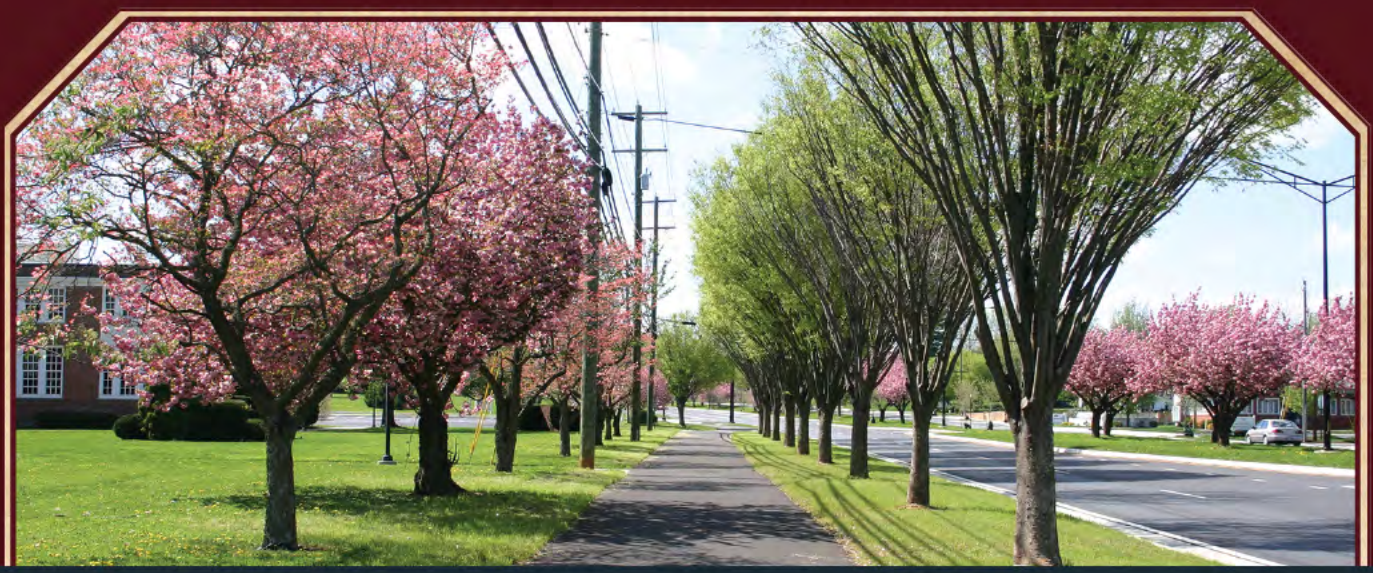

Comprehensive Annual FINANCIAL REPORT

City of Winchester, Virginia

Fiscal Year Ending
June 30, 2013

CITY OF WINCHESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Prepared by:

City of Winchester, Virginia
Finance Department

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CITY OF WINCHESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

Elizabeth A. Minor, Mayor
John A. Willingham, President
Milton F. McInturff, Vice President
Les C. Veach, Sr., Vice Mayor

John P. Tagnesi
Robert B. Weber
John W. Hill
Evan H. Clark
Jeffrey B. Buettner

OFFICIALS

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

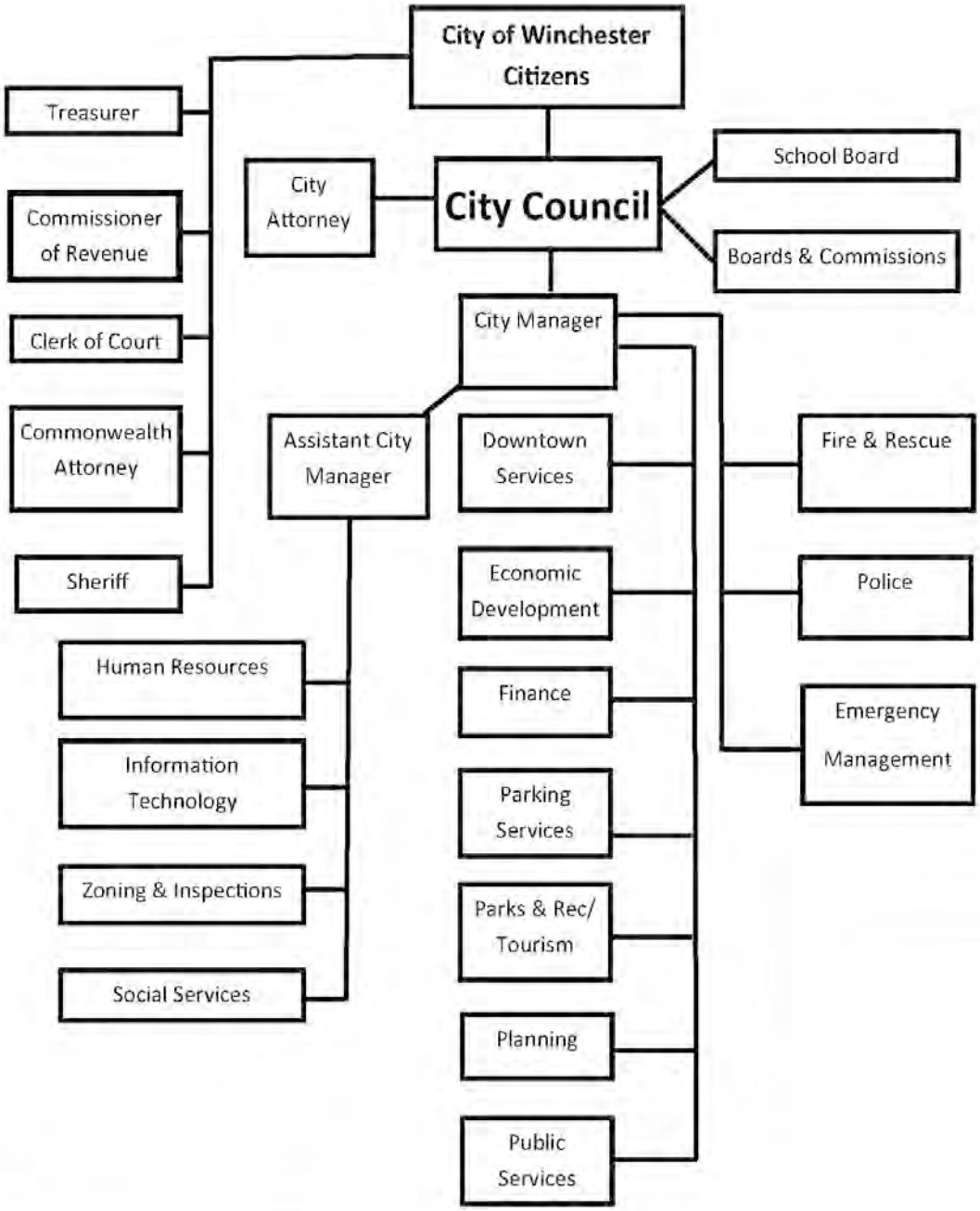
CONSTITUTIONAL OFFICERS

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

OTHER OFFICIALS

Joel A. Davis	Director of Human Resources
John C. Knight	Building Official
James W. Deskins	Economic Redevelopment Director
Mary M. Blowe	Finance Director
Allen W. Baldwin	Fire and Rescue Chief
Thomas D. Lloyd	Information Technology Director
Anthony C. Williams	City Attorney
Jennifer E. Bell	Downtown Manager, Old Town Winchester
Jennifer L. Jones	Parks & Recreation Director
Timothy A. Youmans	Planning Director
Kevin L. Sanzenbacher	Chief of Police
Amber D. Dopkowski	Social Services Director
Perry A. Eisenach	Public Services Director
Dr. Ricky L. Leonard	Superintendent of Schools
Joyce S. Braithwaite	Voter Registrar
Samantha R. Anderson	Executive Director, Winchester Parking Authority
Aaron M. Grisdale	Zoning & Inspections Director

City of Winchester
Organizational Chart



Rouss City Hall
15 North Cameron Street
Winchester, VA 22601

Telephone: (540) 667-1815
FAX: (540) 723-0238
TDD: (540) 722-0782
Website: www.winchesterva.gov

November 19, 2013

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, 2013 is submitted herewith pursuant to Section 15.1-166 & 167 of the Code of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of all the funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse; to ensure that adequate accounting data are compiled; and to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Brown Edwards & Company, L.L.P. performed the City of Winchester's audit for the fiscal year ended June 30, 2013. 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 principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Winchester's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Winchester

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.3 square miles and serves a population of approximately 26,881. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, 97 miles away.

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

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

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

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

- Winchester Parking Authority (WPA): The City of Winchester created the WPA to plan and foster the development of off-street parking facilities. The WPA is included in the accompanying financial statements as the City appoints all WPA members and is able to impose its will on the WPA.

- Winchester School Board (Board): The Board was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. All members of the Board are appointed by the City's Common Council, which has the ability to impose its will upon the Board.

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

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

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

school system's categories. As demonstrated by the statements and schedules included in the financial section of this report, the City meets its responsibility for sound financial management.

Local Economy

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

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

Located within the City of Winchester is Shenandoah University, a United Methodist Church-affiliated institution, which was founded in 1875 in Dayton, Virginia, and moved to Winchester in 1960. Today, Shenandoah University has an enrollment of approximately 4,000 students. These students participate in more than 90 programs of study at the undergraduate, graduate, doctorate and professional levels in seven schools: the College of Arts and Sciences, School of Business, School of Health Professions, Shenandoah Conservatory, School of Pharmacy, School of Nursing, and School of Education and Human Development. The University has expressed an interest to work with the City to develop an upperclassmen and graduate housing center in downtown Winchester.

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

The City's commercial tax base accounts for 40.0% of the taxable real property value in the City. The City serves as the major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its anchors, along with an additional 85 specialty stores. Plazas such as Apple Blossom Corners, Winchester Crossing, and Winchester Station house Martin's, Staples, Kohl's, Office Max, Books-A-Million, Michael's, Old Navy, and HH Gregg. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Big K-Mart, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of specialty shops and restaurants. There are also several anchorless strip centers and one life style center that house Ann Taylor, Jos A Banks Clothier, and other high end retail stores. The City also is home to several national chain restaurants. In addition, the City has several class A office buildings serving the professional services sector and business service entities.

The City's Department of Economic Development and the Winchester Economic Development Authority work closely together to facilitate economic development within the City of Winchester. During the last year, several major economic development activities have occurred. The EDA worked with a private developer to begin the rehabilitation of the historic Taylor Hotel. This facility will host a restaurant, pub, and several luxury apartments. Immediately behind the hotel, a public pocket park is being constructed. This area will host events such as concerts and fresh produce sales supplied by local farmers. In addition, the fly tower, the last building to be rehabilitated in the Taylor Hotel complex will provide premier commercial space and several additional luxury apartments. In addition, the EDA has assisted in acquiring over $500,000 worth of property in the N.

East Lane/Piccadilly Street corridor to revitalize an essential gateway to Winchester. Lastly, the Authority continues to provide low-interest loans to private businesses and developers. These loans have been directly responsible for the rehabilitation of several downtown properties and influx of business expansion and relocation in 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. The recent major focus in downtown has been the creation of new housing opportunities for young professionals, with the goal of stimulating 300 new housing units downtown over the next five years.

Long-term Financial Planning

Unassigned fund balance in the general fund (22.2% 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. Replacement of John Kerr Elementary School is being accomplished through a recently completed bond issuance ($20M project cost), and the expansion and renovation of Frederick Douglas Elementary School will require a future bond issuance of approximately $15.4M. Operational costs for the newly renovated facilities will increase as the renovations are completed at an approximate cost of $1,000,000. The John Kerr School is approximately 40 years old and has never been renovated. Winchester Public Schools projects that enrollment will grow by approximately 500 students by 2022-2023, and that the current facilities are inadequately sized to handle the increased number of students. These improvements should take us well into the future, allowing us to continue providing 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. Pedestrian Mall Improvements

In May of 2013, the City successfully completed a $7.2 million improvements project on the Pedestrian Mall in downtown. The primary reason for the project was to replace the underground water, sewer, and storm infrastructure that was very old and in poor condition. Since the entire Mall needed to be torn up for this project, the City used this opportunity to make other improvements to the Mall including gateway structures at each end, a splash pad water feature, and a public restroom facility. The project was completed on schedule within a very aggressive timeframe of four months.

B. Monticello Extension

The City was selected as the recipient of $5 million of funding from the state as part of the Governor's Transportation Opportunity Fund which was directly related to Rubbermaid's recent decision to expand their Winchester facility. This funding will be used to extend Monticello Street from the current terminus east of Valley Avenue to Battaile Drive. A new bridge over the CSX railroad tracks will be constructed as a part of the project. The City plans to use a design-build method of procurement to allow construction to begin in the summer of 2014.

C. Sidewalk and Street Improvements

As a part of the City's Strategic Plan, the City developed both a Sidewalk Master Plan and Street Maintenance Master Plan in 2013 to be used as a guide for future sidewalk improvements within the City and the City's street maintenance program. In FY14, the City will be completing $830,000 of sidewalk improvements on N. Loudoun Street and Cork Street, and $900,000 of street repaving on numerous streets throughout the City.

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, 2012. This was the twenty-first 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,

Dale E. Iman
City Manager

Mary M. Blowe
Finance Director

Government Finance Officers Association

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, 2012

Executive Director/CEO

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Your Success is Our Focus
124 Newman Avenue • Harrisonburg, VA 22801-4004 • 540-434-6736 • Fax: 540-434-3097 • www.BEcpas.com

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 19, 2013

City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

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, 2013. 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 2013 by $72.4 million (net position).
- The City's total net position increased approximately $7.2 million over the course of this year's operations. Net position of governmental activities increased $5.1 million, and net position of business-type activities increased $2.1 million over the prior year. The increase in net position by the governmental activities is the result of a reduction in liabilities due to debt repayment.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $24.7 million, a decrease of $1.0 million in comparison with the prior year. Approximately 64.7% of this amount, $16.0 million, is available for spending at the government's discretion (unassigned fund balance).
- As of the close of the current fiscal year, the unassigned fund balance of the City's general fund was $16.1 million. This amount represents 22.2% of total general fund expenditures.
- The City's total debt decreased by $11.0 million, or 5.7%, during the current fiscal year due to the repayment of debt without any new debt issuance in FY2013.

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

<u>Overview of the Financial Statements</u> (Continued)

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-62 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 63 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 position (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 $72.4 million at the close of fiscal year 2013.

The City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (Continued)

Table 1
City of Winchester's Net Position
Fiscal Year ended June 30, 2013
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Assets								
Current and other assets	$ 35.5	$ 36.1	$ 4.3	$ 18.7	$ 39.8	$ 54.8	$ 13.8	$ 12.1
Capital assets	77.1	76.3	155.8	145.3	232.9	221.6	111.5	113.1
Total Assets	112.6	112.4	160.1	164.0	272.7	276.4	125.3	125.2
Liabilities								
Current and other liabilities	5.6	12.0	2.3	3.9	7.9	15.9	6.3	5.3
Long-term liabilities	84.3	82.9	108.0	112.4	192.3	195.3	1.3	1.1
Total Liabilities	89.9	94.9	110.3	116.3	200.2	211.2	7.6	6.4
Net Position								
Invested in capital assets, net of related debt	56.2	61.2	49.0	48.1	105.2	109.3	111.5	113.0
Restricted	-	-	-	-	-	-	0.6	-
Unrestricted net position	(33.6)	(43.7)	0.8	(0.4)	(32.8)	(44.1)	5.6	5.9
Total Net Position	**$ 22.6**	**$ 17.5**	**$ 49.8**	**$ 47.7**	**$ 72.4**	**$ 65.2**	**$ 117.7**	**$ 118.9**

Governmental activities. As shown in Table 1, net position for governmental activities increased from $17.5 million at the end of FY2012 to $22.6 million at the end of FY2013. The major reason for the increase in net position is due to the governmental activities reduction in current liabilities of $6.4 million due to debt repayment during the current year. The City, as required by GASB 34, reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board.

If the debt related to the construction of schools was not presented in governmental activities, the net position for the governmental activities would be $87.0 million and the total net position for the primary government would be $136.8 million.

Government-wide Financial Analysis (Continued)

Table 2
Changes in the City of Winchester's Net Position
Fiscal Year ended June 30, 2013
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenues								
Program Revenues								
Charges for services	$ 4.2	$ 4.4	$ 22.4	$ 20.2	$ 26.6	$ 24.6	$ 0.7	$ 0.9
Operating grants and contributions	11.9	13.1	-	-	11.9	13.1	23.5	20.8
Capital grants and contributions	1.1	1.9	2.8	3.9	3.9	5.8	0.1	0.4
General Revenues								
Property taxes	36.0	34.8	-	-	36.0	34.8	-	-
Sales taxes	8.7	8.5	-	-	8.7	8.5	-	-
Other taxes	18.3	17.3	-	-	18.3	17.3	-	-
Grants and contributions not restricted to specific programs	3.0	3.0	-	-	3.0	3.0	-	-
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Other	-	0.4	-	-	-	0.4	26.9	25.5
Total revenues	**$ 83.3**	**$ 83.5**	**$ 25.2**	**$ 24.1**	**$ 108.5**	**$ 107.6**	**$ 51.3**	**$ 47.7**
Expenses								
General government administration	3.1	4.5	-	-	3.1	4.5	-	-
Judicial administration	3.2	2.9	-	-	3.2	2.9	-	-
Public safety	19.1	18.0	-	-	19.1	18.0	-	-
Public works	11.4	11.5	-	-	11.4	11.5	-	-
Health and welfare	7.2	7.7	-	-	7.2	7.7	-	-
Education	26.7	25.4	-	-	26.7	25.4	53.6	49.2
Parks, recreation and culture	3.8	3.5	-	-	3.8	3.5	-	
Community development	2.4	2.1	-	-	2.4	2.1	-	-
Interest on long-term debt	3.2	3.4	-	-	3.2	3.4	-	-
Water and sewer	-	-	21.2	19.2	21.2	19.2	-	-
Total expenses	**80.1**	**79.0**	**21.2**	**19.2**	**101.3**	**98.2**	**53.6**	**49.2**
Increase (decrease) in net position before transfers	**3.2**	**4.5**	**4.0**	**4.9**	**7.2**	**9.4**	**(2.3)**	**(1.5)**
Transfers	1.9	1.6	(1.9)	(1.6)	-	-	-	-
Increase (decrease) in net position	**5.1**	**6.1**	**2.1**	**3.3**	**7.2**	**9.4**	**(2.3)**	**(1.5)**
Net Position - beginning, as restated	**17.5**	**11.4**	**47.7**	**44.4**	**65.2**	**55.8**	**120.0**	**120.4**
Net Position - ending	**$ 22.6**	**$ 17.5**	**$ 49.8**	**$ 47.7**	**$ 72.4**	**$ 65.2**	**$ 117.7**	**$ 118.9**

As shown in Table 2, the City's revenues from governmental activities totaled $83.3 million for FY2013, a decrease of $0.2 million from FY2012. The slight decrease in expenditures was due to the City's emphasis on closely reviewing expenditures and eliminating unnecessary spending during the budget process and throughout the fiscal year. As shown in Figure A, the City received 75.6% of its revenue from taxes. The major source of revenue for the City was property taxes ($36.0 million or 43.1%), composed of real estate, personal property taxes, and machinery and tools taxes.

Government-wide Financial Analysis (Continued)

The City's assessed value of taxable real property for FY2013 increased by approximately 1.1% from the prior year. While tax revenues (property, sales, and other taxes) increased $2.4 million from the prior year, due to the increase in the real property tax rate from $0.86 cents in calendar year 2012 to $0.95 cents in calendar year 2013 and the continued recovery of sales tax revenues. Operating grants and contributions decreased $1.2 million from the prior year, due to the decrease of State revenue sharing funds for sidewalk replacements in FY2013.

The City's expenses from governmental activities totaled $80.1 million (Table 2) for the fiscal year ended June 30, 2013, an increase of $1.1 million from the prior year. As shown in Figure B, education was the largest expense at $26.7 million or 33.3% of total governmental expenses. Public safety was the second largest expense at $19.0 million or 23.8% of total governmental expenses.

