
Capital projects funds	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	1,024,592
Debt service funds	342,097	783,179	753,276	811,011	639,959	482,877	342,947	217,166	102,003	49,876
Total all other governmental funds	<u>\$ 6,330,922</u>	<u>\$ 4,929,920</u>	<u>\$ 4,365,277</u>	<u>\$ 3,911,555</u>	<u>\$ 3,518,383</u>	<u>\$ 2,847,001</u>	<u>\$ 8,659,096</u>	<u>\$ 4,890,848</u>	<u>\$ 3,764,729</u>	<u>\$ 3,091,857</u>

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

Table 4

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
General property taxes	\$ 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	\$ 33,704,350
Sales taxes	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	8,037,031
Other local taxes	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	17,172,342
Permits, privilege fees and regulatory licenses	200,299	180,609	236,827	433,236	621,027	639,874	619,646	560,761	450,188	285,131
Fines and forfeitures	211,335	175,750	170,343	171,173	185,477	274,987	221,123	203,206	171,521	159,077
Revenues from use of money and property	590,333	725,439	353,053	208,570	86,646	226,866	897,306	1,357,831	1,504,587	529,863
Charges for services	537,943	630,776	666,325	732,614	827,070	834,354	843,209	1,420,091	1,698,424	1,760,787
Miscellaneous	440,921	133,863	284,004	387,757	382,337	391,358	436,721	763,945	465,622	444,901
Recovered costs	791,577	559,903	597,267	670,731	647,694	650,470	776,667	903,114	887,583	1,454,804
Intergovernmental	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	14,393,918
<b>Total revenues</b>	<b>46,634,980</b>	<b>49,303,575</b>	<b>52,167,259</b>	<b>53,834,517</b>	<b>57,136,831</b>	<b>63,372,900</b>	<b>71,697,884</b>	<b>77,099,785</b>	<b>79,722,606</b>	<b>77,942,204</b>
<b>Expenditures</b>										
General government administration	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	3,999,143
Judicial administration	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	2,574,148
Public safety	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	17,907,345
Public works	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	8,611,361
Health and welfare	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	7,542,126
Education (1)	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	27,924,540
Parks, recreation and culture	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	3,716,933
Community development	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	1,757,737
Capital projects	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	2,027,584
Debt service:										
Principal retirement	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	5,544,227
Interest and fiscal charges	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	4,690,387
Bond issuance costs	15,970	-	9,457	27,542	105,029	297,686	260,168	142,965	98,552	-
Advance refunding escrow	-	-	-	88,892	-	129,378	-	-	-	-
<b>Total expenditures</b>	<b>48,665,823</b>	<b>50,669,315</b>	<b>53,982,555</b>	<b>56,512,456</b>	<b>64,189,061</b>	<b>82,105,605</b>	<b>104,132,865</b>	<b>99,006,030</b>	<b>92,504,310</b>	<b>86,295,531</b>
Excess of revenues over (under) expenditures	(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)	(8,353,327)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Other Financing Sources (Uses)</b>										
Sale of property	-	-	187,374	43,465	382,758	7,004	752,455	82,493	1,520	43,198
Insurance recoveries	-	-	-	-	-	-	59,303	13,416	14,015	18,576
Bonds issued	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	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	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	7,650,015
Transfers out	(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)	(6,295,865)
<b>Total other financing sources and uses</b>	<b>3,051,483</b>	<b>90,862</b>	<b>4,571,428</b>	<b>3,813,465</b>	<b>8,801,010</b>	<b>21,433,528</b>	<b>44,371,676</b>	<b>21,988,735</b>	<b>9,540,551</b>	<b>1,415,924</b>
<b>Net change in fund balances</b>	<b>\$ 1,020,640</b>	<b>\$ (1,274,878)</b>	<b>\$ 2,756,132</b>	<b>\$ 1,135,526</b>	<b>\$ 1,748,780</b>	<b>\$ 2,700,823</b>	<b>\$ 11,936,695</b>	<b>\$ 82,490</b>	<b>\$ (3,241,153)</b>	<b>\$ (6,937,403)</b>
Debt service as a percentage of noncapital expenditures (2)	N/A	N/A	N/A	8.7%	7.9%	7.2%	7.7%	10.0%	12.3%	12.8%