Figure A
Revenues by Source – Governmental Activities

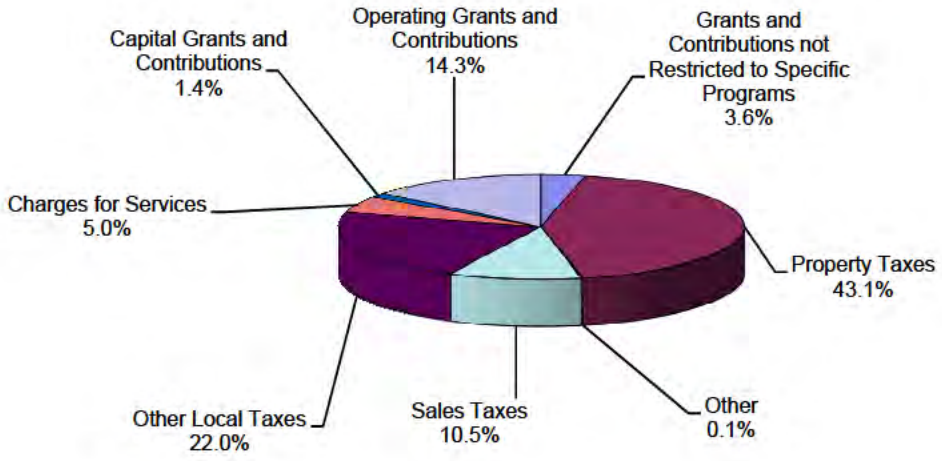
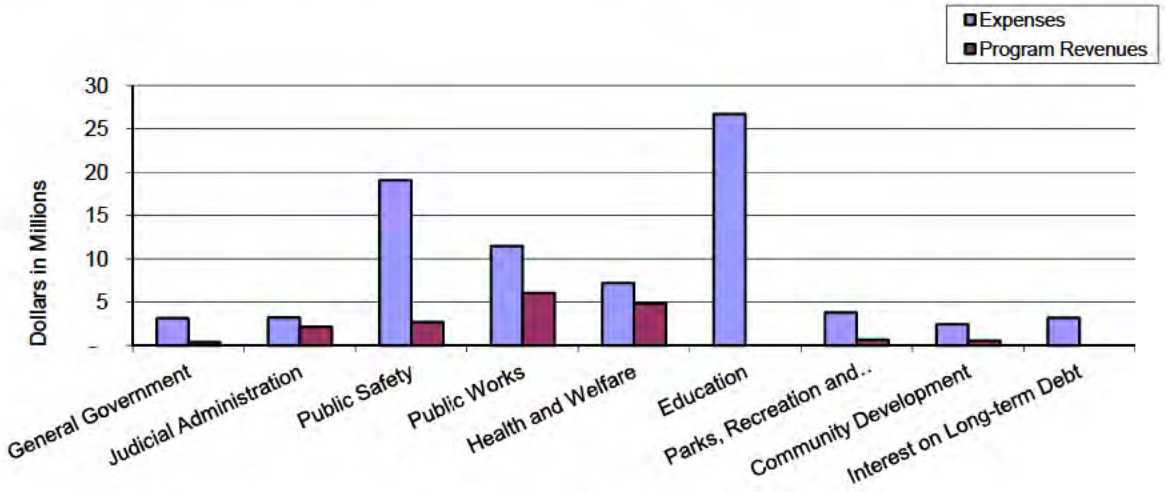


Figure B
Expenses and Program Revenues – Governmental Activities



Government-wide Financial Analysis (Continued)

Business-type activities. The City's business-type activities include the water and sewer fund. The net position of these business-type activities totaled $49.8 million (Table 2) an increase of $2.1 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility fees, which totaled $22.4 million or 88.8% of the total revenues for business-type activities. Capital grants and contributions decreased 1.1 million from the prior year mainly due to a decrease in contributed capital in the form of water & sewer infrastructure to the City. Expenses of the business-type activities totaled $21.2 million (Table 2) an increase of $2.0 million from the prior year. This increase in expenses is mainly due to increased debt payments associated with the upgrade of the City's water and sewer infrastructure.

Figure C
Revenues by Source – Business-type Activities

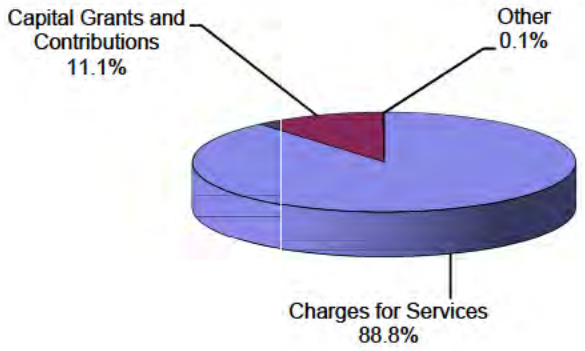
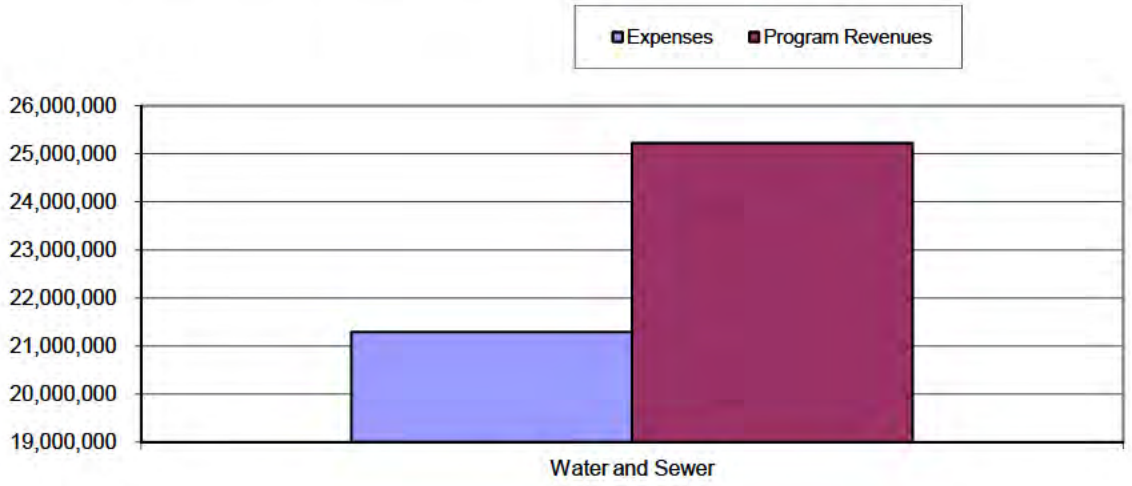


Figure D
Expenses and Program Revenues – Business-type Activities



Financial Analysis of the City's Funds

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

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

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

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

For the fiscal year ended June 30, 2013, the City's governmental funds reported combined fund balances of $24.7 million, a decrease of $1.0 million in comparison with the prior year. Approximately $16.1 million of the combined total fund balances constitutes unassigned fund balance, which is generally available for spending at the City's discretion.

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2013, the unassigned fund balance of the general fund was $16.0 million, while total fund balance reached $22.2 million. Unassigned fund balance represents 22.1% of total general fund expenditures, as a measure of the general fund's liquidity.

Fund balance in the City's general fund decreased by $0.1 million during the current fiscal year. The slight decrease in fund balance was due to planned usage of the fund balance for one-time expenditures.

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 position of the City's water and sewer fund for the fiscal year ended June 30, 2013, amounted to $0.9 million, an increase of $1.2 million from the prior year. The increase in the water and sewer unrestricted net position can mainly be attributed to decrease of bonds payable due to debt retirement in FY2013.

General Fund Budgetary Highlights

City Council revised the City budget twice during the fiscal year. The difference between the original budget and the final amended budget of expenditures for the general fund was an increase of $2.5 million, mainly due to $1.7 million for the community development project of the Taylor Hotel renovation.

Actual revenues were less than final budget amounts by $0.2 million, and actual expenditures were $2.1 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes exceeded budget by $0.9 million primarily due to strong sales tax, meals tax and business license revenues indicating that the local economy in Winchester is showing positive signs of recovery and growth.
- Revenues from general property taxes were less than budget by $0.5 million mainly due to personal property revenues. This was due to the City having a surplus of State tax relief from prior years that reduced the amount of local revenue collected in FY2013.
- 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.
- Community development was $0.5 million less than budget due to the deferral of projects to the next fiscal year.
- Debt service was $0.5 million less than budget due to the refunding of several bond issues that generated interest savings in FY2013.

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, 2013, amounts to $233.0 million net of depreciation, which represents an increase of $11.4 million, or 5.1% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 8 to the financial statements.

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

- Water and sewer line replacements totaled $10.1 million
- Improvements to the Loudoun Street Walking Mall which totaled $8.4 million, including water and sewer line replacements and the addition of new amenities.
- Completion of a new Transit office building which totaled $0.7 million.

Capital Assets and Debt Administration (Continued)

Table 3 summarizes the City's capital assets as of June 30, 2012 and 2013.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2013

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	$ 5,437,240	$ 4,319,240	$ 1,201,485	$ 1,201,485	$ 6,638,725	$ 5,520,725
Construction in progress	956,141	367,378	-	2,714,381	956,141	3,081,759
Buildings	21,461,438	20,953,011	-	-	21,461,438	20,953,011
Treatment plants	-	-	41,661,486	42,492,367	41,661,486	42,492,367
Improvements other than buildings	3,917,008	3,271,959	4,531	4,986	3,921,539	3,276,945
Infrastructure	41,672,388	43,805,363	92,493,701	76,794,411	134,166,089	120,599,774
Machinery & Equipment	3,689,412	3,636,823	1,166,384	1,358,649	4,855,796	4,995,472
FWSA purchased capacity	-	-	19,317,594	20,687,771	19,317,594	20,687,771
Total Capital Assets	**$ 77,133,627**	**$ 76,353,774**	**$ 155,845,181**	**$ 145,254,050**	**$ 232,978,808**	**$ 221,607,824**

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of $181.5 million, for the fiscal year ended June 30, 2013, a decrease of $11.1 million from the fiscal year ended June 30, 2012. This entire amount is backed by the full faith and credit of the City, with $103.1 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2013, the City retired $9.6 million of outstanding general obligation bond principal. 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, 2013

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	$ 77,520,134	$ 84,848,790	$ 19,784,803	$ 22,058,855	$ 97,304,937	$ 106,907,645
Revenue Bonds	-	-	65,620,000	66,589,030	65,620,000	66,589,030
Obligations payable	900,000	-	17,709,408	19,080,302	18,609,408	19,080,302
Total Outstanding Debt	**$ 78,420,134**	**$ 84,848,790**	**$ 103,114,211**	**$ 107,728,187**	**$ 181,534,345**	**$ 192,576,977**

The City's General Obligation Bonds in prior bond issues have been rated AA+ by Standard & Poor's Corporation, and Aa2 by Moody's Investors Service. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City's legal debt limit is $282.6 million. As of June 30, 2013, the City's total debt applicable to the limitation totaled $97.3 million, leaving a legal debt margin of $185.3 million.

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Economic Factors and Next Year's Budgets and Rates

- The City of Winchester uses a robust strategic planning process to identify and address significant community issues. The process involves both the City Council and staff working together to create and update the plan. In December 2012, City Council adopted the current strategic plan that includes the City's Vision 2028, the City's work plan through 2018 and the City's mission statement. City Council developed the following four main goals during the planning process: grow the economy, develop a high performing organization, continue revitalization of historic old town, and create a more livable City for all. The City has embraced these goals and Council and staff work together to forward these goals.
- The City of Winchester completed an Economic Development Master Plan and adopted the updated Comprehensive Plan. The goal described in both of these new plans is to attract young professionals, and families headed by individuals over the age of 55. These are the two largest growing population segments in the country, with the largest amounts of disposable income and the minimal impact on municipal services. Our plans, which have been reinforced by a recently completed market study, call for major changes in land use to allow for more mixed use development and increases in housing density with the hope that these changes will allow for the development of appropriate housing and work environments required to attract these population segments. These two populations groups will help provide a skilled workforce for future employment, particularly in our growing health services industries, along with providing market support for our retail and service sectors.
- In FY2014, City Council will be considering the implementation of a storm water utility. If approved by Council and implemented, a storm water fee would be added to utility bills and the money collected would be used solely for storm water related expenditures. The City is facing increasingly more stringent storm water regulations to comply with federal and state mandates related to the Chesapeake Bay initiatives and the need to construct new storm water infrastructure in many parts of the City.
- For the month of June 2013, the City's unemployment rate was 6.6%, compared to the State's 5.9% and Federal rate of 7.8%.
- The City's bond rating was upgraded to AAA by Standard's and Poor Corporation for the 2013 General Obligation bonds issued in October 2013 resulting in significant interest savings for various capital improvement projects.

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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2013

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash	$ 19,853,000	$ 114,415	$ 19,967,415	$ 7,989,042	$ 308,391
Investments	5,658,558	32,953	5,691,511	2,367,728	87,784
Receivables, net:					
Taxes, including penalties	2,231,784	-	2,231,784	-	-
Accounts	429,373	3,565,733	3,995,106	168,775	6,968
Notes	142,500	-	142,500	-	-
Promises to give	-	-	-	1,649,386	-
Due from other governments	5,400,469	440,293	5,840,762	1,592,426	-
Internal balances	984,403	(984,403)	-	-	-
Prepaids	55,000	-	55,000	465	-
Inventories	141,788	103,986	245,774	35,478	-
Deferred charges	565,102	794,190	1,359,292	-	163,409
Restricted cash	-	184,708	184,708	-	-
Capital assets:					
Nondepreciable	6,393,381	1,201,485	7,594,866	3,088,426	11,685
Depreciable, net	70,740,246	154,643,696	225,383,942	108,415,394	8,555,038
Total assets	112,595,604	160,097,056	272,692,660	125,307,120	9,133,275
LIABILITIES					
Accounts payable and other current liabilities	3,834,035	1,161,080	4,995,115	6,321,794	18,734
Accrued interest	1,014,576	1,129,950	2,144,526	-	170,252
Unearned revenue	812,609	-	812,609	-	-
Noncurrent liabilities:					
Due within one year	5,857,795	5,958,293	11,816,088	232,000	190,469
Due in more than one year	78,477,367	102,031,746	180,509,113	1,095,050	8,321,550
Total liabilities	89,996,382	110,281,069	200,277,451	7,648,844	8,701,005
NET POSITION					
Net investment in capital assets	56,163,377	49,037,689	105,201,066	111,503,820	260,824
Restricted	-	-	-	575,798	-
Unrestricted	(33,564,155)	778,298	(32,785,857)	5,578,658	171,446
Total net position	$ 22,599,222	$ 49,815,987	$ 72,415,209	$ 117,658,276	$ 432,270

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Exhibit 2

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
Primary government:									
Governmental activities:									
General government	$ 4,098,528	$ 113,965	$ 251,798	$ -	$ (3,732,765)		$ (3,732,765)		
Judicial administration	3,208,823	683,121	1,454,135	-	(1,071,567)		(1,071,567)		
Public safety	19,051,218	1,226,999	1,453,514	-	(16,370,705)		(16,370,705)		
Public works	10,462,004	1,158,991	3,763,306	1,141,420	(4,398,287)		(4,398,287)		
Health and welfare	7,208,056	52,875	4,760,937	-	(2,394,244)		(2,394,244)		
Education	26,706,238	-	-	-	(26,706,238)		(26,706,238)		
Parks, recreation, and culture	3,792,062	665,747	-	-	(3,126,315)		(3,126,315)		
Community development	2,438,493	302,148	231,215	-	(1,905,130)		(1,905,130)		
Interest on long-term debt	3,156,413	-	-	-	(3,156,413)		(3,156,413)		
Total governmental activities	80,121,835	4,203,846	11,914,905	1,141,420	(62,861,664)		(62,861,664)		
Business-type activities:									
Water and sewer	21,294,667	22,411,243	-	2,809,805	-	$ 3,926,381	3,926,381		
Total business-type activities	21,294,667	22,411,243	-	2,809,805	-	3,926,381	3,926,381		
Total primary government	$ 101,416,502	$ 26,615,089	$ 11,914,905	$ 3,951,225	(62,861,664)	3,926,381	(58,935,283)		
Component units:									
School board	$ 53,609,858	$ 734,401	$ 23,468,737	$ 137,927				$ (29,268,793)	$ -
Parking authority	1,175,426	973,726	-	-				-	(201,700)
Total component unit	$ 54,785,284	$ 1,708,127	$ 23,468,737	$ 137,927				(29,268,793)	(201,700)
General revenues:									
Taxes:									
Property taxes					35,952,587	-	35,952,587	-	-
Sales taxes					8,718,682	-	8,718,682	-	-
Utility taxes					2,014,264	-	2,014,264	-	-
Business license taxes					5,736,888	-	5,736,888	-	-
Franchise taxes					360,030	-	360,030	-	-
Hotel and meals taxes					6,217,625	-	6,217,625	-	-
Communication taxes					2,199,696	-	2,199,696	-	-
Other local taxes					1,820,712	-	1,820,712	-	-
Miscellaneous					47,216	5,825	53,041	214,500	7,237
Payments from City					-	-	-	26,651,702	-
Grants and contributions not restricted to specific programs					2,966,192	-	2,966,192	-	-
Unrestricted investment earnings					68,675	20,577	89,252	80,761	1,069
Transfers					1,870,000	(1,870,000)	-	-	-
Total revenues and transfers					67,972,567	(1,843,598)	66,128,969	26,946,963	8,306
Change in net position					5,110,903	2,082,783	7,193,686	(2,321,830)	(193,394)
Net position - beginning, as restated (Note 18)					17,488,319	47,733,204	65,221,523	119,980,106	625,664
Net position - ending					$ 22,599,222	$ 49,815,987	$ 72,415,209	$ 117,658,276	$ 432,270

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

FUND FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 15,158,551	$ 1,145,721	$ 16,304,272
Investments	4,387,785	331,667	4,719,452
Receivables, net:			
Taxes, including penalties	2,231,784	-	2,231,784
Accounts	192,877	197,894	390,771
Notes	-	142,500	142,500
Prepaids	-	40,000	40,000
Inventories	8,408	-	8,408
Due from other funds	1,290,000	-	1,290,000
Due from other governments	3,399,192	2,001,277	5,400,469
Total assets	$ 26,668,597	$ 3,859,059	$ 30,527,656
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 715,627	$ 565,997	$ 1,281,624
Deposits payable	94,084	-	94,084
Accrued payroll	878,897	204,415	1,083,312
Due to other funds	-	405,000	405,000
Deferred revenues	2,789,218	184,934	2,974,152
Total liabilities	4,477,826	1,360,346	5,838,172
Fund balances:			
Nonspendable	8,408	182,500	190,908
Restricted	486,062	-	486,062
Committed	1,218,750	-	1,218,750
Assigned	4,405,933	2,316,213	6,722,146
Unassigned	16,071,618	-	16,071,618
Total fund balances	22,190,771	2,498,713	24,689,484
Total liabilities and fund balances	$ 26,668,597	$ 3,859,059	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,115,649
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,161,543
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 Position.	2,080,706
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(83,448,160)
Net position of governmental activities	$ 22,599,222

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	$ 36,115,435	$ -	$ 36,115,435
Other local taxes	27,065,284	-	27,065,284
Permits, privilege fees, and regulatory licenses	285,746	-	285,746
Fines and forfeitures	161,403	-	161,403
Revenues from use of money and property	209,726	9,500	219,226
Charges for services	848,669	1,103,282	1,951,951
Miscellaneous	870,764	174,018	1,044,782
Recovered costs	723,167	2,895	726,062
Intergovernmental:			
Commonwealth	6,048,902	5,749,662	11,798,564
Federal	877,930	3,212,344	4,090,274
Total revenues	73,207,026	10,251,701	83,458,727
EXPENDITURES			
Current:			
General government administration	4,607,388	-	4,607,388
Judicial administration	3,063,621	35,451	3,099,072
Public safety	17,809,779	1,212,181	19,021,960
Public works	3,054,748	7,160,290	10,215,038
Health and welfare	1,031,826	6,224,197	7,256,023
Education	26,706,238	-	26,706,238
Parks, recreation, and culture	3,393,047	303,896	3,696,943
Community development	3,279,872	274,193	3,554,065
Debt service:			
Principal retirement	6,064,266	-	6,064,266
Interest and fiscal charges	3,183,954	-	3,183,954
Bond issuance costs	216,634	-	216,634
Total expenditures	72,411,373	15,210,208	87,621,581
Excess (deficiency) of revenues over expenditures	795,653	(4,958,507)	(4,162,854)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	47,216	-	47,216
Issuance of debt	27,963,072	-	27,963,072
Payment to refunded bond escrow agent	(26,730,493)	-	(26,730,493)
Transfers in	1,600,000	4,094,575	5,694,575
Transfers out	(3,824,575)	-	(3,824,575)
Total other financing sources (uses)	(944,780)	4,094,575	3,149,795
Net change in fund balances	(149,127)	(863,932)	(1,013,059)
Fund balance - beginning	22,339,898	3,362,645	25,702,543
Fund balance - ending	$ 22,190,771	$ 2,498,713	$ 24,689,484

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

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, 2013

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	$	(1,013,059)
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 $4,804,586 exceeded depreciation $4,009,068 in the current period.		795,518
In the Statement of Activities, only the *gain or loss* on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the *cost* of the property sold.		(14,140)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(143,205)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		5,150,758
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.		(54,390)
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.		389,421
Change in net position of governmental activities	$	5,110,903