Notes:

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

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

Table 5

Fiscal Year	Real Property (1)(3)					Personal Property (1)							Total Taxable Assessed Value	Total Direct Tax Rate	
	Residential	Commercial	Tax Rate per \$100	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Mobile Homes			Tax Rate per \$100
2000	\$ 832,048,200	\$ 582,892,100	\$ 0.67	\$ 52,657,384	\$ 0.64	\$ 139,920,386	\$ 3.50	\$ 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
2009 (2)	1,663,213,757	1,300,066,000	0.77	62,322,900	0.68	183,336,720	4.50	10,493	4.50	109,391,904	1.30	192,756	0.68	3,318,534,530	0.99

## Notes:

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

## Source:

City of Winchester, Commissioner of the Revenue

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

Table 6

Fiscal Year	City Direct Rates (2)					Total Direct Rate
	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools		
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
2009	0.69	0.01	0.25	0.04		0.99

## Notes:

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

## Source:

City of Winchester, Commissioner of the Revenue

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

Table 7

Taxpayer	December 31, 2008			December 31, 1999		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		Value
Mayflower Apple Blossom, LP	\$ 45,217,100	1	1.39%	\$ 32,556,800	1	1.94%
Winchester Medical Center, Inc.	42,421,300	2	1.30%	21,914,200	2	1.31%
DDRM Apple Blossom Corners, LLC	25,967,200	3	0.80%	-	-	-
P D K Winchester, LC	20,478,900	4	0.63%	-	-	-
Trout Segall & Doyle Winc Prop, LLC	20,153,500	5	0.62%	-	-	-
Wal-Mart Realty Co.	19,464,500	6	0.60%	13,526,100	7	0.81%
Rubbermaid Com. Prod., Inc.	17,531,400	7	0.54%	14,922,200	3	0.89%
National Fruit Product Co., Inc.	14,589,400	8	0.45%	13,236,800	8	0.79%
Loveless Homes X, LLC	12,462,300	9	0.38%	-	-	-
Pleasant Valley Market Place, LLC	12,455,000	10	0.38%	-	-	-
Pine Motor Co., Inc. Etal	-	-	-	14,780,600	4	0.88%
Dev. Diversified Realty Corp	-	-	-	14,530,900	5	0.87%
Aikens Investments	-	-	-	14,469,400	6	0.86%
Melco, Inc.	-	-	-	12,975,600	9	0.77%
O'Sullivan Corporation	-	-	-	12,777,400	10	0.76%
<b>Total</b>	<b>\$ 230,740,600</b>		<b>7.08%</b>	<b>\$ 165,690,000</b>		<b>8.52%</b>

Source:

City of Winchester, Assessor's Office

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (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%	2,166,546	17,871,222	98.67%
2002	17,395,955	1,748,509	19,144,464	16,414,575	94.36%	2,554,518	18,969,093	99.08%
2003	18,718,770	1,875,460	20,594,230	17,686,635	94.49%	2,649,089	20,335,724	98.74%
2004	19,391,170	1,802,160	21,193,330	18,547,957	95.65%	2,453,677	21,001,634	99.10%
2005	20,766,491	2,013,703	22,780,194	19,893,140	95.79%	2,648,056	22,541,196	98.95%
2006	25,705,020	2,802,593	28,507,613	24,280,467	94.46%	3,773,927	28,054,394	98.41%
2007	29,728,314	2,850,749	32,579,063	28,477,374	95.79%	2,160,600	30,637,974	94.04%
2008	32,280,468	2,877,353	35,157,821	31,240,872	96.78%	2,168,130	33,409,002	95.03%
2009	32,726,042	-	32,726,042	31,632,098	96.66%	-	31,632,098	96.66%