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

Exhibit 6

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
General property taxes	$ 36,620,000	$ 36,620,000	$ 36,115,435	$ (504,565)
Other local taxes	26,191,100	26,191,100	27,065,284	874,184
Permits, privilege fees, and regulatory licenses	277,400	277,400	285,746	8,346
Fines and forfeitures	302,000	302,000	161,403	(140,597)
Revenues from use of money and property	297,500	297,500	209,726	(87,774)
Charges for services	943,500	943,500	848,669	(94,831)
Miscellaneous	853,000	853,000	870,764	17,764
Recovered costs	891,000	775,150	723,167	(51,983)
Intergovernmental:				
Commonwealth	5,804,000	6,000,580	6,048,902	48,322
Federal	750,500	1,105,470	877,930	(227,540)
Total revenues	72,930,000	73,365,700	73,207,026	(158,674)
EXPENDITURES				
Current:				
General government administration:				
Legislative	131,900	155,520	151,969	3,551
General and financial administration	4,793,000	4,860,370	4,290,049	570,321
Board of elections	178,800	184,975	165,370	19,605
Total general government administration	5,103,700	5,200,865	4,607,388	593,477
Judicial administration:				
Courts	2,014,800	1,991,975	1,967,966	24,009
Commonwealth attorney	1,045,000	1,096,265	1,095,655	610
Total judicial administration	3,059,800	3,088,240	3,063,621	24,619
Public safety:				
Law enforcement and traffic control	7,661,200	7,599,025	7,495,585	103,440
Fire and rescue services	4,911,006	4,867,016	4,861,186	5,830
Correction and detention	3,653,854	3,744,354	3,743,505	849
Inspections	489,700	489,700	449,706	39,994
Other protection	1,218,400	1,321,000	1,259,797	61,203
Total public safety	17,934,160	18,021,095	17,809,779	211,316
Public Works:				
Maintenance of highways, streets, bridges and sidewalks	83,600	86,780	78,575	8,205
Sanitation and waste removal	1,295,800	1,295,800	1,315,128	(19,328)
Maintenance of buildings and grounds	1,929,100	1,925,920	1,661,045	264,875
Total public works	3,308,500	3,308,500	3,054,748	253,752
Health and welfare:				
Health	278,954	278,954	278,954	-
Chapter X board	183,307	183,307	183,307	-
Welfare/Social Services	593,000	593,000	569,565	23,435
Total Health and Welfare	1,055,261	1,055,261	1,031,826	23,435
Education:				
Contributions to community college	37,391	37,391	37,391	-
Contributions to School Board - school study	-	17,200	17,145	55
Contributions to School Board	26,651,702	26,651,702	26,651,702	-
Total Education	26,689,093	26,706,293	26,706,238	55
Parks, recreation, and cultural:				
Parks and recreation	2,497,100	3,001,325	2,857,191	144,134
Cultural enrichment	129,025	145,800	145,522	278
Contribution to Regional Library	390,334	390,334	390,334	-
Total parks, recreation, and cultural	3,016,459	3,537,459	3,393,047	144,412

continued

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

Exhibit 6 (Cont'd)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES (continued)				
Current: (continued)				
Community development:				
Planning and community development	$ 2,328,027	$ 3,689,852	$ 3,279,872	$ 409,980
Total community development	2,328,027	3,689,852	3,279,872	409,980
Debt service:				
Principal retirement	5,964,300	6,102,600	6,064,266	38,334
Interest and fiscal charges	3,565,200	3,628,500	3,183,954	444,546
Bond issuance costs	-	216,700	216,634	66
Total debt service	9,529,500	9,947,800	9,464,854	482,946
Total expenditures	72,024,500	74,555,365	72,411,373	2,143,992
Excess of revenues over expenditures	905,500	(1,189,665)	795,653	1,985,318
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	47,216	47,216
Issuance of debt	-	27,963,100	27,963,072	(28)
Payment to refunded bond escrow agent	-	(26,730,500)	(26,730,493)	7
Transfers in	1,600,000	1,600,000	1,600,000	-
Transfers out	(7,851,500)	(7,834,300)	(3,824,575)	4,009,725
Total other financing sources (uses)	(6,251,500)	(5,001,700)	(944,780)	4,056,920
Net change in fund balances	$ (5,346,000)	$ (6,191,365)	$ (149,127)	$ 6,042,238

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

Exhibit 7

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash	$ 114,415	$ 3,548,728
Investments	32,953	939,106
Accounts receivable, net	3,565,733	38,602
Prepaids	-	15,000
Due from other governments	440,293	-
Inventories	103,986	133,379
Total current assets	4,257,380	4,674,815
Noncurrent assets:		
Restricted cash	184,708	-
Deferred charges	794,190	-
Capital assets:		
Nondepreciable	1,201,485	-
Depreciable, net	154,643,696	17,978
Total capital assets, net	155,845,181	17,978
Total noncurrent assets	156,824,079	17,978
Total assets	161,081,459	4,692,793
LIABILITIES		
Current liabilities:		
Accounts payable	722,534	1,361,836
Customer deposits	283,098	-
Accrued payroll	155,448	13,179
Accrued interest	1,129,950	-
Due to other funds	885,000	-
Compensated absences	15,000	-
Bonds payable and other obligations - current	5,943,293	-
Total current liabilities	9,134,323	1,375,015
Noncurrent liabilities:		
Compensated absences	188,648	28,398
Net OPEB obligation	-	1,308,077
Bonds payable and other obligations	101,843,098	-
Total noncurrent liabilities	102,031,746	1,336,475
Total liabilities	111,166,069	2,711,490
NET POSITION		
Net investment in capital assets	49,037,689	17,978
Unrestricted	877,701	1,963,325
Total net position	49,915,390	$ 1,981,303
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds and shown as an internal balance on the Statement of Net Position.	(99,403)	
Net position of business-type activities	$ 49,815,987	

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

Exhibit 8

	Business-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Revenue from use of property	$ 4,104	$ -
Charges for services	18,219,984	6,394,193
Miscellaneous	5,825	-
Recovered costs	4,187,155	-
Total operating revenues	22,417,068	6,394,193
OPERATING EXPENSES		
Personal services	3,934,765	791,325
Contractual services	4,869,417	156,094
Other supplies and expenses	4,055,844	846,988
Insurance claims and expenses	-	4,167,568
Depreciation	3,991,475	1,525
Total operating expenses	16,851,501	5,963,500
Operating income	5,565,567	430,693
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	20,577	9,727
Interest and fiscal charges	(4,176,497)	-
Loss on disposal of capital assets	(317,668)	-
Total nonoperating revenues (expenses)	(4,473,588)	9,727
Income before contributions and transfers	1,091,979	440,420
CAPITAL CONTRIBUTIONS	2,809,805	-
TRANSFERS OUT	(1,870,000)	-
Change in net position	2,031,784	440,420
Total net position - beginning	47,883,606	1,540,883
Total net position - ending	$ 49,915,390	$ 1,981,303

Change in net position	$ 2,031,784
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	50,999
Change in net position of business-type activities	$ 2,082,783

The Notes to 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, 2013

Exhibit 9

	Busines-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 17,855,223	$ 6,459,528
Cash paid to suppliers	(8,888,945)	(983,377)
Cash paid to employees	(3,921,125)	(332,390)
Premiums paid	-	(3,740,488)
Other receipts	4,197,084	-
Net cash provided by operating activities	9,242,237	1,403,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund borrowing	331,000	-
Transfer to other funds	(1,870,000)	-
Net cash used in noncapital financing activities	(1,539,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	7,854,534	-
Capital grants	2,005,139	-
Acquisition and construction of capital assets	(16,078,070)	-
Principal paid on capital debt	(11,869,661)	-
Interest paid on capital debt	(3,944,298)	-
Bond issue costs	(63,738)	-
Net cash used in capital and related financing activities	(22,096,094)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	20,577	9,727
Net cash provided by investing activities	20,577	9,727
Net increase (decrease) in cash and cash equivalents	(14,372,280)	1,413,000
Cash and cash equivalents - beginning of year	14,704,356	3,074,834
Cash and cash equivalents - end of year	$ 332,076	$ 4,487,834
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash	$ 114,415	$ 3,548,728
Cash equivalents - investments	32,953	939,106
Restricted cash	184,708	-
Total	$ 332,076	$ 4,487,834

Continued

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

Exhibit 9 (Continued)

	Busines-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 5,565,567	$ 430,693
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,991,475	1,525
(Increase) decrease in:		
Accounts receivable	(424,276)	65,336
Prepaids	-	(2,000)
Inventories	2,305	(24,704)
Increase (decrease) in:		
Accounts payable	34,011	473,489
Accrued payroll	1,585	226
Net OPEB obligation	-	459,000
Compensated absences	12,055	(292)
Customer deposits	59,515	-
Total adjustments	3,676,670	972,580
Net cash provided by operating activities	$ 9,242,237	$ 1,403,273
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions of water and sewer lines from developers	$ 1,043,100	$ -
Capital asset purchases included in accounts payable at year end	$ 124,057	$ -
Capitalized interest	$ 323,714	$ -

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

Exhibit 10

		Total Agency Funds
ASSETS		
Cash	$	764,405
Investments		2,679,915
Accounts receivable		123,532
Prepaids		14,501
Total assets	$	3,582,353
LIABILITIES		
Accounts payable	$	340,384
Accrued payroll		90,046
Amounts held for social services clients		8,450
Amounts held for NRJA		2,156,243
Amounts held for NRJDC		987,230
Total liabilities	$	3,582,353

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

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

Discretely Presented Component Units:

The City of Winchester School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. All members of the School Board are appointed by City Council, and the City has the ability to impose its will upon the Board. In addition, because the School Board does not have taxing powers, the School Board is fiscally dependent upon the City to provide significant funding to operate the public schools. The School Board must also obtain the City's approval for debt issuances. The School Board has one discretely presented component unit, the Winchester Education Foundation. The Winchester Education Foundation was created for the purpose of enhancing the funding resources of the Winchester Public Schools above and beyond local and state funding. Funds raised by the Foundation benefit all schools in the City of Winchester. The City of Winchester School Board is also responsible for appointing two members to the Foundation's Board of Directors. The Winchester Education Foundation is shown as a discretely presented component unit as it is legally separate from the School Board.

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

Separate financial statements of these component units are not available.

Jointly Governed Organizations:

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning, and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services. The City has certain long-term obligations with the Authority that are described further in Note 10. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at P.O. Box 43, Winchester, Virginia 22604.

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Jointly Governed Organizations (Continued):

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During 2013, the City provided total support of $28,249. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 491 Airport Road, Winchester, Virginia 22602.

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants must subsidize operations and capital needs. During 2013, the City provided total support of $267,090. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 145 Fort Collier Road, Winchester, Virginia 22603.

The Northwestern Regional Jail Authority was created by the City of Winchester and the Counties of Clarke, Frederick, and Fauquier to govern the operations of the Northwestern Regional Adult Detention Center. Each participating jurisdiction appoints three members to the Authority's board. The participants must subsidize operations and capital needs. During 2013, the City provided total support of $3,473,847. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 141 Fort Collier Road, Winchester, Virginia 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. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 15 North Cameron Street, Winchester, Virginia 22601.

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided $390,334 to the Board for operating support for 2013. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

> *Enterprise funds* account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water and Sewer Fund, which accounts for the operation of the City's water distribution system and sewage collection system and is considered a major fund for financial reporting purposes.
>
> *Internal service funds* account for employee fringes, equipment inventory, and other post-employment benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Employee Benefits Fund, Equipment Operating Fund and Other Post-Employment Benefits Fund.

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

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

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

Receivables and Payables

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

Notes Receivable

The City participates in a "Private Property Rehabilitation Program" funded under a Community Development Block Grant by the Department of Housing and Urban Development. The majority of the funding represents deferred loans payable at maturity date or on change of home ownership, whichever occurs first. The City maintains a security interest in the property. Interest rates on the loans range from non-interest bearing to eight percent.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Notes Receivable (Continued)

The City participates in a "Private Property Rehabilitation Program" funded under a Community Development Block Grant by the Department of Housing and Urban Development. The majority of the funding represents deferred loans payable at maturity date or on change of home ownership, whichever occurs first. The City maintains a security interest in the property. Interest rates on the loans range from non-interest bearing to eight percent.

During 2012, the City loaned $150,000 to the South End Fire Company through the Emergency Medical Services Fund to assist with volunteer firefighting and emergency response needs. The loan is to be repaid in equal monthly installments of $1,250 beginning January 1, 2013 until maturity on December 1, 2022. The balance of the loan was $142,500 at June 30, 2013. The note does not bear any interest.

Inventories and Prepaid Items

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

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

Property Taxes

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

Levy Date	January 1
Due Date	June 5/December 5

Note 1. Summary of Significant Accounting Policies (Continued)

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

Motor Vehicles

The City employs an innovative system providing for both proration and monthly billing/assessment for personal property taxes on motor vehicles. Property is assessed on the date which a vehicle gains situs in the City, using its value as of the immediately preceding January 1. Taxes attach as a lien on the property as of the date assessed, and are due thirty days after assessment. The City bills and collects its own taxes. These taxes are levied on each vehicle each year in the month in which the property first became taxable in the City. Vehicles already in the City at the adoption of this system were grandfathered in using the same system as for real estate, except that taxes were due in one installment on December 5. Replacement vehicles are taxed using the new system. These taxes are accounted for in the General Fund. Accordingly, such taxes due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Allowance for Uncollectible Accounts

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

General Fund (property taxes, penalties, and interest)	$ 1,902,030
Emergency Medical Service Fund	105,039
Water and Sewer Fund	36,580
	$ 2,043,649

Use of Estimates

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

Capital Assets

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. $323,714 of interest was capitalized during the current year.

Property, plant, and equipment, 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

Compensated Absences

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Long-term Obligations

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

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

Fund Balances

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

The classifications are as follows:

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Restricted Amounts

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

Minimum Fund Balance Policy

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2013 total $3,042,931 in the City Capital Improvements Fund, $493,959 in the School Capital Improvements Fund, $163,679 in the School Textbook Fund, $20,304 in the School Federal Grants Fund, and $88,022 in the School Operating Fund.

Net Position

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

School Board Debt/Capital Asset Reporting

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

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

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

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

	Primary Government	Component Unit School Board
Bonds payable	$ 78,420,134	$ -
Less: Unamortized bond issue costs	(565,102)	-
Less: Deferred charge on refunding	(6,011,195)	-
Plus: Issuance premium	8,389,675	-
Accrued interest payable	1,014,576	-
Compensated absences	2,200,072	1,327,050
	$ 83,448,160	$ 1,327,050

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 Position." The details of this difference in the primary government are as follows:

Net position of the internal service funds	$ 1,981,303
Add: Internal receivable representing costs in excess of charges to business-type activities – prior years	48,404
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	50,999
	$ 2,080,706

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

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position 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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities." The details of these differences for the primary government and school board are as follows:

	Primary Government
Principal repayments	$ 6,064,266
Proceeds from bond issuance	(23,125,285)
Proceeds from premium on bond issuance	(4,837,787)
Payment to refunding escrow agent	26,730,493
Capitalization of bond issuance costs	216,634
Amortization of debt issuance costs	(188,201)
Amortization of issuance premium	1,220,409
Amortization of deferred charge on refunding	(560,095)
Gain on debt refunding	(369,676)
	$ 5,150,758

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

		Component Unit
	Primary Government	School Board
Compensated absences	$ 20,507	$ (28,586)
Accrued interest	(74,897)	-
	$ (54,390)	$ (28,586)

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

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities (Continued)

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

Changes in net position of the internal service funds	$ 440,420
Add: Loss from costs in excess of charges to business-type activities	(50,999)
	$ 389,421

Explanation of certain differences between the proprietary fund Statement of Net Position and the government-wide Statement of Net Position

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

Internal receivable representing charges in excess of costs to business-type activities – prior years	$ (150,402)
Internal receivable representing costs in excess of charges to business-type activities – current year	50,999
	$ (99,403)

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Prior to March 30, the City Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated annual budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and School Board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital projects funds. The Discretely Presented Component Unit - School Board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City and Schools required budget amendments during the year, representing a net increase of $845,365 in the General Fund, and a net increase of $650,000 in the School Operating Fund.

Note 4. Deposits and Investments

Deposits

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

Note 4. Deposits and Investments (Continued)

Investments

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

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

Interest Rate Risk - The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The City may reject an investment with a higher yield when it is felt it carries an element of risk. Speculative investments will not be allowed. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments, which meet the maturity requirement. If no specific maturity is required, a yield curve analysis will be conducted to determine which maturities would be most advantageous.

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

Investment Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
Federal Agency Bonds and Notes	$ 5,974,950	AA+	3.04
Corporate Bonds	2,017,480	AA+	.52
Mutual Funds	681,089	AA- to AA	N/A
LGIP	315,195	AAAm	0.12
SNAP	2,645,754	AAAm	N/A
Total investments	$ 11,634,468		

* - Average Maturity in Years

Note 4. Deposits and Investments (Continued)

Investments (Continued)

Concentration of Credit Risk:

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

Issuer	Percent of Total Portfolio
SNAP	23.06%
Federal Home Loan Mortgage	8.62%
Federal National Mortgage Association	43.45%
General Electric Capital Corporation	17.58%

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

		Component Units	
	Primary Government	School Board	Winchester Parking Authority
Deposits and investments:			
Cash on hand	$ 3,475	$ -	$ -
Deposits	20,728,345	8,444,044	308,391
Investments	8,556,134	2,990,550	87,784
	$ 29,287,954	$ 11,434,594	$ 396,175
Statement of Net Position:			
Cash	$ 19,967,415	$ 7,989,042	$ 308,391
Investments	5,691,511	2,367,728	87,784
Restricted cash	184,708	-	-
Fiduciary:			
Cash and cash equivalents	764,405	455,002	-
Investments	2,679,915	622,822	-
	$ 29,287,954	$ 11,434,594	$ 396,175

Restricted Cash:

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

Note 5. Due from Other Governments

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

	Primary Government	Component Unit – School Board
Federal and Commonwealth of Virginia:		
State sales tax	$ -	$ 629,976
Title VI-B	-	179,247
Title I	-	271,895
Other federal and state school funds	-	511,308
Local sales tax	1,403,889	-
Transit grants	480,287	-
Transit building grant	600,086	-
Welfare grants	352,940	-
Communication tax	167,557	-
Highway construction funds	437,930	-
Other federal and state funds	2,074,056	-
Total due from federal and state sources	5,516,745	1,592,426
Frederick County:		
Joint Judicial Center – debt service	144,274	-
Joint Judicial Center – operating expenses	179,743	-
Total due from other governments	$ 5,840,762	$ 1,592,426

Note 6. Promise to Give

Unconditional promises to give reported by the School Board for the Handley Capital Project, scholarships and other educational programs, and the Winchester Education Foundation at June 30, are as follows:

Receivable in less than one year	$ 204,595
Receivable in one to five years	1,150,795
Receivable in five to ten years	438,783
Receivable in ten to fifteen years	200,429
Receivable in fifteen to twenty years	14,000
Total unconditional promises to give	2,008,602
Less discounts to present value	(359,216)
Net unconditional promises to give	$ 1,649,386

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

Note 7. Interfund Receivables, Payables, and Transfers

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

Primary Government	
Due to general fund from:	
Non-major governmental funds	$ 405,000
Water and sewer fund	885,000
Total due to general fund from other funds for cash advances	$ 1,290,000
Component Unit – School Board	
Due to school operating fund from:	
Federal grants fund	$ 375,640
Total due to school operating fund from other funds for cash advances	$ 375,640

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

Primary Government	
Transfers to general fund from:	
Water and sewer fund	$ 1,600,000
Transfers to non-major governmental funds from:	
Water and sewer fund	$ 270,000
General fund	3,824,575
	$ 4,094,575
Component Unit – School Board	
Transfers to school capital improvement fund from:	
School operating fund	$ 1,577,867
Transfers to non-major governmental funds from:	
School operating fund	$ 300,000
Transfers to School operating fund from:	
Consolidated maintenance fund, excluding capital assets	$ 57,638

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

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

Note 8. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset, not being depreciated:				
Land	$ 4,319,240	$ 1,118,000	$ -	$ 5,437,240
Construction in progress	367,378	689,461	(100,698)	956,141
Total capital assets not being depreciated	4,686,618	1,807,461	(100,698)	6,393,381
Capital assets, being depreciated:				
Buildings	29,919,840	1,122,050	-	31,041,890
Improvements other than buildings	6,439,189	829,825	-	7,269,014
Infrastructure	61,444,508	246,761	-	61,691,269
Equipment	11,882,717	899,187	(60,626)	12,721,278
Total capital assets being depreciated	109,686,254	3,097,823	(60,626)	112,723,451
Less accumulated depreciation for:				
Buildings	(8,966,829)	(613,623)	-	(9,580,452)
Improvements other than buildings	(3,167,230)	(184,776)	-	(3,352,006)
Infrastructure	(17,639,145)	(2,379,736)	-	(20,018,881)
Equipment	(8,245,894)	(832,458)	46,486	(9,031,866)
Total accumulated depreciation	(38,019,098)	(4,010,593)	46,486	(41,983,205)
Total capital assets being depreciated, net	71,667,156	(912,770)	(14,140)	70,740,246
Governmental activities capital assets, net	$ 76,353,774	$ 894,691	$ (114,838)	$ 77,133,627

Note 8. Capital Assets (Continued)

Primary Government (Continued)

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

Governmental activities:	
General government	$ 159,567
Judicial administration	176,086
Public safety	422,386
Public works	2,810,663
Health and welfare	19,936
Parks, recreation, and cultural	412,272
Community development	9,683
Total depreciation expense – governmental activities	$ 4,010,593

Note 8. Capital Assets (Continued)

Primary Government (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset, not being depreciated:				
Land	$ 1,201,485	$ -	$ -	$ 1,201,485
Construction in progress	2,714,381	-	(2,714,381)	-
Total capital assets not being depreciated	3,915,866	-	(2,714,381)	1,201,485
Capital assets, being depreciated:				
Treatment plants	44,975,039	68,630	-	45,043,669
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	98,757,386	17,546,025	(567,516)	115,735,895
Equipment	2,684,035	-	-	2,684,035
FWSA purchased capacity	27,403,547	-	-	27,403,547
Total capital assets being depreciated	173,938,844	17,614,655	(567,516)	190,985,983
Less accumulated depreciation for:				
Treatment plants	(2,482,672)	(899,511)	-	(3,382,183)
Improvements other than buildings	(113,851)	(455)	-	(114,306)
Infrastructure	(21,962,975)	(1,529,067)	249,848	(23,242,194)
Equipment	(1,325,386)	(192,265)	-	(1,517,651)
FWSA purchased capacity	(6,715,776)	(1,370,177)	-	(8,085,953)
Total accumulated depreciation	(32,600,660)	(3,991,475)	249,848	(36,342,287)
Total capital assets being depreciated, net	141,338,184	13,623,180	(317,668)	154,643,696
Business-type activities capital assets, net	$ 145,254,050	$ 13,623,180	$ (3,032,049)	$ 155,845,181

Note 8. Capital Assets (Continued)

Primary Government (Continued)

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

Business-type activities:	
Water and sewer fund	$ 3,991,475

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

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

Construction Commitments:

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

	Total Contracts	Total Payments	Future Amounts to be Expended
Water and sewer fund:			
Pedestrian Mall Improvements	$ 7,524,980	$ 7,419,477	$ 105,503

Note 8. Capital Assets (Continued)

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

Component Unit – School Board

	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset, not being depreciated:				
Land	$ 2,322,970	$ -	$ -	$ 2,322,970
Construction in progress	489,764	555,350	(279,658)	765,456
Total capital assets not being depreciated	2,812,734	555,350	(279,658)	3,088,426
Capital assets, being depreciated:				
Buildings	129,600,349	256,486	-	129,856,835
Improvements other than buildings	2,488,876	260,055	-	2,748,931
Equipment	6,171,638	888,573	(964,439)	6,095,772
Total capital assets being depreciated	138,260,863	1,405,114	(964,439)	138,701,538
Less accumulated depreciation for:				
Buildings	(21,750,624)	(2,520,969)	-	(24,271,593)
Improvements other than buildings	(1,792,704)	(52,219)	-	(1,844,923)
Equipment	(4,460,414)	(397,279)	688,065	(4,169,628)
Total accumulated depreciation	(28,003,742)	(2,970,467)	688,065	(30,286,144)
Total capital assets being depreciated, net	110,257,121	(1,565,353)	(276,374)	108,415,394
School board capital assets, net	$ 113,069,855	$ (1,010,003)	$ (556,032)	$ 111,503,820

Note 8. Capital Assets (Continued)

Component Unit – Parking Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 11,685	$ -	$ -	$ 11,685
Total capital assets not being depreciated	11,685	-	-	11,685
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	744,643	6,500	-	751,143
Total capital assets being depreciated	10,552,221	6,500	-	10,558,721
Less accumulated depreciation for:				
Buildings	(1,475,801)	(194,850)	-	(1,670,651)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	(211,458)	(65,395)	-	(276,853)
Total accumulated depreciation	(1,743,438)	(260,245)	-	(2,003,683)
Total capital assets being depreciated, net	8,808,783	(253,745)	-	8,555,038
Parking Authority capital assets, net	$ 8,820,468	$ (253,745)	$ -	$ 8,566,723

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

Governmental activities:	
School Board – Education	$ 2,970,467
Business-type activities:	
Parking Authority – Public works	$ 260,245

Note 9. Deferred Revenue

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

	Unavailable	Unearned	Total
Deferred property tax revenue, representing uncollected tax billings (General Fund)	$ 1,832,335	$ -	$ 1,832,335
Deferred joint judicial commission, representing uncollected debt service billings (General Fund)	144,274	-	144,274
Deferred EMS transportation charges, representing uncollected EMS billings (Special Revenue Fund)	184,934	-	184,934
Property taxes paid in advance, representing property taxes not yet due (General Fund)	-	812,609	812,609
Total deferred revenue for governmental funds	$ 2,161,543	$ 812,609	$ 2,974,152

Note 10. Long-Term Debt

Primary Government

Changes in Long-Term Debt

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	$ 84,848,790	$22,125,285	$ 29,453,941	$ 77,520,134	$ 5,492,919
Obligations payable	-	1,000,000	100,000	900,000	100,000
Unamortized bond premium	4,772,297	4,837,787	1,220,409	8,389,675	731,854
Unamortized deferred amounts on refunding	(3,700,146)	(2,871,143)	(560,095)	(6,011,194)	(543,978)
Compensated absences	2,249,269	56,201	77,000	2,228,470	77,000
Net OPEB obligation	849,077	459,000	-	1,308,077	-
Governmental activities long-term liabilities	$ 89,019,287	$25,607,130	$ 30,291,255	$ 84,335,162	$ 5,857,795

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Business-type Activities:					
General obligation bonds	$ 22,058,855	$ 6,509,715	$ 8,783,767	$ 19,784,803	$ 1,597,368
Revenue bonds	66,589,030	745,970	1,715,000	65,620,000	2,437,220
Obligations payable	19,080,302	-	1,370,894	17,709,408	1,593,332
Unamortized bond premium	5,223,546	1,196,899	542,411	5,878,034	444,672
Unamortized deferred amounts on refunding	(745,347)	(598,050)	(137,543)	(1,205,854)	(129,299)
Compensated absences	191,593	27,055	15,000	203,648	15,000
Business-type activities long-term liabilities	$ 112,397,979	$ 7,881,589	$ 12,289,529	$ 107,990,039	$ 5,958,293

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, $28,397 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund and special revenue funds.

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness		
General Obligation Bonds:		
$10,000,000 General Obligation Public Improvement Bonds, Series of 1999A, issued June 16, 1999, maturing annually beginning June 1, 2000 through June 3, 2019, interest payable semi-annually at 4.86% Purpose: General and Utilities capital projects	$ 2,017,468	$ 2,017,468
$6,320,000 General Obligation Public Improvement Refunding Bonds, Series of 2002B, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2014, interest payable semi-annually at 3.30%. Purpose: Utilities and School capital projects	624,000	156,000
$9,595,000 General Obligation Public Improvement Bonds, Series of 2003, issued December 18, 2003, maturing annually beginning September 1, 2004 through September 1, 2015, interest payable semi-annually at 3.79% Purpose: General, Utilities and School capital projects	650,349	279,651
$35,020,000 General Obligation Public Improvement and Refunding Bonds, Series of 2004, issued October 21, 2004, maturing annually beginning January 15, 2005 through January 15, 2020, interest payable semi-annually at 3.77%. Purpose: General, Utilities, and School capital projects	5,373,442	3,711,559
$45,000,000 General Obligation Public Improvement, Series of 2005, issued November 1, 2005, maturing annually beginning November 1, 2006 through November 1, 2025, interest payable semi-annually at 4.1861% Purpose: General, Utilities, and School capital projects	7,485,000	1,190,000
$23,660,000 General Obligation Public Improvement, Series of 2006, issued December 21, 2006, maturing annually beginning December 1, 2007 through December 1, 2026, interest payable semi-annually at 3.84%. Purpose: Utilities and School capital projects	6,459,550	1,470,450

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
$7,200,000 General Obligation Public Improvement, Series of 2007, issued September 12, 2007, maturing annually beginning September 1, 2008 through September 1, 2027, interest payable semi-annually at rates of 4.0-5.0%. Purpose: General and School capital projects	$ 5,915,000	$ -
$31,705,000 General Obligation Public Improvement and Refunding Bond, Series 2011, issued September 8, 2011, maturing annually beginning September 1, 2012 through September 1, 2023, interest payable semi-annually at rates of 2.0-4.0%. Purpose: General, Utilities, and School capital projects	26,870,040	4,449,960
$28,635,000 General Obligation Public Improvement and Refunding Bond, Series 2012, issued August 2, 2012, maturing annually beginning September 1, 2012 through September 1, 2026, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General, Utilities, and School capital projects	22,125,285	6,509,715
Total General Obligation Bonds	$ 77,520,134	$ 19,784,803
Revenue Bonds:		
$12,100,000 Virginia Resources Authority Revenue Bond, Series of 2008, issued November 21, 2008, maturing annually beginning October 1, 2010 through October 1, 2028 interest payable semi-annually at rates of 3.125-5.375%. Purpose: Utilities capital projects	$ -	$ 10,795,000
$11,820,000 Virginia Resources Authority Revenue Bond, Series of 2009A, issued June 1, 2009, maturing annually beginning October 1, 2010 through October 1, 2029 interest payable semi-annually at rates of 4.125-5.125% Purpose: Utilities capital projects	-	10,705,000

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
$12,295,000 Virginia Resources Authority Revenue Bond, Series of 2009B, issued November 1, 2009, maturing annually beginning October 1, 2011 through October 2, 2029, interest payable semi-annually at rates of 3.041%-5.916%. Purpose: Utilities capital projects	-	11,400,000
$12,165,000 Virginia Resources Authority Revenue Bond, Series of 2010C, issued November 1, 2010, maturing annually beginning October 1, 2012 through October 1, 2031 interest payable semi-annually at rates of 4.200%-6.041%. Purpose: Utilities capital projects	-	11,750,000
$1,500,000 Virginia Resources Authority Revenue Bond, Series 2011A, issued October 25, 2011, maturing semi-annually beginning September 1, 2013 through September 1, 2042, interest payable semi-annually at 3.00%. Balance of bond is based on principal advances made by the City not to exceed $1,500,000.	-	1,500,000
$19,470,000 Virginia Resources Authority Revenue Bond, Series 2011B, issued October 16, 2011, maturing annually beginning October 1, 2013 through October 1, 2032, interest payable semi-annually at rates of 3.44%-5.125%. Purpose: Utilities capital projects.	-	19,470,000
Total Revenue Bonds	$ -	$ 65,620,000
Obligations Payable:		
$26,452,442 FWSA Opequen Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2038 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects.	$ -	$ 17,709,408
$1,000,000 HUD 108 loan, commencing August 1, 2013, maturing annually through August 1, 2022, no stated interest rate. Purpose: Community development capital projects.	900,000	-
Total Obligations Payable	$ 900,000	$ 17,709,408

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

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

	Governmental Activities			
	General Obligation Bonds		Obligations Payable	
	Principal	Interest	Principal	Interest
2014	$ 5,492,919	$ 3,309,319	$ 100,000	$ -
2015	5,282,139	3,077,714	100,000	-
2016	5,539,619	2,835,846	100,000	-
2017	5,735,160	2,598,315	100,000	-
2018	5,976,284	2,345,159	100,000	-
2019-2023	30,911,688	7,666,907	400,000	-
2024-2028	18,582,325	1,586,868	-	-
	$ 77,520,134	$ 23,420,128	$ 900,000	$ -

	Business-type Activities					
	General Obligation Bonds		Revenue Bonds		Obligations Payable FWSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 1,597,368	$ 847,195	$ 2,437,220	$ 3,204,202	$ 1,593,332	$ 688,002
2015	1,780,631	777,922	2,538,194	3,102,309	1,531,668	630,875
2016	1,829,696	702,143	2,649,197	2,988,803	1,586,996	568,043
2017	1,975,308	611,779	2,775,231	2,861,204	685,317	520,226
2018	2,077,605	525,238	2,901,296	2,724,124	710,848	494,567
2019-2023	7,781,519	1,379,373	16,718,613	11,362,996	3,165,853	2,092,302
2024-2028	2,742,676	229,083	20,870,500	6,627,473	3,236,275	1,503,277
2029-2033	-	-	14,097,503	1,418,736	2,894,133	832,896
2034-2038	-	-	310,449	74,453	1,873,590	342,135
2039-2043	-	-	321,797	24,614	431,396	10,511
	$ 19,784,803	$ 5,072,733	$ 65,620,000	$ 34,388,914	$ 17,709,408	$ 7,682,834

Frederick-Winchester Service Authority (FWSA) treatment plant rights

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

Note 10. Long-Term Debt (Continued)

Primary Government (Continued)

Current Year Refunding of Debt

In August 2012, the City issued $28,635,000 in general obligation bonds with an average interest rate of 4.00%. These bonds were issued to refund approximately $30,465,000 in outstanding bonds including bond issuances in 2001, and partial refunding of bonds issued in 2004, 2005, and 2006. The net proceeds of the refunding were $34,669,687 (including $6,034,687 in bond premium and payment of $297,844 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from the new debt with the difference between the reacquisition price and the net carrying amount of the old debt being deferred and amortized over the life of the new debt in proportion to the stated interest due on the new debt. Approximately $24,855,000 remains outstanding at June 30, 2013 related to the partially defeased bonds described above.

The City refunded these bonds to reduce its total debt service over the next 15 years by $2,683,072 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $2,228,181.

Prior Year Defeasance of Debt

In 2012, the City issued $31,705,000 in general obligation bonds with an average interest rate of 4.00%. These bonds were issued to advance refund $31,410,000 in outstanding bonds including bond issuances in 2002, and partial refunding of bonds issued in 2003, 2004, and 2005. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by $1,397,126 and to obtain an economic gain of $1,221,025. Approximately $31,100,000 remains outstanding at June 30, 2013 related to the partially defeased bonds described above.

School Board

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities - School Board					
Compensated absences	$ 1,298,464	$ 260,586	$ 232,000	$ 1,327,050	$ 232,000

Note 10. Long-Term Debt (Continued)

Parking Authority

Changes in Long-Term Debt

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Business-type Activities – Component Unit Parking Authority					
Revenue bond	$ 8,400,000	$ -	$ 165,000	$ 8,235,000	$ 175,000
Unamortized bond premium	250,068	-	15,760	234,308	15,469
Compensated absences	39,186	3,525	-	42,711	-
Parking authority long-term liabilities	$ 8,689,254	$ 3,525	$ 180,760	$ 8,512,019	$ 190,469

Details of Long-Term Indebtedness

$9,000,000 Revenue Bonds, Series of 2007, issued August 8, 2007, maturing annually beginning August 1, 2008 through August 1, 2037, interest payable semi-annually at rates of 4.25 - 5.00%. Purpose: Parking Facility project	$ 8,235,000

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

	Parking Authority Revenue Bonds	
	Principal	Interest
2014	$ 175,000	$ 406,938
2015	180,000	398,500
2016	190,000	389,250
2017	200,000	379,500
2018	210,000	369,250
2019-2023	1,220,000	1,673,750
2024-2028	1,550,000	1,328,750
2029-2033	1,980,000	889,500
2034-2038	2,530,000	328,250
	$ 8,235,000	$ 6,163,688

Note 11. Contingent Liabilities

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

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

Note 12. Virginia Retirement System

Plan Description

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

Note 12. Virginia Retirement System (Continued)

Plan Description (continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at http://www.varetire.org/PDF/Publications/2012-Annual-Report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2013 was 12.42% of annual covered payroll. The School Board contribution rate for 2013 was 10.15% of annual covered payroll of non-professional employees, and 11.66% to the teacher cost-sharing pool.

The School Board's required contributions to the teacher cost-sharing pool were $2,658,826 for 2013, $1,528,934 for 2012, and $2,129,064 for 2011. In each year, the School Board contributed 100% of the required contributions.

Note 12. Virginia Retirement System (Continued)

Annual Pension Cost

For 2013, the City and School Board's annual pension cost was equal to the required and actual contributions.

Three-Year Trend Information
City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 2,035,368	100%	$ -
June 30, 2012	$ 1,924,048	100%	$ -
June 30, 2011	$ 1,854,902	100%	$ -

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 196,813	100%	$ -
June 30, 2012	$ 149,625	100%	$ -
June 30, 2011	$ 239,975	100%	$ -

The 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 members and 2.25% per year for Plan members. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years and will decrease by one each year in subsequent valuations until reaching 20 years (open amortization, computed as level percent of payroll).

Note 12. Virginia Retirement System (Continued)

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 70.7% and 79.1% funded for the City and the School Board (non-professional employees), respectively. The actuarial accrued liability for benefits was $86,880,317 and $6,343,660, and the actuarial value of assets was $61,385,991 and $5,017,645, resulting in an unfunded actuarial accrued liability (UAAL) of $25,494,326 and $1,326,015 for the City and the School Board (non-professional employees), respectively. The covered payroll (annual payroll of active employees covered by the plan) was $20,053,084 and $1,803,499, and ratio of the UAAL to the covered payroll was 116.6% and 72.5% for the City and the School Board (non-professional employees).

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

VRS Health Insurance Credit

Plan Description

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

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

Note 12. Virginia Retirement Systems (Continued)

VRS Health Insurance Credit (Continued)

Funding Policy and Annual Benefit Contribution

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute actuarial percentage of their annual reported compensation of the VRS for the retiree health insurance credit. The City and the School Board (non-professional employees) have assumed this contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2013 was 0.18% of annual covered payroll. The School Board contribution rate for 2013 was 0.32% of annual covered payroll of non-professional employees.

Actuarial Methods and Assumptions

The required contributions for the City and the School Board (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2011 using the entry age normal cost method. The actuarial assumptions at June 30, 2011 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City and the School Board (non-professional) assets are equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 30 years.

Three-Year Trend Information
City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 32,688	100%	$ -
June 30, 2012	$ 30,900	100%	$ -
June 30, 2011	$ 29,790	100%	$ -

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 5,993	100%	$ -
June 30, 2012	$ 6,231	100%	$ -
June 30, 2011	$ 6,200	100%	$ -

Note 12. Virginia Retirement System (Continued)

VRS Health Insurance Credit (Continued)

Funding Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the VRS health insurance credit program was 49.9% and 55.5% funded. The actuarial liability for the City and School Board (non-professional employees) benefits were $530,324and $82,911 respectively, and the actuarial value of assets was $264,399 and $46,005, resulting in an unfunded actuarial liability (UAAL) of $265,925 and $36,906 for the City and the School Board (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was $17,932,929 and $1,829,064, and ratio of the UAAL to the covered payroll was 1.5% and 2.0% for the City and the School Board (non-professional employees).

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

Note 13. Risk Management

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

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

Note 13. Risk Management (Continued)

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

The City is partially self-insured for health and dental insurance coverage for its employees, and accounts for the uninsured risks of loss within Internal Service Funds. From the Internal Service Funds, the City pays 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 makes payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. Excess amounts accumulated are reserved for the possibility of future catastrophic losses. As of July 1, 2013, the City is no longer self-insured for health insurance claims.

Changes in the City claims liability amount for the last three years is shown below.

Three-Year Trend Information - City

Fiscal Year Ending	Beginning Liability	Current Year Claims	Claim Payments	Ending Liability
June 30, 2013	$288,315	$2,712,713	$3,587,176	$586,148
June 30, 2012	275,715	2,645,823	3,209,853	288,315
June 30, 2011	458,064	2,609,478	3,343,257	275,715

Note 14. Related Party Transactions

During 2013, the City paid $27,409 and $400 to Buettner Tire Distributors, Inc. and Gearclean, Inc., respectively, for automobile repair services and fire and rescue equipment testing. The City also paid $3,239 to Master Media Group, Inc. for marketing, advertising, and printing services. Three members of the City's Common Council had economic interests in these businesses.

The Social Services department has a 15 year lease for property that commenced during 2011 with a company in which a Council member is a partial owner. The City paid $495,700 during 2013. The lease calls for monthly lease payments of $40,000 per month and an initial deposit of $40,000 is being held by the company.

Additionally, the School Board's component unit Winchester Education Foundation paid $65,000 to Russ Potts Productions for marketing as well as soliciting donations and pledges on behalf of the Foundation. This company is owned by the Foundation's Executive Director.

Note 15. Other Post-employment Benefits

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is $258,000 for 2013.

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

Note 15. Other Post-employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution	$	720,000
Interest on net OPEB obligation		34,000
Adjustment to annual required contribution		(39,000)
Annual OPEB cost		715,000
Contributions made		(258,000)
Increase in net OPEB obligation		457,000
Net OPEB obligation – beginning of year		851,077
Net OPEB obligation – end of year	$	1,308,077

Trend Information

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 715,000	36.1%	$ 1,308,077
June 30, 2012	$ 468,000	44.9%	$ 849,077
June 30, 2011	$ 443,000	56.2%	$ 591,077

Funded Status and Funding Progress

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

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

Note 15. Other Post-employment Benefits (Continued)

Funding Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

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

The following additional simplifying assumptions were made:

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

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

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

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

Note 15. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

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

Note 16. Net Position/Fund Balances

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

	General Fund	Other Governmental Funds
Nonspendable:		
Prepaids	$ -	$ 40,000
Long-term portion of notes receivable	-	142,500
Inventories	8,408	-
Total nonspendable	8,408	182,500
Restricted for:		
Public safety	486,062	-
Total restricted	486,062	-
Committed to:		
Community development	1,018,750	-
Other capital projects	200,000	-
Total committed	1,218,750	-
Assigned to:		
Judicial administration	13,463	107,765
Public safety	7,970	424,922
Public works	-	81,150
Health and welfare	-	122,375
Parks, recreation and cultural	-	45,001
Community development	-	-
Subsequent year appropriation	4,384,500	1,535,000
Total assigned	4,405,933	2,316,213
Unassigned	16,071,618	-
Total fund balance	$ 22,190,771	$ 2,498,713

Note 16. Net Position/Fund Balances (Continued)

Restricted net position at June 30, 2013 for the component unit - School Board of $575,798 is made up of cash and pledges receivable held by the Schools Board's discretely presented component unit – Winchester Education Foundation, for which the purpose restrictions have not yet been met.

Note 17. Subsequent Events

In October 2013, the City issued $24,265,000 in General Obligation Public Improvement Bonds, Series 2013. The bonds are being issued to fund various capital improvement projects, including a new John Kerr Elementary School. Interest will be due semi-annually beginning March 1, 2014 at rates ranging from 3.00% to 5.00%. Payments of principal will begin in September 2014 and will be due annually until maturity in September 2033.