## 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	General Obligation Bonds	Revenue Bonds			
2000	\$ 35,840,714	\$ 1,504,098	\$ 16,649,440	\$ -	\$ 53,994,252	8.40%	\$ 2,289
2001	33,178,057	547,670	15,510,073	-	49,235,800	7.28%	2,043
2002	34,669,317	-	20,176,978	-	54,846,295	8.11%	2,276
2003	35,936,575	-	18,771,515	-	54,708,090	8.09%	2,270
2004	39,747,433	-	20,835,285	-	60,582,718	9.08%	2,479
2005	55,393,281	-	21,751,067	-	77,144,348	11.66%	3,157
2006	90,474,179	-	26,662,924	-	117,137,103	15.49%	4,663
2007	105,263,817	-	29,886,248	-	135,150,065	16.78%	5,349
2008	107,244,423	-	28,497,851	-	135,742,274	16.08%	5,275
2009	101,700,196	-	27,022,523	23,920,000	152,642,719	17.13%	5,894

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 123 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)
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
2009	101,700,196	49,876	101,650,320	3.06%	3,925

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 114 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 123.

**CITY OF WINCHESTER, VIRGINIA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)**  
**As of June 30, 2009**

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	\$ 101,700,196	100%	\$ 101,700,196

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 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	\$ 302,560,266
Total net debt applicable to limit	<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>	<u>128,672,843</u>
Legal debt margin	<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>	<u>\$ 173,887,423</u>
Total net debt applicable to the limit as a percentage of debt limit	35.53%	31.81%	35.82%	27.98%	30.39%	31.34%	45.81%	39.44%	39.62%	42.53%

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed Value of Real Property	\$ 3,025,602,657
Debt Limit - 10%	302,560,266
Amount of Debt Applicable to Debt Limit	
General obligation bonds	128,722,719
Less: Amount set aside for repayment of general obligation debt	<u>(49,876)</u>
Total net debt applicable to limit	<u>128,672,843</u>
Legal Debt Margin	<u>\$ 173,887,423</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  
PLEGGED-REVENUE COVERAGE  
Last Fiscal Year**

Table 13

Water and Sewer Revenue Bonds							
Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2009	\$ 17,632,035	\$ 12,955,277	\$ 4,676,758	\$ -	\$ 230,006	20.33	

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

## Notes:

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

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

Table 14

Fiscal Year	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		
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%
2009	25,897	891,297	34,417	35.7	75.4%	23.7%	3,714	8.70%

## Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) U.S. Census Bureau - Data presented is percentage of persons 25 years or older attaining the described educational status; 2000 census is latest available data.
- (5) City of Winchester School Board.

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

Table 15

<u>Employer</u>	<u>December 31, 2008</u>			<u>December 31, 1999</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	7.54%	1,000 and over	1	7.84%
Rubbermaid Commercial Products	500 - 999	2	3.77%	1,000 and over	2	7.84%
Winchester City Public Schools	500 - 999	3	3.77%	500 - 999	5	3.92%
Shenandoah University	500 - 999	4	3.77%	500 - 999	10	3.92%
Wal Mart	500 - 999	5	3.77%	500 - 999	8	3.92%
City of Winchester	500 - 999	6	3.77%	-	-	-
Martins Food Market	250 - 499	7	1.88%	-	-	-
Osullivan Films Inc	250 - 499	8	1.88%	-	-	-
Trex Company Inc	250 - 499	9	1.88%	-	-	-
U.S. Department of Defense	250 - 499	10	1.88%	-	-	-
Lear Operations Corporation	-	-	-	1,000 and over	3	3.92%
Federal Mogul Products	-	-	-	500 - 999	4	3.92%
Polyone Engineered Films	-	-	-	500 - 999	6	3.92%
Kohl's Department Stores	-	-	-	500 - 999	7	3.92%
Manpower Temporary Service	-	-	-	500 - 999	9	3.92%
<b>Total</b>	<b><u>4,500</u></b>		<b><u>33.92%</u></b>	<b><u>6,000</u></b>		<b><u>47.02%</u></b>