Note 18. Prior Period Adjustment

The beginning net position for the discretely presented component-unit, School Board, has been increased by $1,017,672 to reflect the inclusion of the Winchester Education Foundation, their discretely presented component-unit.

Note 19. New Accounting Standards

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

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

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

Note 19. New Accounting Standards (Continued)

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

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

CITY - DEFINED BENEFIT PENSION PLAN Exhibit 11

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2010	$ 59,652,664	$ 76,183,079	$ 16,530,415	78.3%	$ 20,053,084	82.4%
June 30, 2011	61,204,572	80,339,762	19,135,190	76.2%	20,700,320	92.4%
June 30, 2012	61,385,991	86,880,317	25,494,326	70.7%	21,864,022	116.6%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2010	$ 4,664,275	$ 5,582,402	$ 918,127	83.6%	$ 1,803,499	50.9%
June 30, 2011	4,898,052	5,978,413	1,080,361	81.9%	1,840,586	58.7%
June 30, 2012	5,017,645	6,343,660	1,326,015	79.1%	1,829,064	72.5%

CITY - VRS HEALTH INSURANCE CREDIT PROGRAM

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2010	$ 211,970	$ 463,797	$ 251,827	45.7%	$ 20,053,084	1.3%
June 30, 2011	259,346	493,667	234,321	52.5%	16,747,717	1.4%
June 30, 2012	264,399	530,324	265,925	49.9%	17,932,929	1.5%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL) - VRS HEALTH INSURANCE CREDIT PROGRAM

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2010	$ 31,864	$ 72,176	$ 40,312	44.1%	$ 1,803,499	2.2%
June 30, 2011	42,446	75,474	33,028	56.2%	1,840,586	1.8%
June 30, 2012	46,005	82,911	36,906	55.5%	1,829,064	2.0%

CITY - RETIREE HEALTH PLAN

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 1, 2009	$ -	$ 4,417,000	$ 4,417,000	0.0%	$ 16,282,810	27.1%
September 1, 2011	-	$ 6,543,000	$ 6,543,000	0.0%	$ 20,700,320	31.6%

COMBINING AND INDIVIDUAL FUND

STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CAPITAL PROJECTS FUND

Capital Projects 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, 2013

Exhibit 12

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	$ 979,595	$ 166,126	$ 1,145,721
Investments	283,569	48,098	331,667
Accounts receivable, net	197,894	-	197,894
Notes receivable	142,500	-	142,500
Prepaids	40,000	-	40,000
Due from other governments	1,013,798	987,479	2,001,277
Total assets	$ 2,657,356	$ 1,201,703	$ 3,859,059
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 556,055	$ 9,942	$ 565,997
Accrued payroll	204,415	-	204,415
Due to other funds	405,000	-	405,000
Deferred revenue	184,934	-	184,934
Total liabilities	1,350,404	9,942	1,360,346
Fund balances:			
Nonspendable	182,500	-	182,500
Assigned	1,124,452	1,191,761	2,316,213
Total fund balances	1,306,952	1,191,761	2,498,713
Total liabilities and fund balances	$ 2,657,356	$ 1,201,703	$ 3,859,059

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

Exhibit 13

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenues from use of money and property	$ 9,500	$ -	$ 9,500
Charges for services	1,103,282	-	1,103,282
Miscellaneous	174,018	-	174,018
Recovered costs	2,895	-	2,895
Intergovernmental:			
Commonwealth	5,241,705	507,957	5,749,662
Federal	2,624,611	587,733	3,212,344
Total revenues	9,156,011	1,095,690	10,251,701
EXPENDITURES			
Current:			
Judicial administration	35,451	-	35,451
Public safety	1,011,506	200,675	1,212,181
Public works	4,561,578	2,598,712	7,160,290
Health and welfare	6,224,197	-	6,224,197
Parks, recreation, and culture	-	303,896	303,896
Community development	274,193	-	274,193
Total expenditures	12,106,925	3,103,283	15,210,208
Excess of expenditures over revenues	(2,950,914)	(2,007,593)	(4,958,507)
OTHER FINANCING SOURCES			
Transfers in	2,913,500	1,181,075	4,094,575
Total other financing sources	2,913,500	1,181,075	4,094,575
Net change in fund balances	(37,414)	(826,518)	(863,932)
Fund balance - beginning	1,344,366	2,018,279	3,362,645
Fund balance - ending	$ 1,306,952	$ 1,191,761	$ 2,498,713

CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

Exhibit 14

	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	Total
ASSETS							
Cash	$ 186,673	$ 213,612	$ 464,101	$ 39,917	$ 74,858	$ 434	$ 979,595
Investments	54,046	61,846	134,369	11,557	21,674	77	283,569
Accounts receivable, net	-	-	184,934	702	11,732	526	197,894
Notes receivable	-	-	142,500	-	-	-	142,500
Prepaids	40,000	-	-	-	-	-	40,000
Due from other governments	352,940	181,097	-	-	-	479,761	1,013,798
Total assets	$ 633,659	$ 456,555	$ 925,904	$ 52,176	$ 108,264	$ 480,798	$ 2,657,356
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 372,402	$ 54,818	$ 124,146	1,818	-	$ 2,871	$ 556,055
Accrued payroll	98,881	49,956	24,402	5,357	502	25,317	204,415
Due to other funds	-	-	-	-	-	405,000	405,000
Deferred revenue	-	-	184,934	-	-	-	184,934
Total liabilities	471,283	104,774	333,482	7,175	502	433,188	1,350,404
Fund balances:							
Nonspendable	40,000	-	142,500	-	-	-	182,500
Assigned	122,376	351,781	449,922	45,001	107,762	47,610	1,124,452
Total fund balances	162,376	351,781	592,422	45,001	107,762	47,610	1,306,952
Total liabilities and fund balances	$ 633,659	$ 456,555	$ 925,904	$ 52,176	$ 108,264	$ 480,798	$ 2,657,356

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

Exhibit 15

	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	Total
REVENUES							
Revenues from use of money and property	$ -	$ 6,600	$ 2,235	$ 276	$ 389	$ -	$ 9,500
Charges for services	-	-	961,029	-	50,383	91,870	1,103,282
Miscellaneous	2,075	28,550	-	140,326	-	3,067	174,018
Recovered costs	2,612	283	-	-	-	-	2,895
Intergovernmental:							
Commonwealth	2,287,124	2,790,451	-	-	-	164,130	5,241,705
Federal	1,798,363	258,710	-	-	-	567,538	2,624,611
Total revenues	4,090,174	3,084,594	963,264	140,602	50,772	826,605	9,156,011
EXPENDITURES							
Current:							
Judicial administration	-	-	-	-	35,451	-	35,451
Public safety	-	-	1,011,506	-	-	-	1,011,506
Public works	-	3,520,703	-	-	-	1,040,875	4,561,578
Health and welfare	6,224,197	-	-	-	-	-	6,224,197
Community development	-	-	-	274,193	-	-	274,193
Total expenditures	6,224,197	3,520,703	1,011,506	274,193	35,451	1,040,875	12,106,925
Excess (deficiency) of revenues over expenditures	(2,134,023)	(436,109)	(48,242)	(133,591)	15,321	(214,270)	(2,950,914)
OTHER FINANCING SOURCES							
Transfers in	2,088,000	525,000	-	100,500	-	200,000	2,913,500
Total other financing sources	2,088,000	525,000	-	100,500	-	200,000	2,913,500
Net change in fund balances	(46,023)	88,891	(48,242)	(33,091)	15,321	(14,270)	(37,414)
Fund balance - beginning	208,399	262,890	640,664	78,092	92,441	61,880	1,344,366
Fund balance - ending	$ 162,376	$ 351,781	$ 592,422	$ 45,001	$ 107,762	$ 47,610	$ 1,306,952

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, 2013

	Social Services Fund			
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	2,075	2,075
Recovered costs	-	-	2,612	2,612
Intergovernmental:				
Commonwealth	2,968,179	2,968,179	2,287,124	(681,055)
Federal	1,949,421	1,949,421	1,798,363	(151,058)
Total revenues	4,917,600	4,917,600	4,090,174	(827,426)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	7,205,000	7,205,000	6,224,197	980,803
Total expenditures	7,205,000	7,205,000	6,224,197	980,803
Excess (deficiency) of revenues over expenditures	(2,287,400)	(2,287,400)	(2,134,023)	153,377
OTHER FINANCING SOURCES				
Transfers in	2,238,000	2,238,000	2,088,000	(150,000)
Total other financing sources	2,238,000	2,238,000	2,088,000	(150,000)
Net change in fund balances	$ (49,400)	$ (49,400)	$ (46,023)	$ 3,377

	Win-Fred Convention and Visitors Bureau Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	$ -	$ -	$ 276	$ 276
Charges for services	-	-	-	-
Miscellaneous	135,500	135,500	140,326	4,826
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	135,500	135,500	140,602	5,102
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	286,000	286,000	274,193	11,807
Total expenditures	286,000	286,000	274,193	11,807
Excess (deficiency) of revenues over expenditures	(150,500)	(150,500)	(133,591)	16,909
OTHER FINANCING SOURCES				
Transfers in	150,500	150,500	100,500	(50,000)
Total other financing sources	150,500	150,500	100,500	(50,000)
Net change in fund balances	$ -	$ -	$ (33,091)	$ (33,091)

Exhibit 16

Highway Maintenance Fund				Emergency Medical Services Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ -	$ -	$ 6,600	$ 6,600	$ 5,000	$ 5,000	$ 2,235	$ (2,765)
-	-	-	-	860,000	860,000	961,029	101,029
-	-	28,550	28,550	-	-	-	-
-	-	283	283	-	-	-	-
2,671,000	2,671,000	2,790,451	119,451	-	-	-	-
-	-	258,710	258,710	-	-	-	-
2,671,000	2,671,000	3,084,594	413,594	865,000	865,000	963,264	98,264
-	-	-	-	918,000	918,000	1,011,506	(93,506)
3,596,000	3,596,000	3,520,703	75,297	-	-	-	-
-	-	-	-	-	-	-	-
3,596,000	3,596,000	3,520,703	75,297	918,000	918,000	1,011,506	(93,506)
(925,000)	(925,000)	(436,109)	488,891	(53,000)	(53,000)	(48,242)	4,758
925,000	925,000	525,000	400,000	53,000	53,000	-	(53,000)
925,000	925,000	525,000	400,000	53,000	53,000	-	(53,000)
$ -	$ -	$ 88,891	$ 888,891	$ -	$ -	$ (48,242)	$ (48,242)

Law Library Fund				Transit Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ -	$ -	$ 389	$ 389	$ -	$ -	$ -	$ -
50,000	50,000	50,383	383	95,000	95,000	91,870	(3,130)
-	-	-	-	-	-	3,067	3,067
-	-	-	-	128,000	128,000	164,130	36,130
-	-	-	-	449,000	527,000	567,538	40,538
50,000	50,000	50,772	772	672,000	750,000	826,605	76,605
50,000	50,000	35,451	14,549	-	-	-	-
-	-	-	-	940,000	1,018,000	1,040,875	22,875
-	-	-	-	-	-	-	-
50,000	50,000	35,451	14,549	940,000	1,018,000	1,040,875	22,875
-	-	15,321	15,321	(268,000)	(268,000)	(214,270)	53,730
-	-	-	-	268,000	268,000	200,000	(68,000)
-	-	-	-	268,000	268,000	200,000	(68,000)
$ -	$ -	$ 15,321	$ 15,321	$ -	$ -	$ (14,270)	$ (14,270)

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, 2013

Exhibit 17

	Capital Improvements Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Recovered costs	$ 150,000	150,000	$ -	$ (150,000)
Intergovernmental:				
Commonwealth	5,870,000	5,870,000	507,957	(5,362,043)
Federal	2,060,000	2,060,000	587,733	(1,472,267)
Total revenues	8,080,000	8,080,000	1,095,690	(6,984,310)
EXPENDITURES				
Current:				
Public safety	3,500,000	3,500,000	200,675	3,299,325
Public works	9,675,000	9,675,000	2,598,712	7,076,288
Parks, recreation and culture	1,265,000	1,265,000	303,896	961,104
Total expenditures	14,440,000	14,440,000	3,103,283	11,336,717
Excess (deficiency) of revenues over expenditures	(6,360,000)	(6,360,000)	(2,007,593)	4,352,407
OTHER FINANCING SOURCES				
Transfers in	6,360,000	6,360,000	1,181,075	(5,178,925)
Total other financing sources	6,360,000	6,360,000	1,181,075	(5,178,925)
Net change in fund balances	$ -	$ -	$ (826,518)	$ (826,518)

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INTERNAL SERVICE FUNDS

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

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

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

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

Exhibit 18

	Employee Benefits Fund	Equipment Operating Fund	Other Post-Employment Benefits Fund	Total
ASSETS				
Current assets:				
Cash	$ 2,472,987	$ 61,355	$ 1,014,386	$ 3,548,728
Investments	627,651	17,764	293,691	939,106
Accounts receivable, net	37,043	1,559	-	38,602
Prepaids	15,000	-	-	15,000
Inventories	-	133,379	-	133,379
Total current assets	3,152,681	214,057	1,308,077	4,674,815
Noncurrent assets:				
Capital assets:				
Depreciable, net	-	17,978	-	17,978
Total assets	3,152,681	232,035	1,308,077	4,692,793
LIABILITIES				
Current liabilities:				
Accounts payable	1,302,370	59,466	-	1,361,836
Accrued payroll	2,428	10,751	-	13,179
Total current liabilities	1,304,798	70,217	-	1,375,015
Noncurrent liabilities:				
Compensated absences	5,695	22,703	-	28,398
Net OPEB obligation	-	-	1,308,077	1,308,077
Total noncurrent liabilities	5,695	22,703	1,308,077	1,336,475
Total liabilities	1,310,493	92,920	1,308,077	2,711,490
NET POSITION				
Net investment in capital assets	-	17,978	-	17,978
Unrestricted	1,842,188	121,137	-	1,963,325
Total net position	$ 1,842,188	$ 139,115	$ -	$ 1,981,303

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	Other Post-Employment Benefits Fund	Total
OPERATING REVENUES				
Charges for services	$ 4,642,665	$ 1,292,528	$ 459,000	$ 6,394,193
Total operating revenues	4,642,665	1,292,528	459,000	6,394,193
OPERATING EXPENSES				
Personal services	64,939	267,386	459,000	791,325
Contractual services	-	156,094	-	156,094
Other supplies and expenses	-	846,988	-	846,988
Insurance claims and expenses	4,167,568	-	-	4,167,568
Depreciation	-	1,525	-	1,525
Total operating expenses	4,232,507	1,271,993	459,000	5,963,500
Operating income	410,158	20,535	-	430,693
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	9,697	30	-	9,727
Change in net position	419,855	20,565	-	440,420
Total net position - beginning	1,422,333	118,550	-	1,540,883
Total net position - ending	$ 1,842,188	$ 139,115	$ -	$ 1,981,303

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	Other Post-Employment Benefits Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from internal services provided	$ 4,708,178	$ 1,292,350	$ 459,000	$ 6,459,528
Cash paid to suppliers	-	(983,377)	-	(983,377)
Cash paid to employees	(63,043)	(269,347)	-	(332,390)
Premiums paid	(3,740,488)	-	-	(3,740,488)
Net cash provided by operating activities	904,647	39,626	459,000	1,403,273
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	9,697	30	-	9,727
Net cash provided by investing activities	9,697	30	-	9,727
Net increase in cash and cash equivalents	914,344	39,656	459,000	1,413,000
Cash and cash equivalents - beginning of year	2,186,294	39,463	849,077	3,074,834
Cash and cash equivalents - end of year	$ 3,100,638	$ 79,119	$ 1,308,077	$ 4,487,834
Cash and cash equivalents at end of year is comprised of the following:				
Cash	$ 2,472,987	$ 61,355	$ 1,014,386	$ 3,548,728
Cash equivalents - Investments	627,651	17,764	293,691	939,106
Total	$ 3,100,638	$ 79,119	$ 1,308,077	$ 4,487,834
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 410,158	$ 20,535	$ -	$ 430,693
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	1,525	-	1,525
(Increase) decrease in accounts receivable	65,513	(177)	-	65,336
(Increase) decrease in prepaids	(2,000)	-	-	(2,000)
(Increase) decrease in inventory	-	(24,704)	-	(24,704)
Increase (decrease) in accounts payable	429,080	44,409	-	473,489
Increase (decrease) in accrued payroll	18	208	-	226
Increase (decrease) in net OPEB obligation	-	-	459,000	459,000
Increase (decrease) in compensated absences	1,878	(2,170)	-	(292)
Total adjustments	494,489	19,091	459,000	972,580
Net cash provided by operating activities	$ 904,647	$ 39,626	$ 459,000	$ 1,403,273

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FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2013

Exhibit 21

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS				
Cash	$ 8,450	$ -	$ 755,955	$ 764,405
Investments	-	2,461,046	218,869	2,679,915
Accounts receivable	-	-	123,532	123,532
Prepaids	-	14,501	-	14,501
Total assets	$ 8,450	$ 2,475,547	$ 1,098,356	$ 3,582,353
LIABILITIES				
Accounts payable	$ -	$ 319,304	$ 21,080	$ 340,384
Accrued payroll	-	-	90,046	90,046
Amounts held for social services clients	8,450	-	-	8,450
Amounts held for NRJA	-	2,156,243	-	2,156,243
Amounts held for NRJDC	-	-	987,230	987,230
Total liabilities	$ 8,450	$ 2,475,547	$ 1,098,356	$ 3,582,353

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2013

Exhibit 22

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Special Welfare Fund				
Assets:				
Cash	$ 12,921	$ -	$ 4,471	$ 8,450
Accounts receivable	-	-	-	-
Total Assets	$ 12,921	$ -	$ 4,471	$ 8,450
Liabilities:				
Amounts held for social services clients	$ 12,921	$ -	$ 4,471	$ 8,450
Total Liabilities	$ 12,921	$ -	$ 4,471	$ 8,450
Northwestern Regional Jail Authority Construction Fund				
Assets:				
Investments	$ 569,291	$ 2,827,587	$ 935,832	$ 2,461,046
Prepaids	2,000	12,501	-	14,501
Total Assets	$ 571,291	$ 2,840,088	$ 935,832	$ 2,475,547
Liabilities:				
Accounts payable	$ -	$ 319,304	$ -	$ 319,304
Amounts held for NRJA	571,291	2,520,784	935,832	2,156,243
Total Liabilities	$ 571,291	$ 2,840,088	$ 935,832	$ 2,475,547
Northwestern Regional Juvenile Detention Center Fund				
Assets:				
Cash	$ 632,854	$ 2,571,740	$ 2,448,639	$ 755,955
Investments	265,705	-	46,836	218,869
Accounts receivable	149,259	1,711,018	1,736,745	123,532
Total Assets	$ 1,047,818	$ 4,282,758	$ 4,232,220	$ 1,098,356
Liabilities:				
Accounts payable	$ 25,021	$ 2,525,862	$ 2,529,803	$ 21,080
Accrued payroll	81,444	8,602	-	90,046
Amounts held for NRJDC	941,353	1,748,294	1,702,417	987,230
Total Liabilities	$ 1,047,818	$ 4,282,758	$ 4,232,220	$ 1,098,356
Total All Agency Funds				
Assets:				
Cash	$ 645,775	$ 2,571,740	$ 2,453,110	$ 764,405
Investments	834,996	2,827,587	982,668	2,679,915
Accounts receivable	149,259	1,711,018	1,736,745	123,532
Prepaids	2,000	12,501	-	14,501
Total Assets	$ 1,632,030	$ 7,122,846	$ 5,172,523	$ 3,582,353
Liabilities:				
Accounts payable	$ 25,021	$ 2,845,166	$ 2,529,803	$ 340,384
Accrued payroll	81,444	8,602	-	90,046
Amounts held for social services clients	12,921	-	4,471	8,450
Amounts held for NRJA	571,291	2,520,784	935,832	2,156,243
Amounts held for NRJDC	941,353	1,748,294	1,702,417	987,230
Total Liabilities	$ 1,632,030	$ 7,122,846	$ 5,172,523	$ 3,582,353

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

CAPITAL PROJECTS FUNDS

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

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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. This fund was closed in 2013 and the remaining assets were transferred to the school operating fund.

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, 2013

Exhibit 23

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 3,012,985	$ 607,061	$ 2,078,281	$ 921,429	$ 6,619,756
Investments	872,192	175,470	601,716	266,307	1,915,685
Receivables, net:					
Accounts	-	10,000	-	56,046	66,046
Promises to give	-	1,105,620	-	-	1,105,620
Due from other funds	375,640	-	-	-	375,640
Due from other governments	840,863	-	75,195	676,368	1,592,426
Inventories	-	-	-	35,478	35,478
Total assets	$ 5,101,680	$ 1,898,151	$ 2,755,192	$ 1,955,628	$ 11,710,651
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 773,688	$ 2,203	$ 716,042	$ 155,023	$ 1,646,956
Accrued payroll	4,304,692	-	-	370,046	4,674,738
Due to other funds	-	-	-	375,640	375,640
Deferred revenue	-	1,105,620	-	-	1,105,620
Total liabilities	5,078,380	1,107,823	716,042	900,709	7,802,954
Fund balances:					
Nonspendable	-	-	-	35,478	35,478
Assigned	23,300	790,328	2,039,150	1,019,441	3,872,219
Total fund balances	23,300	790,328	2,039,150	1,054,919	3,907,697
Total liabilities and fund balances	$ 5,101,680	$ 1,898,151	$ 2,755,192	$ 1,955,628	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	111,488,820
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,105,620
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 Position.	1,400,000
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,327,050)
Net position of Discretely Presented Component Unit - Winchester Education Foundation	1,083,189
Net position of governmental activities	$ 117,658,276

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, 2013

Exhibit 24

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenues from use of money and property	$ 51,040	$ 2,813	$ 9,185	$ 2,966	$ 66,004
Charges for services	133,125	-	-	601,276	734,401
Miscellaneous	209,619	228,872	4,586	11,057	454,134
Recovered costs	110,274	-	99,226	-	209,500
Intergovernmental revenues:					
Local	26,651,702	-	-	-	26,651,702
Commonwealth	19,403,766	-	-	36,154	19,439,920
Federal	-	-	-	3,796,848	3,796,848
Total revenues	46,559,526	231,685	112,997	4,448,301	51,352,509
EXPENDITURES					
Current:					
Education	44,717,173	2,026	-	4,624,526	49,343,725
Capital projects	-	144,918	2,263,988	-	2,408,906
Total expenditures	44,717,173	146,944	2,263,988	4,624,526	51,752,631
Excess (deficiency) of revenues over expenditures	1,842,353	84,741	(2,150,991)	(176,225)	(400,122)
OTHER FINANCING SOURCES (USES)					
Transfers in	57,638	-	1,577,867	300,000	1,935,505
Transfers out	(1,877,867)	-	-	-	(1,877,867)
Total other financing sources (uses)	(1,820,229)	-	1,577,867	300,000	57,638
Net change in fund balances	22,124	84,741	(573,124)	123,775	(342,484)
Fund balances - beginning	1,176	705,587	2,612,274	931,144	
Fund balances - ending	$ 23,300	$ 790,328	$ 2,039,150	$ 1,054,919	

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

Governmental funds reported capital outlays as expenditures. However, in the Statement of of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($1,404,431) exceeded depreciation ($2,970,467) in the current period.	(1,566,036)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(316,207)
The transfer of capital assets from an internal service fund to school operating fund.	31,502
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.	(165,536)
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.	(28,586)
Change in net position of Discretely Presented Component-Unit - Winchester Education Foundation	65,517
Change in net position of governmental activities	$ (2,321,830)

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, 2013

Exhibit 25

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	$ 60,000	$ 60,000	$ 51,040	$ (8,960)
Charges for services	113,043	113,043	133,125	20,082
Miscellaneous	134,600	208,777	209,619	842
Recovered costs	80,000	80,000	110,274	30,274
Intergovernmental:				
Local	25,999,902	26,651,702	26,651,702	-
Commonwealth	18,349,159	19,163,790	19,403,766	239,976
Total revenues	44,736,704	46,277,312	46,559,526	282,214
EXPENDITURES				
Current:				
Education	44,736,704	45,627,312	44,717,173	910,139
Total expenditures	44,736,704	45,627,312	44,717,173	910,139
Excess (deficiency) of revenues over expenditures	-	650,000	1,842,353	1,192,353
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	57,638	57,638
Transfers out	-	(650,000)	(1,877,867)	(1,227,867)
Total other financing sources (uses)	-	(650,000)	(1,820,229)	(1,170,229)
Net change in fund balances	$ -	$ -	$ 22,124	$ 22,124

CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

Exhibit 26

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 504,145	$ -	$ 417,284	$ 921,429
Investments	145,492	-	120,815	266,307
Accounts receivable	56,046	-	-	56,046
Due from other governments	-	676,368	-	676,368
Inventories	35,478	-	-	35,478
Total assets	$ 741,161	$ 676,368	$ 538,099	$ 1,955,628
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 221	51,019	$ 103,783	$ 155,023
Accrued payroll	120,337	249,709	-	370,046
Due to other funds	-	375,640	-	375,640
Total liabilities	120,558	676,368	103,783	900,709
Fund balances:				
Nonspendable	35,478	-	-	35,478
Assigned	585,125	-	434,316	1,019,441
Total fund balances	620,603	-	434,316	1,054,919
Total liabilities and fund balances	$ 741,161	$ 676,368	$ 538,099	$ 1,955,628

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, 2013

Exhibit 27

	Special Revenue			
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	Total Nonmajor Governmental Funds
REVENUES				
Revenues from use of money and property	$ 1,631	$ -	$ 1,335	$ 2,966
Charges for services	601,276	-	-	601,276
Miscellaneous	11,057	-	-	11,057
Intergovernmental revenues:				
Commonwealth	36,154	-	-	36,154
Federal	1,405,575	2,391,273	-	3,796,848
Total revenues	2,055,693	2,391,273	1,335	4,448,301
EXPENDITURES				
Current:				
Education	1,929,307	2,391,273	303,946	4,624,526
Total expenditures	1,929,307	2,391,273	303,946	4,624,526
Excess (deficiency) of revenues over expenditures	126,386	-	(302,611)	(176,225)
OTHER FINANCING SOURCES				
Transfers in	-	-	300,000	300,000
Total other financing sources	-	-	300,000	300,000
Net change in fund balances	126,386	-	(2,611)	123,775
Fund balance - beginning	494,217	-	436,927	931,144
Fund balance - ending	$ 620,603	$ -	$ 434,316	$ 1,054,919

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 1,500	$ 1,500	$ 1,631	$ 131
Charges for services	720,000	720,000	601,276	(118,724)
Miscellaneous	5,000	5,000	11,057	6,057
Intergovernmental:				
Commonwealth	35,646	43,950	36,154	(7,796)
Federal	1,077,792	1,209,672	1,405,575	195,903
Total revenues	1,839,938	1,980,122	2,055,693	75,571
EXPENDITURES				
Current:				
Education	1,839,938	1,980,122	1,929,307	50,815
Total expenditures	1,839,938	1,980,122	1,929,307	50,815
Excess (deficiency) of revenues over expenditures	-	-	126,386	126,386
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	$ -	$ -	$ 126,386	$ 126,386

Exhibit 28

School Federal Grants Fund				School Textbook Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
$ -	$ -	$ -	$ -	$ -	$ -	1,335	$ 1,335
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,656,684	2,960,217	2,391,273	(568,944)	-	-	-	-
2,656,684	2,960,217	2,391,273	(568,944)	-	-	1,335	1,335
2,656,684	2,960,217	2,391,273	568,944	300,000	736,926	303,946	432,980
2,656,684	2,960,217	2,391,273	568,944	300,000	736,926	303,946	432,980
-	-	-	-	(300,000)	(736,926)	(302,611)	434,315
-	-	-	-	300,000	736,926	300,000	(436,926)
-	-	-	-	300,000	736,926	300,000	(436,926)
$ -	$ -	$ -	$ -	$ -	$ -	$ (2,611)	$ (2,611)

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, 2013

	School Fundraising Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 5,000	$ 5,000	$ 2,813	$ (2,187)
Miscellaneous	195,000	500,586	228,872	(271,714)
Recovered costs	-	-	-	-
Total revenues	200,000	505,586	231,685	(273,901)
EXPENDITURES				
Education	-	2,030	2,026	4
Capital projects	200,000	503,556	144,918	358,638
Total expenditures	200,000	505,586	146,944	358,642
Excess (deficiency) of revenues over expenditures	-	-	84,741	84,741
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ -	$ -	$ 84,741	$ 84,741

Exhibit 29

School Capital Improvement Fund

Budgeted Amounts			
Original	Final	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ -	$ 9,185	$ 9,185
-	-	4,586	4,586
-	-	99,226	99,226
-	-	112,997	112,997
-	-	-	-
100,000	2,622,276	2,263,988	358,288
100,000	2,622,276	2,263,988	358,288
(100,000)	(2,622,276)	(2,150,991)	471,285
100,000	2,622,276	1,577,867	(1,044,409)
100,000	2,622,276	1,577,867	(1,044,409)
$ -	$ -	$ (573,124)	$ (573,124)

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUNDS
June 30, 2013

Exhibit 30

	School Insurance Fund	School Consolidated Maintenance Fund	Total
ASSETS			
Current assets:			
Cash	$ 1,008,565	$ -	$ 1,008,565
Investments	292,006	-	292,006
Receivables, net	99,429	-	99,429
Total current assets	1,400,000	-	1,400,000
NET POSITION			
Unrestricted	$ 1,400,000	$ -	$ 1,400,000

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013

Exhibit 31

	School Insurance Fund	School Consolidated Maintenance Fund	Total
OPERATING REVENUES			
Charges for services	$ 4,227,461	$ -	$ 4,227,461
Total operating revenues	4,227,461	-	4,227,461
OPERATING EXPENSES			
Other supplies and expenses	185	-	185
Insurance claims and expenses	4,306,882	-	4,306,882
Total operating expenses	4,307,067	-	4,307,067
Operating loss	(79,606)	-	(79,606)
NONOPERATING REVENUES			
Investment earnings	3,209	-	3,209
Total nonoperating revenues	3,209	-	3,209
TRANSFERS OUT	-	(89,139)	(89,139)
Change in net position	(76,397)	(89,139)	(165,536)
Total net position - beginning	1,476,397	89,139	1,565,536
Total net position - ending	$ 1,400,000	$ -	$ 1,400,000

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013

Exhibit 32

	School Insurance Fund	School Consolidated Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	$ 4,129,765	$ -	$ 4,129,765
Premiums paid	(4,637,694)	-	(4,637,694)
Net cash used in operating activities	(507,929)	-	(507,929)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	-	(82,495)	(82,495)
Net cash used in noncapital financing activities	-	(82,495)	(82,495)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	3,209	-	3,209
Net cash provided by investing activities	3,209	-	3,209
Net decrease in cash and cash equivalents	(504,720)	(82,495)	(587,215)
Cash and cash equivalents - beginning of year	1,805,291	82,495	1,887,786
Cash and cash equivalents - end of year	$ 1,300,571	$ -	$ 1,300,571
Cash and cash equivalents at end of year is comprised of the following:			
Cash	$ 1,008,565	$ -	$ 1,008,565
Cash equivalents - Investments	292,006	-	292,006
Total	$ 1,300,571	$ -	$ 1,300,571
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (79,606)	$ -	$ (79,606)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(97,696)	-	(97,696)
Decrease (increase) in prepaids	19,762	-	19,762
Increase (decrease) in accounts payable	(350,389)	-	(350,389)
Total adjustments	(428,323)	-	(428,323)
Net cash used in operating activities	$ (507,929)	$ -	$ (507,929)

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2013

Exhibit 33

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ASSETS				
Investments	$ 415,463	$ 38,414	$ 66,176	$ 520,053
Total assets	$ 415,463	$ 38,414	$ 66,176	$ 520,053
NET POSITION				
Held in trust for scholarships	$ 415,463	$ 38,414	$ 66,176	$ 520,053

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2013

Exhibit 34

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	$ 47,553	$ 3,000	$ 36,075	$ 86,628
Investment earnings:				
Interest	20	-	103	123
Dividends	14,036	501	-	14,537
Realized and unrealized gains on investments	4,068	3,025	-	7,093
Total additions	65,677	6,526	36,178	108,381
DEDUCTIONS				
Administrative expenses	4,720	102	-	4,822
Scholarships awarded	53,122	7,000	41,000	101,122
Total deductions	57,842	7,102	41,000	105,944
Change in net position	7,835	(576)	(4,822)	2,437
Net position - beginning	407,628	38,990	70,998	517,616
Net position - ending	$ 415,463	$ 38,414	$ 66,176	$ 520,053

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, 2013

Exhibit 35

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
School Employee Benefits Fund				
Assets:				
Cash	$ 324,935	$ 130,067	$ -	$ 455,002
Investments	96,356	6,413	-	102,769
Total assets	$ 421,291	$ 136,480	$ -	$ 557,771
Liabilities:				
Accounts payable	$ 421,291	$ 136,480	$ -	$ 557,771
Total liabilities	$ 421,291	$ 136,480	$ -	$ 557,771

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DISCRETELY PRESENTED COMPONENT UNIT – PARKING AUTHORITY

ENTERPRISE FUND

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
June 30, 2013

Exhibit 36

	Parking Authority Fund
ASSETS	
Current assets:	
Cash	$ 308,391
Investments	87,784
Accounts receivable, net	6,968
Total current assets	403,143
Noncurrent assets:	
Deferred charges	163,409
Capital assets:	
Nondepreciable	11,685
Depreciable, net	8,555,038
Total capital assets, net	8,566,723
Total noncurrent assets	8,730,132
Total assets	9,133,275
LIABILITIES	
Current liabilities:	
Accounts payable	6,176
Accrued payroll	12,558
Accrued interest payable	170,252
Revenue bonds payable	190,469
Total current liabilities	379,455
Noncurrent liabilities:	
Compensated absences	42,711
Revenue bonds payable	8,278,839
Total noncurrent liabilities	8,321,550
Total liabilities	8,701,005
NET POSITION	
Net investment in capital assets	260,824
Unrestricted	171,446
Total net position	$ 432,270

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2013

Exhibit 37

	Parking Authority Fund
OPERATING REVENUES	
Charges for services	$ 973,726
Miscellaneous	7,237
Total operating revenues	980,963
OPERATING EXPENSES	
Personal services	326,238
Contractual services	45,853
Other supplies and expenses	138,316
Depreciation	258,277
Total operating expenses	768,684
Operating income	212,279
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,069
Interest and fiscal charges	(406,742)
Total nonoperating revenues (expenses)	(405,673)
Change in net position	(193,394)
Total net position - beginning	625,664
Total net position - ending	$ 432,270

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2013

Exhibit 38

	Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ 978,560
Cash paid to suppliers	(187,207)
Cash paid to employees	(322,775)
Net cash provided by operating activities	468,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(165,000)
Interest paid on capital debt	(414,590)
Net cash used by capital and related financing activities	(579,590)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	1,069
Net cash provided by investing activities	1,069
Net decrease in cash and cash equivalents	(109,943)
Cash and cash equivalents - beginning of year	506,118
Cash and cash equivalents - end of year	$ 396,175
Cash and cash equivalents at end of year is comprised of the following:	
Cash	$ 308,391
Cash equivalents - Investments	87,784
Total	$ 396,175
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 212,279
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	258,277
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(2,403)
Increase (decrease) in accounts payable	(3,038)
Increase (decrease) in accrued payroll	(62)
Increase (decrease) in compensated absences	3,525
Total adjustments	256,299
Net cash provided by operating activities	$ 468,578

SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT – WINCHESTER EDUCATION FOUNDATION

ENTERPRISE FUND

Winchester Education Foundation – to account for fundraising efforts that will benefit member organizations including, Winchester Public School Board, Handley Trust, Judges Athletic Association, and the John Handley High School Museum and Archive, as well as offering individuals and businesses, opportunities for making contributions to benefit the school children of the Winchester Public Schools. All activities necessary to carry-out these fundraising efforts are included in the fund. The Winchester Education Foundation is a discretely presented component unit of the discretely presented component unit, School Board. The amounts related to the Winchester Education Foundation have been added to the totals for the School Board as reported on Exhibits 23 and 24 to arrive at the entity-wide amounts presented on Exhibits 1 and 2.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER EDUCATION FOUNDATION
ENTERPRISE FUND
June 30, 2013

Exhibit 39

	Winchester Education Foundation Fund
ASSETS	
Current assets:	
Cash	$ 360,721
Investments	160,037
Accounts receivable	3,300
Promises to give	63,675
Prepaids	465
Total current assets	588,198
Noncurrent assets:	
Promises to give, net	480,091
Capital assets:	
Nondepreciable	15,000
Total noncurrent assets	495,091
Total assets	1,083,289
LIABILITIES	
Current liabilities:	
Accounts payable	100
Total current liabilities	100
NET POSITION	
Net investment in capital assets	15,000
Restricted	575,798
Unrestricted	492,391
Total net position	$ 1,083,189

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER EDUCATION FOUNDATION
ENTERPRISE FUND
For the Year Ended June 30, 2013

Exhibit 40

	Winchester Education Foundation Fund
OPERATING REVENUES	
Contributions	$ 231,969
Miscellaneous	5,000
Total operating revenues	236,969
OPERATING EXPENSES	
Contractual services	68,639
Other supplies and expenses	67,570
Contributions	50,000
Total operating expenses	186,209
Operating income	50,760
NONOPERATING REVENUES	
Investment earnings	14,757
Total nonoperating revenues	14,757
Change in net position	65,517
Total net position - beginning	1,017,672
Total net position - ending	$ 1,083,189

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
SCHOOL BOARD'S DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER EDUCATION FOUNDATION
ENTERPRISE FUND
For the Year Ended June 30, 2013

Exhibit 41

	Winchester Education Foundation Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from donors	$ 401,457
Cash paid to suppliers	(186,574)
Net cash provided by operating activities	214,883
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	14,757
Net cash provided by investing activities	14,757
Net increase in cash and cash equivalents	229,640
Cash and cash equivalents - beginning of year	291,118
Cash and cash equivalents - end of year	$ 520,758
Cash and cash equivalents at end of year is comprised of the following:	
Cash	$ 360,721
Cash equivalents - Investments	160,037
Total	$ 520,758
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 50,760
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease (increase) in pledges receivable	164,488
Decrease (increase) in prepaids	(465)
Increase (decrease) in accounts payable	100
Total adjustments	164,123
Net cash provided by operating activities	$ 214,883

SUPPLEMENTAL DATA

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STATISTICAL SECTION

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

Contents Pages

Financial Trends – Tables 1 – 4
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 102-108

Revenue Capacity – Tables 5 – 8
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 109-112

Debt Capacity – Tables 9 – 13
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..... 113-117

Demographic and Economic Information – Tables 14 – 15
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place 118-119

Operating Information – Tables 16 – 18
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..... 120-122

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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CITY OF WINCHESTER, VIRGINIA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	2004	2005	2006	2007	2008	2009(1)	2010(1)	2011	2012	2013(1)
Governmental activities										
Net investment in capital assets	$ 23,709,296	$ 27,530,372	$ 31,894,578	$ 35,925,618	$ 42,291,055	$ 44,602,441	$ 62,512,145	$ 62,402,348	$ 58,706,983	$ 56,163,377
Restricted	-	-	-	217,166	102,003	49,876	-	-	-	-
Unrestricted	(2,745,524)	(16,610,067)	(41,078,838)	(53,683,445)	(58,705,920)	(59,010,599)	(58,030,587)	(50,945,522)	(41,218,664)	(33,564,155)
Total governmental activities net position	$ 20,963,772	$ 10,920,305	$ (9,184,260)	$ (17,540,661)	$ (16,312,862)	$ (14,358,282)	$ 4,481,558	$ 11,456,826	$ 17,488,319	$ 22,599,222
Business-type activities										
Net investment in capital assets	$ 28,384,032	$ 30,128,483	$ 32,310,319	$ 32,018,014	$ 35,012,184	$ 36,807,871	$ 44,278,901	$ 43,480,262	$ 48,176,844	$ 49,037,689
Restricted	-	-	2,000	2,000	2,000	2,000	-	-	-	-
Unrestricted	4,182,606	7,464,431	3,904,997	6,531,712	3,555,389	5,579,913	380,107	917,995	(443,640)	778,298
Total business-type activities net position	$ 32,566,638	$ 37,592,914	$ 36,217,316	$ 38,551,726	$ 38,569,573	$ 42,389,784	$ 44,659,008	$ 44,398,257	$ 47,733,204	$ 49,815,987
Primary government										
Net investment in capital assets	$ 52,093,328	$ 57,658,855	$ 64,204,897	$ 67,943,632	$ 77,303,239	$ 81,410,312	$ 106,791,046	$ 105,882,610	$ 106,883,827	$ 105,201,066
Restricted	-	-	2,000	219,166	104,003	51,876	-	-	-	-
Unrestricted	1,437,082	(9,145,636)	(37,173,841)	(47,151,733)	(55,150,531)	(53,430,686)	(57,650,480)	(50,027,527)	(41,662,304)	(32,785,857)
Total primary government net position	$ 53,530,410	$ 48,513,219	$ 27,033,056	$ 21,011,065	$ 22,256,711	$ 28,031,502	$ 49,140,566	$ 55,855,083	$ 65,221,523	$ 72,415,209
School Board Component Unit										
Net investment in capital assets	$ 22,990,095	$ 42,682,558	$ 70,713,467	$ 88,843,037	$ 104,213,868	$ 112,430,425	$ 116,460,222	$ 114,692,709	$ 113,054,855	$ 111,503,820
Restricted	2,626,304	-	-	2,096,290	3,731,987	1,767,727	-	-	-	575,798
Unrestricted	2,802,246	4,965,488	10,815,973	16,779,217	8,553,970	2,173,262	3,881,107	5,791,479	5,907,579	5,578,658
Total governmental activities net position	$ 28,418,645	$ 47,648,046	$ 81,529,440	$ 107,718,544	$ 116,499,825	$ 116,371,414	$ 120,341,329	$ 120,484,188	$ 118,962,434	$ 117,658,276

Notes: (1) These totals are as previously reported. A prior period adjustment was required in 2010, 2011, and 2013 which modified these amounts.