Source: Virginia Employment Commission

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

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

Table 16

	Full-Time Equivalent Employees as of June 30			
	2006	2007	2007	2008
<b><u>Function/Program</u></b>				
General government administration	45	46	46	43
Judicial administration	38	38	38	42
Public safety	228	243	234	200
Public works	39	59	60	58
Health and welfare	45	41	43	43
Parks, recreation and culture	50	40	50	53
Community development	13	20	19	14
Water and sewer	60	64	67	61
Bus service	15	13	13	13
Parking authority	12	10	8	8
Schools	685	685	687	639
<b>Total</b>	<b>1,230</b>	<b>1,259</b>	<b>1,265</b>	<b>1,174</b>

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

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

Table 17

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

Source: Various Departments in the City

**Notes:**

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

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

Table 18

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

Source: Various Departments in the City

**Notes:**

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



**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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2009. 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*.

However, we have noted certain other matters that we have reported to management in a separate letter dated November 20, 2009.

This report is intended solely for the information and use of management, the Common Council, others within the entity, 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.

*Didawick & Knopp, P.C.*

November 20, 2009



**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, 2009. 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, 2009.

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, others within the entity, 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.

*DiLauro & Knapp, P.C.*

November 20, 2009



**CITY OF WINCHESTER, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**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. <u>Special Education Cluster (IDEA):</u>	
Special Education - Grants To States (IDEA, Part B)	84.027
Special Education – Preschool (IDEA Preschool)	84.173
iii. Title I Grants to Local Education Agencies	84.010
iv. Temporary Assistance for Needy Families (TANF)	93.558
v. <u>Child Care and Development Fund Cluster:</u>	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the CCDF	93.596
vi. Foster Care Title IV-E	93.658
vii. <u>Highway Planning and Construction Cluster:</u>	
Highway Planning and Construction	20.205
viii. <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 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, 2009

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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	\$ 70,867
<u>Department of Corrections:</u>			
Nutrition Cluster: National School Lunch Program	10.555	35602	29,412
<u>Department of Education:</u>			
Nutrition Cluster: School Breakfast Program	10.553	40591	203,488
National School Lunch Program	10.555	40623	737,094
<u>Department of Forestry:</u>			
Cooperative Forestry Assistance	10.664	50105	4,852
<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	259,934
Allocated Eligible S&O FSET		85304, 85404, 85604, & 85704	8,892
Admin-Cost Allocation Food Stamp		84322	30,202
<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	652,129
Special Education - Grants to States	84.027	43071, 61110, & 61176	655,588
Vocational Education - Basic Grants to States	84.048	61095	64,577
Safe & Drug-Free Schools and Communities - State Grants	84.186	60511	11,896
21st Century Community Learning Centers	84.287	60565	195,899
State Grants for Innovative Programs	84.298	49005	115
Education Technology State Grants	84.318	61750 & 61600	7,795
English Language Acquisition Grants	84.365	60512	71,876
Improving Teacher Quality State Grants	84.367	61480	162,174
Special Education - Preschool	84.173	62521	30,752
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families Family Preservation Reunification Family Support	93.556	86601 & 86602 86605	10,551 2,822

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</b>			
<b>Pass-Through Programs: (cont'd)</b>			
<b>Department of Social Services: (cont'd)</b>			
Temporary Assistance for Needy Families:	93.558		
VIEW - Component and Component Activities		87201	\$ 348
VIEW - Transportation		87207	5,619
VIEW - Jobs Support Services		87202	42,260
Transitional Transportation		87204	476
Aid to Dependent Children		80801	(84)
Allocated Eligible S&O TANF Program		85309	3,757
Allocated Eligible S&O TANF Admin.		85310	23,321
Allocated Eligible S&O View Admin		85311	1,158
Allocated Eligible S&O VIEW Program		85312	1,584
Allocated Service TANF Program		85409	20,452
Allocated Service TANF Admin		85410	18,460
Allocated Service TANF Program		85411	24,694
Allocated Service TANF Program		85412	36,873
Allocated Eligible & Service S&O IV-B 2 FPS		85327 & 85427	85,663
Allocated Eligible & Service S&O PT TANF Program		85609 & 85612	2,248
Allocated Eligible & Service S&O PT TANF Admin.		85610 & 85611	11,977
Allocated Eligible & Service S&O IV-B 2 TLFPS		85429	3,606
Allocated Eligible & Service S&O IV-B 2 APSS		85430	76
Refugee and Entrant Assistance (State- Administered Programs):	93.566		
Cost Allocation Refugee		84320	35
Allocated Eligible & Service S&O PT Refugee		85613 & 85713	61
Allocated Eligible & Service S&O Refugee		85313 & 85413	546
Low-Income Home Energy Assistance:	93.568		
Low Income Home Energy Assistance		85314, 85315, 85414, & 85415	10,858
Child Care and Development Block Grant:	93.575		
TANF Education Training		88304	855
Head Start		87801	27,908
CDC Fee at Risk		88302	136,924
ARRA - CDC Fee At Risk		88302	1,130
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		
VIEW TANF Working DC		87101	52,950
ARRA - VIEW TANF Working DC		87101	442
VIEW Transitional DC		87102	7,387
ARRA - VIEW Transitional DC		87102	43
TANF Working DC		87104	12,539
ARRA - TANF Working DC		87104	142
Transitional Day Care		87103	10,290
ARRA - Transitional Day Care		87103	120
Allocated Eligible & Service S&O Child Care Certification		85316 & 85416	24,982
Allocated Eligible & Service S&O Non-Dir. Service		85317 & 85417	557
Allocated Eligible & Service S&O Child Care Quality		85318 & 85418	1,751
Allocated Eligible & Service S&O Child Care Admin		85319 & 85419	13,160
Fee Child Care		88102	8,729
TANF Education Training		88103	38
ARRA - CDC Quality Initiative		89001	4,641
Independent Living Prog. - Education and Training Vouchers	93.599	86101	4,052
Adoption Incentive	93.603	82001	521
Child Welfare Services - State Grant	93.645	85431	1,831

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

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Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</b>			
<b>Pass-Through Programs: (cont'd)</b>			
<b>Department of Social Services: (cont'd)</b>			
Foster Care - Title IV-E:	93.658		
Residential Foster Care		81107	\$ 138,055
ARRA - Residential Foster Care		81107	24,842
Child Placing Agency		81108	53,772
ARRA - Child Placing Agency		81108	(1,602)
Agency Foster Homes		81110	17,382
ARRA - Agency Foster Homes		81110	111
Allocated Service S&O PT Independent Living		85433 & 85733	1,159
Cost Allocation-IV-E		84319	23,238
Allocated Eligible & Service S&O Other Admin Foster Care		85438 & 85738	2,141
Allocated Eligible & Service S&O FC Eligibility		85305, 85405, 85605, & 85705	8,217
Allocated Eligible & Service S&O Case Planning		85306, 85406, 85606, & 85706	90,111
Allocated Eligible & Service S&O Pre Placement		85307, 85407, & 85707	13,926
Adoption Assistance:	93.659		
Subsidized Adoption		81201	82,991
ARRA - Subsidized Adoption		81201	8,499
IV-E Adoption Assistance Non-Recurring		81202	2,577
Allocated Eligible & Service S&O Adoption		85308, 85408, 85608, & 85708	11,554
Social Services Block Grant:	93.667		
Adult Protective Services		82401 & 89501	4,329
Child Protective Services		82402	38
Counseling & Treatment		82403	96
Substance Abuse Services		82407	128
Education & Training		82408	182
Transportation Service		82421	48
Family Support		82904	2,971
Family Preservation PS		82905	117
Respite Care		86401	36
Adult Service Home Based Companion		83304	13,995
Allocated Eligible & Service S&O SSBG - APS		85420	8,358
Allocated Eligible & Service S&O SSBG - Prevention		85322 & 85422	13,063
Allocated Eligible & Service S&O SSBG - Adult		85323 & 85423	49,496
Allocated Eligible & Service S&O SSBG - Foster Care		85324 & 85424	14,560
Allocated Eligible & Service S&O SSBG - Adoption		85325 & 85425	827
Allocated Eligible & Service S&O SSBG - CPS		85426	6,473
Allocated Eligible & Service S&O SSBG - Independent Living		85442	1,420
CHAFEE Foster Care Independence Program	93.674		
Allocated Eligible & Service S&O Chafee		86201 85334 & 85434	10,974 2,608
State Children's Insurance Program:	93.767		
Allocated Service S&O FAMIS		85402 & 85702	2,534
Allocated Eligible S&O FAMIS		85302	12,902
Allocated Eligible S&O PT FAMIS		85602	5,692
Medical Assistance Program (Title XIX):	93.778		
Cost Allocations - Medicaid		84323	27,342
Allocated Eligible & Service S&O Medicaid		85301 & 85401	114,293
Allocated Eligible & Service S&O PT Medicaid		85601 & 85701	58,075
Allocated Service S&O Medicaid EPSDT Outreach		85443	567
Allocated Service S&O Medicaid PT EPSDT Outreach		85743	42