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

Table 2

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	$ 3,618,293	$ 3,757,763	$ 4,101,357	$ 4,611,199	$ 4,963,448	$ 4,646,225	$ 4,023,701	$ 3,951,051	$ 4,450,987	$ 4,098,528
Judicial administration	1,545,183	1,327,540	2,061,174	2,347,350	2,014,178	2,763,951	2,884,754	2,935,921	2,937,196	3,208,823
Public safety	11,199,311	12,392,777	14,541,554	15,534,200	16,781,824	18,323,978	17,585,438	17,771,948	18,061,684	19,051,218
Public works	5,185,182	5,212,319	5,296,991	5,871,189	7,940,266	7,067,534	7,766,233	9,257,342	11,502,592	10,462,004
Health and welfare	6,291,811	6,652,692	6,880,841	7,689,247	7,705,538	7,579,302	7,246,742	7,730,706	7,659,067	7,208,056
Education	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238
Parks, recreation, and culture	2,494,978	2,352,025	2,187,433	2,385,028	2,968,842	3,354,192	3,413,062	3,461,791	3,525,459	3,792,062
Community development	1,539,404	2,449,154	1,906,853	1,920,305	2,173,272	1,850,299	1,653,859	2,414,352	2,077,685	2,438,493
Interest on long-term debt	1,837,773	2,077,447	3,388,365	4,184,083	4,640,407	4,610,500	4,249,316	4,036,885	3,436,706	3,156,413
Total governmental activities expenses	60,640,529	77,667,061	97,194,417	89,515,837	81,827,935	78,120,521	74,239,219	76,938,189	79,034,533	80,121,835
Business-type activities:										
Water and sewer	10,698,172	10,291,642	11,660,732	12,867,908	14,427,989	16,030,605	15,973,606	17,132,555	19,207,251	21,294,667
Transit service	560,087	645,959	921,626	924,440	853,081	910,514	964,912	-	-	-
Total business-type activities expenses	11,258,259	10,937,601	12,582,358	13,792,348	15,281,070	16,941,119	16,938,518	17,132,555	19,207,251	21,294,667
Total primary government expenses	$ 71,898,788	$ 88,604,662	$ 109,776,775	$ 103,308,185	$ 97,109,005	$ 95,061,640	$ 91,177,737	$ 94,070,744	$ 98,241,784	$ 101,416,502
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 512,515	$ 609,001	$ 672,473	$ 681,154	$ 732,219	$ 795,459	$ 254,535	$ 276,960	$ 269,955	$ 113,965
Judicial administration	329,628	418,589	383,212	371,968	359,633	204,413	630,433	781,054	837,066	683,121
Public safety	137,440	109,541	127,567	1,008,032	895,701	888,450	992,875	1,031,282	961,651	1,226,999
Public works	370,730	358,752	480,784	615,990	603,778	1,064,374	341,284	788,258	1,193,772	1,158,991
Health and welfare	60,934	71,228	71,388	78,634	83,304	90,838	75,357	70,083	61,555	52,875
Parks, recreation, and culture	567,817	588,779	591,651	593,557	620,699	607,476	781,612	732,187	777,314	665,747
Community development	617,696	636,958	616,498	557,807	444,174	277,349	441,569	312,354	279,155	302,148
Operating grants and contributions	8,511,231	8,335,248	9,302,094	9,680,995	9,306,894	8,931,591	10,225,614	11,927,468	13,093,099	11,914,905
Capital grants and contributions	346,440	1,317,918	484,819	1,497,526	723,220	1,835,430	16,184,324	36,524	1,904,428	1,141,420
Total governmental activities revenues	11,454,431	12,446,014	12,730,486	15,085,663	13,769,622	14,695,380	29,927,603	15,956,170	19,377,995	17,260,171
Business-type activities:										
Charges for services:										
Water and sewer	13,217,273	14,618,918	13,511,213	14,656,789	16,036,767	17,926,218	18,236,410	19,636,840	20,219,861	22,411,243
Transit service	71,071	66,376	84,029	67,579	60,070	79,959	89,482	-	-	-
Operating grants and contributions	323,019	392,920	449,306	415,530	542,664	560,688	-	-	-	-
Capital grants and contributions	314,144	2,496,444	401,660	1,828,777	178,293	3,412,273	1,583,104	498,821	3,882,896	2,809,805
Total business-type activities revenues	13,925,507	17,574,658	14,446,208	16,968,675	16,817,794	21,979,138	19,908,996	20,135,661	24,102,757	25,221,048
Total primary government revenues	$ 25,379,938	$ 30,020,672	$ 27,176,694	$ 32,054,338	$ 30,587,416	$ 36,674,518	$ 49,836,599	$ 36,091,831	$ 43,480,752	$ 42,481,219

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

Table 2 (Cont'd)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	$ (49,186,098)	$ (65,221,047)	$ (84,463,931)	$ (74,430,174)	$ (68,058,313)	$ (63,425,141)	$ (44,311,616)	$ (60,982,019)	$ (59,656,538)	$ (62,861,664)
Business-type activities	2,667,248	6,637,057	1,863,850	3,176,327	1,536,724	5,038,019	2,970,478	3,003,106	4,895,506	3,926,381
Total primary government net expense	$ (46,518,850)	$ (58,583,990)	$ (82,600,081)	$ (71,253,847)	$ (66,521,589)	$ (58,387,122)	$ (41,341,138)	$ (57,978,913)	$ (54,761,032)	$ (58,935,283)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 17,499,244	$ 20,654,729	$ 25,468,425	$ 29,385,425	$ 33,279,510	$ 34,178,174	$ 34,168,510	$ 33,797,432	$ 34,768,213	$ 35,952,587
Sales taxes	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682
Utility taxes	3,262,250	3,394,446	3,433,690	2,832,613	2,015,744	1,991,193	1,915,234	1,987,027	1,616,764	2,014,264
Business license taxes	4,739,154	5,400,295	5,983,072	5,901,109	5,727,230	5,458,468	5,236,568	5,451,253	5,678,324	5,736,888
Franchise taxes	923,194	1,057,007	543,864	557,228	276,598	293,529	329,097	349,004	302,554	360,030
Hotel and meals taxes	3,737,769	5,032,624	5,598,277	5,845,108	5,739,369	5,021,594	5,375,860	5,671,611	5,999,862	6,217,625
E-911 taxes	618,392	651,115	579,235	-	-	-	-	-	-	-
Communication sales taxes	-	-	-	886,730	2,423,466	2,277,662	2,207,059	2,260,141	2,142,639	2,199,696
Other local taxes	1,187,763	1,468,133	2,182,526	2,187,954	1,720,639	2,129,896	1,598,674	1,762,905	1,529,900	1,820,712
Sale of right-of-way	-	-	-	-	-	-	-	250,000	386,296	-
Unrestricted grants and contributions	3,620,250	3,752,212	3,959,529	4,472,972	3,735,644	3,626,897	2,831,277	2,997,533	3,007,083	2,966,192
Investment earnings	59,384	205,740	875,864	1,322,717	1,458,202	460,609	281,219	146,478	138,851	68,675
Miscellaneous	417,124	414,694	459,032	799,216	512,011	527,737	-	4,304	31,860	47,216
Gain on sale of capital assets	378,716	-	734,856	70,364	-	22,781	-	-	-	-
Transfers	1,404,342	1,819,869	3,677,307	1,500,277	1,819,967	1,354,150	1,864,000	3,321,749	1,600,000	1,870,000
Total governmental activities	47,383,477	54,124,086	64,390,370	66,042,769	68,455,753	65,379,721	63,197,056	66,085,965	65,688,031	67,972,567
Business-type activities:										
Investment earnings	70,916	195,569	400,403	567,522	273,073	125,725	56,010	12,746	32,925	20,577
Miscellaneous	25,051	13,519	37,456	134,639	28,017	10,617	53,060	45,146	6,516	5,825
Transfers	(1,404,342)	(1,819,869)	(3,677,307)	(1,500,277)	(1,819,967)	(1,354,150)	(1,864,000)	(3,321,749)	(1,600,000)	(1,870,000)
Total business-type activities	(1,308,375)	(1,610,781)	(3,239,448)	(798,116)	(1,518,877)	(1,217,808)	(1,754,930)	(3,263,857)	(1,560,559)	(1,843,598)
Total primary government	$ 46,075,102	$ 52,513,305	$ 61,150,922	$ 65,244,653	$ 66,936,876	$ 64,161,913	$ 61,442,126	$ 62,822,108	$ 64,127,472	$ 66,128,969
Change in Net Position										
Governmental activities	$ (1,802,621)	$ (11,096,961)	$ (20,073,561)	$ (8,387,405)	$ 397,440	$ 1,954,580	$ 18,885,440	$ 5,103,946	$ 6,031,493	$ 5,110,903
Business-type activities	1,358,873	5,026,276	(1,375,598)	2,378,211	17,847	3,820,211	1,215,548	(260,751)	3,334,947	2,082,783
Total primary government	$ (443,748)	$ (6,070,685)	$ (21,449,159)	$ (6,009,194)	$ 415,287	$ 5,774,791	$ 20,100,988	$ 4,843,195	$ 9,366,440	$ 7,193,686

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

Table 2 (Cont'd)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
School Board Component Unit:										
Education	$ 36,697,616	$ 39,729,723	$ 42,043,989	$ 44,755,582	$ 47,890,837	$ 51,428,596	$ 47,296,567	$ 48,837,882	$ 49,246,256	$ 53,609,858
Total School Board component unit expenses	36,697,616	39,729,723	42,043,989	44,755,582	47,890,837	51,428,596	47,296,567	48,837,882	49,246,256	53,609,858
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	881,307	915,437	949,126	963,824	924,387	957,618	880,847	880,295	869,102	734,401
Operating grants and contributions	13,714,468	15,551,702	16,524,727	17,422,798	18,058,555	19,567,683	21,252,219	19,926,049	20,824,041	23,468,737
Capital grants and contributions	6,261,989	19,836,755	33,689,828	22,501,915	7,577,965	1,471,063	3,031,845	2,216,821	390,328	137,927
Total School Board component unit revenues	20,857,764	36,303,894	51,163,681	40,888,537	26,560,907	21,996,364	25,164,911	23,023,165	22,083,471	24,341,065
Net (Expense)/Revenue										
School Board Component Unit	(15,839,852)	(3,425,829)	9,119,692	(3,867,045)	(21,329,930)	(29,432,232)	(22,131,656)	(25,814,717)	(27,162,785)	(29,268,793)
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	21,135,323	21,975,750	23,481,698	25,056,307	26,920,190	27,901,103	25,386,902	25,351,902	25,351,902	26,651,702
Investment earnings	76,553	424,115	998,705	1,211,760	1,110,082	216,949	165,518	79,639	73,813	80,761
Miscellaneous	243,789	246,617	281,299	3,788,082	3,815,962	1,185,769	145,137	236,623	215,316	214,500
Gain on sale of capital assets	-	8,748	-	-	-	-	-	-	-	-
Total School Board Component Unit	21,455,665	22,655,230	24,761,702	30,056,149	31,846,234	29,303,821	25,697,557	25,668,164	25,641,031	26,946,963
Change in Net Position										
School Board Component Unit	$ 5,615,813	$ 19,229,401	$ 33,881,394	$ 26,189,104	$ 10,516,304	$ (128,411)	$ 3,565,901	$ (146,553)	$ (1,521,754)	$ (2,321,830)

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

Table 3

	2004	2005	2006	2007	2008	2009	2010
Pre-GASB 54 implementation:							
General Fund							
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,465
Unreserved	14,714,401	18,982,128	25,075,724	28,957,466	26,842,432	20,577,901	17,253,692
Total general fund	$ 14,714,401	$ 18,982,128	$ 25,075,724	$ 28,957,466	$ 26,842,432	$ 20,577,901	$ 17,267,157
All Other Governmental Funds							
Reserved	$ 117,459	$ 126,832	$ -	$ -	$ -	$ -	$ 40,000
Unreserved, reported in:							
Special revenue funds	1,201,214	1,286,541	1,468,954	1,704,636	1,820,531	-	1,811,642
Capital projects funds	1,559,751	950,751	6,847,195	2,969,046	1,842,195	4,279,791	824,558
Debt service funds	639,959	482,877	342,947	217,166	102,003	49,876	-
Total all other governmental funds	$ 3,518,383	$ 2,847,001	$ 8,659,096	$ 4,890,848	$ 3,764,729	$ 4,329,667	$ 2,676,200

	2011	2012	2013
Post-GASB 54 implementation:			
General Fund			
Nonspendable	$ 11,950	$ 7,081	$ 8,408
Restricted	441,131	476,780	486,062
Committed	950,000	1,300,000	1,218,750
Assigned	931,312	5,410,412	4,405,933
Unassigned	18,651,925	15,145,625	16,071,618
Total general fund	$ 20,986,318	$ 22,339,898	$ 22,190,771
All Other Governmental Funds			
Nonspendable	$ 40,000	$ 190,000	$ 182,500
Restricted	-	-	-
Committed	-	-	-
Assigned	2,068,984	3,172,645	2,316,213
Unassigned	-	-	-
Total all other governmental funds	$ 2,108,984	$ 3,362,645	$ 2,498,713

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

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

Table 4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	$ 17,904,992	$ 20,502,718	$ 25,041,195	$ 29,701,648	$ 33,045,144	$ 33,704,350	$ 33,821,252	$ 33,942,158	$ 34,607,227	$ 36,115,435
Sales taxes	9,535,895	10,273,222	10,894,693	10,281,056	9,747,373	8,037,031	7,389,558	8,086,528	8,485,685	8,718,682
Other local taxes	14,468,522	17,003,620	18,320,664	18,210,742	17,903,046	17,172,342	16,662,492	17,481,942	17,270,042	18,346,602
Permits, privilege fees, and regulatory licenses	621,027	639,874	619,646	560,761	450,188	285,131	392,290	292,644	252,950	285,746
Fines and forfeitures	185,477	274,987	221,123	203,206	171,521	159,077	147,721	221,715	274,147	161,403
Revenues from use of money and property	86,646	226,866	897,306	1,357,831	1,504,587	529,863	439,521	315,006	292,403	219,226
Charges for services	827,070	834,354	843,209	1,420,091	1,698,424	1,760,787	1,706,059	1,846,033	1,963,310	1,951,951
Miscellaneous	382,337	391,358	436,721	763,945	465,622	444,901	453,621	764,927	1,157,315	1,044,782
Recovered costs	647,694	650,470	776,667	903,114	887,583	1,454,804	979,769	1,045,223	930,667	726,062
Intergovernmental	12,477,171	12,575,431	13,646,660	13,697,391	13,849,118	14,393,918	14,754,690	14,737,288	17,742,776	15,888,838
Total revenues	57,136,831	63,372,900	71,697,884	77,099,785	79,722,606	77,942,204	76,746,973	78,733,464	82,976,522	83,458,727
Expenditures										
General government administration	3,201,756	3,140,752	3,445,735	3,907,048	4,420,565	3,999,143	3,803,786	3,690,586	4,304,202	4,607,388
Judicial administration	1,609,089	1,661,817	1,929,431	2,266,027	2,537,903	2,574,148	2,690,827	2,768,905	2,838,387	3,099,072
Public safety	11,041,207	12,505,214	14,851,908	15,745,426	16,592,044	17,907,345	16,963,980	17,471,623	18,028,989	19,021,960
Public works	5,878,314	5,645,313	6,994,174	7,592,466	9,579,042	8,611,361	10,526,541	6,958,722	9,708,681	10,215,038
Health and welfare	6,270,468	6,678,900	6,852,789	7,675,658	7,728,686	7,542,126	7,205,135	7,727,186	7,697,084	7,256,023
Education	26,928,594	41,445,344	56,829,849	44,973,236	32,640,160	27,924,540	25,416,114	25,378,193	25,383,157	26,706,238
Parks, recreation, and culture	2,239,955	2,125,648	2,702,534	2,941,953	3,898,630	3,716,933	3,877,809	3,117,656	3,364,141	3,696,943
Community development	1,560,657	2,456,570	1,922,337	1,897,862	2,247,515	1,757,737	1,574,376	2,332,049	2,109,601	3,554,065
Capital projects	583,013	744,593	1,004,599	2,866,617	2,466,646	2,027,584	-	-	-	-
Debt service:										
Principal retirement	3,101,293	3,511,299	4,290,832	4,860,328	5,702,316	5,544,227	5,829,665	5,760,991	5,519,489	6,064,266
Interest and fiscal charges	1,669,686	1,763,091	3,048,509	4,136,444	4,592,251	4,690,387	4,343,895	4,132,168	3,435,326	3,183,954
Bond issuance costs	105,029	297,686	260,168	142,965	98,552	-	-	-	235,527	216,634
Advance refunding escrow	-	129,378	-	-	-	-	-	-	-	-
Total expenditures	64,189,061	82,105,605	104,132,865	99,006,030	92,504,310	86,295,531	82,232,128	79,338,079	82,624,584	87,621,581
Excess of revenues over (under) expenditures	(7,052,230)	(18,732,705)	(32,434,981)	(21,906,245)	(12,781,704)	(8,353,327)	(5,485,155)	(604,615)	351,938	(4,162,854)

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

Table 4 (Cont'd)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Sale of property	$ 382,758	$ 7,004	$ 752,455	$ 82,493	$ 1,520	$ 43,198	$ -	$ 250,000	$ 386,296	$ -
Insurance recoveries	-	-	59,303	13,416	14,015	18,576	114,754	4,304	31,860	47,216
Bonds issued	6,710,000	28,172,590	39,000,000	19,260,000	7,200,000	-	-	-	27,217,364	27,963,072
Premium on debt	61,315	620,625	1,230,047	772,124	88,710	-	-	-	3,995,350	-
Capital lease	242,595	766,308	282,000	360,425	441,500	-	-	-	-	-
Payment to refunded bond escrow agent	-	(9,952,868)	-	-	-	-	-	-	(30,975,567)	(26,730,493)
Transfers in	3,651,075	4,715,464	6,848,646	6,919,733	9,642,156	7,650,015	7,980,231	5,433,719	5,243,455	5,694,575
Transfers out	(2,246,733)	(2,895,595)	(3,800,775)	(5,419,456)	(7,847,350)	(6,295,865)	(6,336,231)	(3,589,786)	(3,643,455)	(3,824,575)
Total other financing sources and uses	8,801,010	21,433,528	44,371,676	21,988,735	9,540,551	1,415,924	1,758,754	2,098,237	2,255,303	3,149,795
Net change in fund balances	$ 1,748,780	$ 2,700,823	$ 11,936,695	$ 82,490	$ (3,241,153)	$ (6,937,403)	$ (3,726,401)	$ 1,493,622	$ 2,607,241	$ (1,013,059)
Debt service as a percentage of noncapital expenditures	7.9%	7.2%	7.7%	10.0%	12.3%	12.8%	13.3%	12.6%	11.3%	11.4%

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

Table 5

		Real Property (1)(3)					Personal Property (1)									
Fiscal Year		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	Total Taxable Assessed Value	Total Direct Tax Rate
2003	(2)	$ 1,118,428,884	$ 732,552,900	$ 0.58	$ 52,338,544	$ 0.72	$ 153,763,064	$ 3.5	$ 19,014	$ 3.5	$ 135,636,858	$ 1.2	$ 225,300	$ 0.72	$ 2,192,964,564	$ 0.83
2004		1,168,629,389	744,643,100	0.63	59,448,513	0.58	157,769,037	3.5	10,558	3.5	116,302,067	1.2	242,600	0.63	2,247,045,264	0.86
2005	(2)	1,547,000,230	846,685,200	0.63	52,812,984	0.63	163,876,921	3.5	33,411	3.5	114,813,086	1.3	236,400	0.63	2,725,458,232	0.83
2006		1,611,591,819	873,266,900	0.69	64,545,448	0.63	174,036,126	4.5	-	4.5	121,396,014	1.3	251,900	0.69	2,845,088,207	0.95
2007	(2)	2,222,262,840	1,145,978,600	0.65	52,548,980	0.69	184,039,831	4.5	7,656	4.5	116,912,479	1.3	175,000	0.65	3,721,925,386	0.86
2008		2,209,123,962	1,151,495,700	0.68	62,548,699	0.65	184,820,863	4.5	8,814	4.5	116,719,433	1.3	197,956	0.68	3,724,915,427	0.89
2009	(2)	1,930,786,600	1,145,085,600	0.77	62,322,900	0.68	183,336,720	4.5	10,493	4.5	109,391,904	1.3	192,756	0.77	3,431,126,973	0.98
2010		1,937,277,200	1,138,605,300	0.77	67,087,131	0.77	178,115,588	4.5	16,957	4.5	124,891,288	1.3	202,056	0.77	3,446,195,520	0.98
2011	(2)	1,590,890,500	1,129,950,300	0.86	64,741,641	0.86	186,501,554	4.5	11,236	4.5	124,891,288	1.3	202,056	0.86	3,097,188,575	1.10
2012		1,603,736,800	1,139,679,400	0.95	72,272,617	0.95	102,458,341	4.5	5,494	4.5	120,805,964	1.3	158,888	0.95	3,039,117,504	1.08
2013	(2)	1,618,898,500	1,142,293,500	0.95	64,839,333	0.95	101,792,165	4.5	5,936	4.5	152,329,260	1.3	163,048	0.95	3,080,321,742	1.08

Notes:

(1) Property assessed at 100% of actual value. Tax rates are assessed per $100 of assessed value.

(2) General reassessment of real property completed for the 2003, 2005, 2007, 2009, 2011, and 2013 tax year.

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

Source:
City of Winchester, Commissioner of the Revenue

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

Table 6

	City Direct Rates (2)				
Fiscal Year	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	Total Direct Rate
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	0.24	0.04	0.98
2010	0.69	0.01	0.23	0.05	0.98
2011	0.76	0.02	0.27	0.05	1.10
2012	0.86	0.02	0.15	0.05	1.08
2013	0.85	0.02	0.15	0.06	1.08

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

Source:
City of Winchester, Commissioner of the Revenue

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

Table 7

	December 31, 2012			December 31, 2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Mayflower Apple Blossom, LP	$ 48,943,400	1	1.79%	$ 35,562,300	1	1.63%
Walmart Realty CO	23,733,000	2	0.87%	15,296,800	7	0.70%
Cole MT Winchester, LC	21,952,800	3	0.78%	-		
PDK Winchester LC	21,322,200	4	0.78%	12,925,500	9	0.59%
Rubbermaid Commerical Prod. Inc.	20,114,100	5	0.74%	15,473,100	6	0.71%
DDRM Apple Blossom Corners LLC	16,440,400	6	0.60%	-		0.00%
National Fruit Product Co., Inc.	14,589,400	7	0.53%	15,994,700	5	0.73%
Pleasant Valley Market Place, LLC.	12,510,500	8	0.46%	-		
Lowe's Home Center, Inc.	12,283,600	9	0.45%	12,423,100	10	0.57%
Stuart Hill Apartments	12,147,000	10	0.45%	-		
Winchester Medical Center, Inc.	-		-	27,927,300	2	1.28%
Dev. Diversified Realty Corp.	-		-	16,951,200	4	0.77%
Melco, Inc.	-		-	18,349,800	3	0.84%
PolyOne Engineered Films	-		-	14,150,100	8	0.65%
Total	$ 204,036,400		7.45%	$ 185,053,900		8.47%

Source:
City of Winchester, Commissioner of Revenue Office

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2004	$ 19,391,170	$ 1,802,160	$ 21,193,330	$ 18,547,957	95.65%	$ 2,453,677	$ 21,001,634	99.10%
2005	20,766,491	2,013,703	22,780,194	19,893,140	95.79%	2,648,056	22,541,196	98.95%
2006	25,705,020	2,802,593	28,507,613	24,280,467	94.46%	3,773,927	28,054,394	98.41%
2007	29,728,314	2,850,749	32,579,063	28,477,374	95.79%	2,160,600	30,637,974	94.04%
2008	32,280,468	2,877,353	35,157,821	31,240,872	96.78%	2,168,130	33,409,002	95.03%
2009	32,726,042	-	32,726,042	31,632,098	96.66%	1,093,944	32,726,042	100.00%
2010	35,759,290	-	35,759,290	34,285,769	95.88%	1,473,521	35,759,290	100.00%
2011	35,941,324	-	35,941,324	32,347,826	90.00%	1,448,421	33,796,247	94.03%
2012	34,060,423	-	34,060,423	33,158,805	97.35%	901,618	34,060,423	100.00%
2013	35,795,054	-	35,795,054	34,600,217	96.66%	-	34,600,217	96.66%

Source:
City of Winchester, Treasurer

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

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

Table 9

	Governmental Activities		Business-type Activities					
Fiscal Year	General Obligation Bonds	Obligations Payable	General Obligation Bonds	Revenue Bonds	Obligations Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2004	$ 39,747,433	$ -	$ 20,835,285	$ -	$ -	$ 60,582,718	9.08%	2,479
2005	55,393,281	-	21,751,067	-	-	77,144,348	11.66%	3,157
2006	90,474,179	-	26,662,924	-	-	117,137,103	15.49%	4,663
2007	105,263,817	-	29,886,248	-	-	135,150,065	16.78%	5,349
2008	107,244,423	-	28,497,851	-	-	135,742,274	16.08%	5,275
2009	101,700,196	-	27,022,523	23,920,000	8,163,355	160,806,074	18.04%	6,209
2010	95,870,531	-	25,444,814	36,215,000	7,232,324	164,762,669	18.41%	6,259
2011	90,109,540	-	23,779,501	47,610,000	20,221,937	181,720,978	20.34%	6,934
2012	84,848,790	-	22,058,855	66,589,030	19,080,302	192,576,977	21.45%	7,242
2013	77,520,134	900,000	19,784,803	65,620,000	17,709,408	181,534,345	19.27%	6,752

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:
(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF WINCHESTER, VIRGINIA
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Table 10

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
2004	$ 60,582,718	$ 639,959	$ 59,942,759	2.73%	$ 2,453
2005	77,144,348	482,877	76,661,471	3.41%	3,137
2006	117,137,103	342,947	116,794,156	4.29%	4,650
2007	135,150,065	217,166	134,932,899	4.74%	5,341
2008	135,742,274	102,003	135,640,271	3.64%	5,271
2009	128,722,719	49,876	128,672,843	3.45%	4,969
2010	121,315,345	-	121,315,345	3.54%	4,609
2011	113,889,041	-	113,889,041	3.30%	4,346
2012	106,907,645	-	106,907,645	3.52%	4,021
2013	97,304,937		97,304,937	3.16%	3,620

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:
(1) See the Schedule of Assessed Value and Actual Value of Taxable Property for property value data.
(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF WINCHESTER, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
As of June 30, 2013

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	$ 78,420,134	100%	$ 78,420,134

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	$ 197,272,100	$ 244,649,841	$ 254,940,417	$ 342,079,042	$ 342,316,836	$ 302,560,266	$ 314,296,963	$ 278,558,244	$ 281,568,882	$ 282,603,133
Total net debt applicable to limit	59,942,759	76,661,471	116,794,156	134,932,899	135,640,271	128,672,843	121,315,345	113,889,041	106,907,645	97,304,935
Legal debt margin	$ 137,329,341	$ 167,988,370	$ 138,146,261	$ 207,146,143	$ 206,676,565	$ 173,887,423	$ 192,981,618	$ 164,669,203	$ 174,661,237	$ 185,298,198
Total net debt applicable to the limit as a percentage of debt limit	30.39%	31.34%	45.81%	39.44%	39.62%	42.53%	38.60%	40.89%	37.97%	34.43%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value of Real Property	$ 2,826,031,333
Debt Limit - 10%	282,603,133
Amount of Debt Applicable to Debt Limit	
General obligation bonds	97,304,937
Legal Debt Margin	$ 185,298,196

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

CITY OF WINCHESTER, VIRGINIA
PLEDGED-REVENUE COVERAGE
Last Five Fiscal Years

Table 13

	Water and Sewer Revenue Bonds					
				Debt Service		
Fiscal Year	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2009	$ 17,632,035	$ 12,955,277	$ 4,676,758	$ -	$ 230,006	20.33
2010	18,282,412	11,301,236	6,981,176	-	1,093,351	6.39
2011	19,681,986	11,662,219	8,019,767	770,000	1,779,020	4.51
2012	20,226,377	12,299,426	7,926,951	1,245,000	2,383,018	3.33
2013	22,417,068	12,860,026	9,557,042	1,715,000	3,247,700	2.94

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) High School Graduate or higher	Educational attainment (4) Bachelor's Degree or higher	School enrollment(5)	Unemployment rate (3)
2004	24,434	$ 667,244	27,308	35.2	75.4%	23.7%	3,567	2.90%
2005	24,434	661,770	27,084	35.2	75.4%	23.7%	3,631	3.30%
2006	25,119	756,182	30,104	35.2	75.4%	23.7%	3,756	2.80%
2007	25,265	805,625	31,887	35.2	75.4%	23.7%	3,708	3.10%
2008	25,733	844,325	32,811	36.0	75.4%	23.7%	3,652	4.60%
2009	25,897	891,297	34,417	35.7	75.4%	23.7%	3,714	8.70%
2010	26,322	894,790	33,994	35.2	75.4%	23.7%	3,745	7.20%
2011	26,203	893,365	34,094	37.4	78.1%	28.1%	3,829	7.30%
2012	26,587	897,737	33,766	35.1	79.7%	29.7%	3,979	6.60%
2013	26,881	942,125	35,048	35.1	82.2%	29.2%	4,085	6.60%

Sources:
(1) U.S. Census Bureau
(2) Bureau of Economic Analysis
(3) Virginia Employment Commission
(4) U.S. Census Bureau - Data presented is percentage of persons 25 years or older attaining the described educational status; 2010 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

	December 31, 2012			December 31, 2003		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Valley Health System	1,000 and over	1	7.31%	1,000 and over	1	7.64%
Shenandoah University	500 - 999	2	3.66%	500 - 999	4	3.82%
Winchester City Public Schools	500 - 999	3	3.66%	500 - 999	3	3.82%
Rubbermaid Commerical Products	500 - 999	4	3.66%	1,000 and over	2	7.64%
Wal Mart	500 - 999	5	3.66%	500 - 999	6	3.82%
U.S. Department of Defense	500 - 999	6	3.66%	-		-
City of Winchester	500 - 999	7	3.66%	250 - 499	10	-
Osullivan Films Inc.	250 - 499	8	1.83%	-		-
Grafton School, Inc.	250 - 499	9	1.83%	-		-
Axiom Staffing Group	250 - 499	10	1.83%	-		-
Lear Operations Corporation	-		-	500 - 999	5	3.82%
Kohl's Department Stores	-		-	500 - 999	7	3.82%
Kraft Foods	-		-	500 - 999	8	3.82%
Polyone Engineered Films	-		-	500 - 999	9	3.82%
Total	4,750		34.76%	6,000		42.02%

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 Eight Fiscal Years (1)

Table 16

	Full-Time Equivalent Employees as of June 30							
	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program								
General government administration	45	46	46	43	41	37	39	38
Judicial administration	38	38	38	42	41	46	46	44
Public safety	228	243	234	200	204	219	223	228
Public works	39	59	60	58	59	61	59	61
Health and welfare	45	41	43	43	44	46	44	40
Parks, recreation, and culture	50	40	50	53	52	58	55	46
Community development	13	20	19	14	13	13	11	12
Water and sewer	60	64	67	61	58	66	66	67
Transit service	15	13	13	13	13	14	14	15
Parking authority	12	10	8	8	8	8	6	6
Schools	685	685	687	687	683	677	687	668
Total	1,230	1,259	1,265	1,222	1,216	1,245	1,250	1,225

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

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

Table 17

	Fiscal Year							
Function	2006	2007	2008	2009	2010	2011	2012	2013
General Government								
Building permits issued	780	762	600	486	470	942	1,508	1,463
Building inspections conducted (commercial and residential)	11,904	11,858	10,074	8,154	8,186	7,342	6,987	6,025
Police								
Physical arrests	4,855	3,567	2,701	3,231	2,611	2,854	4,090	3,018
Parking violations	8,524	8,048	7,647	7,429	6,634	7,128	5,977	4,526
Traffic violations	5,168	4,531	4,087	4,524	3,709	4,070	5,406	4,304
Fire								
Emergency responses	5,560	5,623	5,498	5,470	5,377	5,549	5,781	5,518
Structure fires	70	56	54	60	45	87	43	57
On-site fire inspections	378	97	143	334	361	388	360	377
Fire suppression inspection tests	112	167	106	152	112	45	64	61
Refuse Collection								
Refuse collected (tons per year -- residential and non-residential)	8,696	7,579	7,117	6,649	6,537	6,430	6,520	6,681
Recyclables collected (tons per year -- does not include cardboard or yard waste)	1,923	2,014	2,032	2,117	2,908	2,931	3,252	3,312
Recyclable scrap	-	11	19	9	21	20	18	21
Other Public Works								
Street resurfacing (miles)	2	5	3	7.4	7	1.1	1.8	5.6
Parks and Recreation								
Shelter permits issued	493	448	681	472	821	839	911	691
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	34,457	30,126	38,061	43,154	48,108	49,774	47,201	25,156
Racquetball court users (2)	2,774	1,341	1,345	1,196	2,474	2,407	2,324	2,506
Indoor fitness room users (2)	7,280	6,077	8,136	5,167	13,487	9,901	9,316	7,375
Water								
Average daily production	7.3 mgd	7.9 mgd	7.9 mgd	6.85 mgd	6.34 mgd	6.43 mgd	6.83 mgd	6.14mgd
New connections	179	38	55	32	42	40	28	26
Total connections	10,930	10,824	10,879	10,911	10,953	10,993	11,021	11,047
Water main breaks	58	55	60	56	30	55	40	29
Average daily consumption	5.8 mgd	5.9 mgd	6.1 mgd	5.25 mgd	4.8 mgd	4.9 mgd	4.67 mgd	4.5mgd
Wastewater								
Average daily flow (12 month period)	4.4 mgd	4.9 mgd	4.8 mgd	4.6 mgd	5.37 mgd	4.8 mgd	4.52 mgd	4.96mgd
Peak Flow (12 month period)	9.8 mgd	9.7 mgd	9.8 mgd	9.8 mgd	8.45 mgd	9.8 mgd	23.1 mgd	22.0mgd
Transit								
Passenger trips	149,796	148,169	139,672	130,494	120,656	128,876	136,501	130,190
Schools								
Number of teachers, Elementary (K-4)	142	132	121	121	131	143	143	143
Number of teachers, Middle 5-8)	85	99	99	99	94	90	97	95
Number of teachers, Secondary (9-12)	94	100	102	102	99	96	96	98
Number of students, Elementary (K-4)	1,712	1,417	1,447	1,529	1,605	1,649	1684	1776
Number of students, Middle (5-8)	817	1,101	1,063	1,073	1,074	1,084	1178	1190
Number of students, Secondary (9-12)	1,113	1,190	1,142	1,112	1,066	1,096	1117	1119

Source: Various Departments in the City

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

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

Table 18

	Fiscal Year							
Function	2006	2007	2008	2009	2010	2011	2012	2013
Police								
Stations	1	1	1	1	1	1	1	1
SubStations	1	1	1	1	1	1	2	1
Patrol cars	67	74	76	77	76	76	79	76
Fire								
Fire Stations	4	4	4	4	4	4	4	4
Refuse Collection								
Collection Trucks	8	8	7	7	7	7	7	7
Other Public Works								
Streets (miles)	284	205	205	219	221	221	221	221
Streetlights	72	72	72	63	63	63	63	63
Traffic signals	62	64	63	60	56	56	56	56
Parks and Recreation								
Number of parks	15	15	15	15	14	14	14	14
Acreage	241	248	248	248	248	248	248	248
Playgrounds	11	10	10	10	9	9	9	9
Community centers	1	1	1	1	1	1	1	1
Baseball/softball diamonds	8	9	8	9	9	9	9	9
Soccer/football fields	5	5	5	6	6	6	9	9
Basketball courts	7	7	7	7	7	7	7	7
Tennis courts	7	7	7	7	7	7	8	8
Volleyball court	1	1	1	1	1	-	-	-
Horseshoe courts	26	24	24	24	24	24	24	24
Water								
Miles of water mains	172	125	125	125	125	126	126	126
Fire hydrants	1,082	1,082	1,082	1,082	1,085	1,085	1,085	1,085
Water storage capacity	11 mg	11 mg	11 mg	11 mg	11mg	12mg	12mg	12mg
Wastewater								
Miles of storm sewers	80	80	80	81	82	82	82	82
Miles of sanitary sewers	122	122	122	122	122	122	122	122
Opequon wastewater treatment capacity (2)	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	6.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd
Transit								
Minibuses	9	8	8	7	7	7	7	7
Trolleys	2	2	2	2	2	2	2	2
Vans	2	2	2	2	2	2	2	2
Schools								
Attendance Centers, Elementary	4	4	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1	1	1
Number of classrooms, Elementary	164	164	123	123	123	123	127	127
Number of classrooms, Middle	85	90	90	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95	95	95

Source: Various Departments in the City

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

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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 the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are further described in the accompanying schedule of findings and questions costs as items 13-1 and 13-2.**

City of Winchester's Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 19, 2013

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

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

Report on Compliance for Each Major Federal Program

We have audited the City of Winchester, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *OMB Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 19, 2013

CITY OF WINCHESTER, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2013

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements
Education
Social Services
Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

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

Name of Program	CFDA #
National School Breakfast Program	10.553
National School Lunch Program	10.555
Federal Transit- Capital Investment Grant	20.500
Federal Transit – Formula Grant	20.507
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Title I Grants to Local Educational Agencies	84.010
Disaster Grants – Public Assistance	97.036

8. The **threshold for** distinguishing Type A and B programs was **$308,434**.
9. The City of Winchester was **not** determined to be a low-risk auditee.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

13-1: Commonwealth of Virginia Disclosure Statements

Condition:

Thirteen out of thirty-seven members of City appointed governing bodies did not file statements of economic interest by the deadline as set forth by the *Code of Virginia*. In addition, the individual appointed interim Treasurer by the City Council in May 2013 did not file a statement of economic interest.

Recommendation:

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

Management's Response:

The auditee concurs with this recommendation.

13-2: Oasis Access

Condition:

We noted one social services employee out of five tested whose computer access form had not been reviewed since October 2010.

Recommendation:

Steps should be taken to ensure that all access forms are current and reviewed annually to ensure that each employee's access is properly aligned with current job responsibilities.

Management's Response:

The auditee concurs with this recommendation.

CITY OF WINCHESTER, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

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

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

Condition:

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

Recommendation:

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

Current Status:

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

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Agriculture			
Pass-through payments:			
Department of Social Services:			
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561		$ 356,006
Department of Corrections:			
National School Lunch Program	10.555		32,813
Commonwealth of Virginia Department of Agriculture and Consumer Services			
National School Lunch Program	10.555	1,038,054	
National School Lunch Program - Commodities	10.555	129,342	
School Breakfast Program	10.553	1,038,641	
Total School Lunch Cluster			2,206,037
Fresh Fruits and Vegetables	10.582		62,880
Total U.S. Department of Agriculture			2,657,736
U.S. Department of Homeland Security			
Pass-through payments:			
Department of Emergency Management:			
FEMA Disaster Assistance	97.036		589,321
Emergency Management Performance Grant	97.042		8,905
State Homeland Security Grant Program	97.073		43,394
Total U.S. Department of Homeland Security			641,620
U.S. Department of Housing and Urban Development			
Direct payments:			
Community Development Block Grants/Entitlement Grants	14.218		1,125,652
Total U.S. Department of Housing and Urban Development			1,125,652
Environmental Protection Agency			
Direct payments:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		422,448
Total Environmental Protection Agency			422,448
U.S. Department of Justice			
Direct payments:			
NVRDTF Gang Grant	16.580		75,657
COPS Hiring Recovery Program (CHRP) Grant	16.710		166,136
Pass-through payments:			
Department of Criminal Justice Services			
Crime Victim Assistance	16.575		75,032
Violence Against Women Formula Grant	16.588		17,175
Sexual Assault Services Grant	16.017		14,393
Edward Byrne Memorial Justice Assistance Grant Program:			
Byrne JAG Program	16.738		250
Law Enforcement Fitness Program	16.738		16,926
Total U.S. Department of Justice			365,569
National Endowment for the Arts			
Pass-through payments:			
Virginia Commission for the Arts			
Promotion of the Arts Partnership Agreements	45.025		5,000
Total National Endowment for the Arts			5,000
U.S. Department of Transportation			
Direct payments:			
Federal Transit - Capital Investment Grants	20.500	571,472	
ARRA - Federal Transit - Capital Investments Grants	20.507	78,220	
Federal Transit - Formula Grants	20.507	471,788	
Total Federal Transit Cluster			1,121,480
Pass-through payments:			
Virginia Department of Motor Vehicles			
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	25,057	
Virginia Department of Transportation			
Highway Planning and Construction	20.600	16,503	
State and Community Highway Safety	20.607	13,306	
Total Highway Safety Cluster			54,866
Total U.S. Department of Transportation			1,176,346

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Education			
Direct payments:			
McKinney-Vento Education for Homeless Children & Youth	84.387		$ 21,168
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I - Grants to Local Educational Agencies	84.010		943,218
Special Education - Grants to States	84.027	822,076	
Special Education - Preschool Grants	84.173	30,386	
Total Special Education Cluster			852,462
21st Century Community Learning Centers	84.287		219,288
English Language Acquisition Grants	84.365		90,844
Improving Teacher Quality State Grants	84.367		186,266
Vocational Education - Basic Grants to States	84.048		78,426
Education Jobs Fund Grant	84.410		-
Department of Behavioral Health and Developmental Services			
Early Intervention	84.181		172,312
Total U.S. Department of Education			2,563,984
Department of Health and Human Services:			
Pass-through payments:			
Department of Human Services:			
Promoting Safe and Stable Families	93.556		15,790
Temporary Assistance to Needy Families	93.558		358,246
Refugee and Entrant Assistance	93.566		1,453
Low Income Home Energy Assistance	93.568		19,316
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		49,875
Chafee Education and Training Vouchers Program	93.599		2,282
Child Welfare Services	93.645		1,355
Foster Care - Title IV-E	93.658		251,065
Adoption Assistance	93.659		193,146
Social Service Block Grant	93.667		197,725
Chafee Foster Care Independence Program	93.674		6,860
Medical Assistance Program	93.778		216,857
State Children's Insurance Program	93.767		8,811
Total U.S. Department of Health and Human Services			1,322,781
Total Expenditures of Federal Awards			$ 10,281,136

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

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

Note 2: Non-Cash Assistance

The City of Winchester participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity distributions of $129,342 from the National School Lunch Program.

Note 3: Loan Program

Included in the Schedule of Expenditures of Federal Awards are loan proceeds obtained through the Housing and Urban Development Fund in the total amount of $1,000,000. The loan is through the Community Development Block Grant Program, CFDA number 14.218.