**DEPARTMENT OF HOMELAND SECURITY:**

**Direct Programs:**

**Department of Emergency Management:**

Assistance to Fire Fighter Grant	97.044	EMW-2007-FD-05784	77,468
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CITY OF WINCHESTER, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2009

Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF HOMELAND SECURITY: (cont'd)</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	97.042	52748	\$ 8,905
Hazmat Team Equipment	97.073	CFHM07	126,150
State Domestic Preparedness Equipment Support Program	97.074	CFCC06	11,541
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Direct Programs:</u>			
Community Development Block Grants - Entitlement Grants	14.218	N/A	254,229
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
NVRDTF Gang Grant	16.580	2007-DD-BX-0661 & 2008-DD-BX-0539	79,806
Public Safety Partnership and Community Policing Grants (COPS):	16.710		
COPS Methamphetamine Initiative		2005-CK-WX-0402	27,151
Organized Crime Drug Enforcement Task Force	16.738	MA-VAW-077	490
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice:</u>			
Crime Victim Assistance	16.575	09-08584VW08	72,187
Edward Byrne Memorial Justice Assistance Grant Program:	16.738		
Byrne JAG Program		2007-DJ-BX-0715 & 09-C1228LO08	18,172
Edward Byrne Memorial Formula Grant Program		09-C5221AD07	14,198
Safe Street Act		AL03-57-59857-50593	5,891
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct Programs:</u>			
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	VA-95X006-00, VA-90-X310, VA-90-X257, & VA-90-X279	715,308
Federal Transit - Formula Grants	20.507	VA-90-X333	387,774
<u>Pass-Through Programs:</u>			
<u>Department of Transportation:</u>			
Highway Planning and Construction	20.205	EN06-138-119, P101, & U000-138-116, C501	611,567
<u>Pass-Through Programs:</u>			
<u>Department of Motor Vehicles:</u>			
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	K8-2008-58152-3093 & K8-2009-59382-3685	43,753
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Direct Payments:</u>			
Brownfield's Pilot Cooperative Agreement	66.811	BP98376701	<u>12,852</u>
Total Expenditures of Federal Awards			<u>\$ 7,111,476</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

**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  
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## 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, 2009, 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  
Sheriff Internal Controls

State Agency Requirements:

Education  
Social Services  
Highway Maintenance Funds

### LOCAL COMPLIANCE MATTERS

Budget and Appropriation Ordinances

*Didawick & Knopp, P.C.*

November 20, 2009