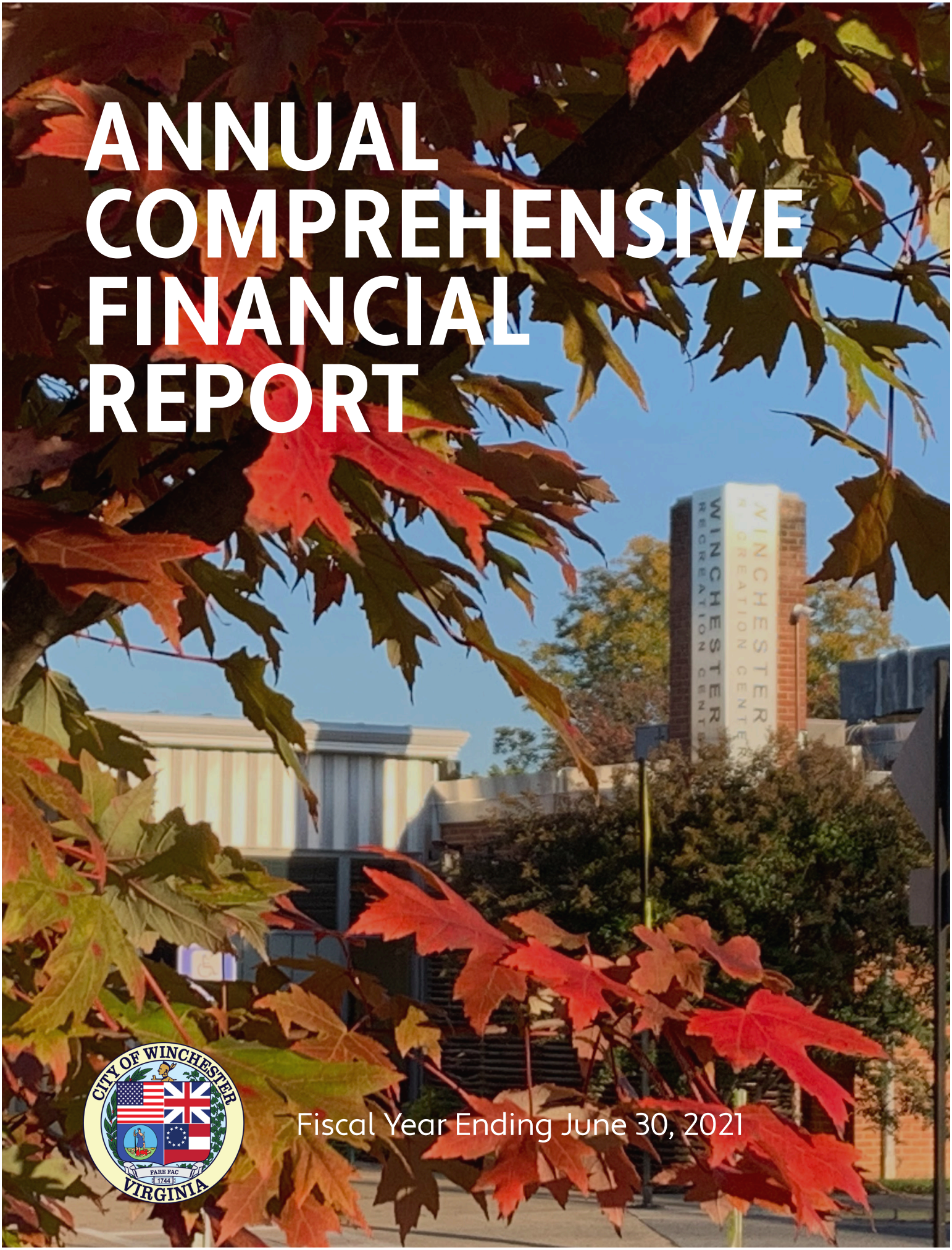
ANNUAL COMPREHENSIVE FINANCIAL REPORT



Fiscal Year Ending June 30, 2021

CITY OF WINCHESTER, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

Prepared by:

City of Winchester, Virginia
Finance Department

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CITY OF WINCHESTER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

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CITY OF WINCHESTER, VIRGINIA

THE COMMON COUNCIL

John D. Smith, Jr., Mayor & President
Kim M. Herbstritt, Vice President
John W. Hill., Vice Mayor

Evan H. Clark
Corey S. Sullivan
Phillip L. Milstead

Judith A. McKiernan
Les C. Veach
Richard S. Bell

OFFICIALS

Daniel C. Hoffman, City Manager
Mary M. Blowe, Deputy City Manager/CFO
Kerri A. Mellott, Deputy Clerk of Council

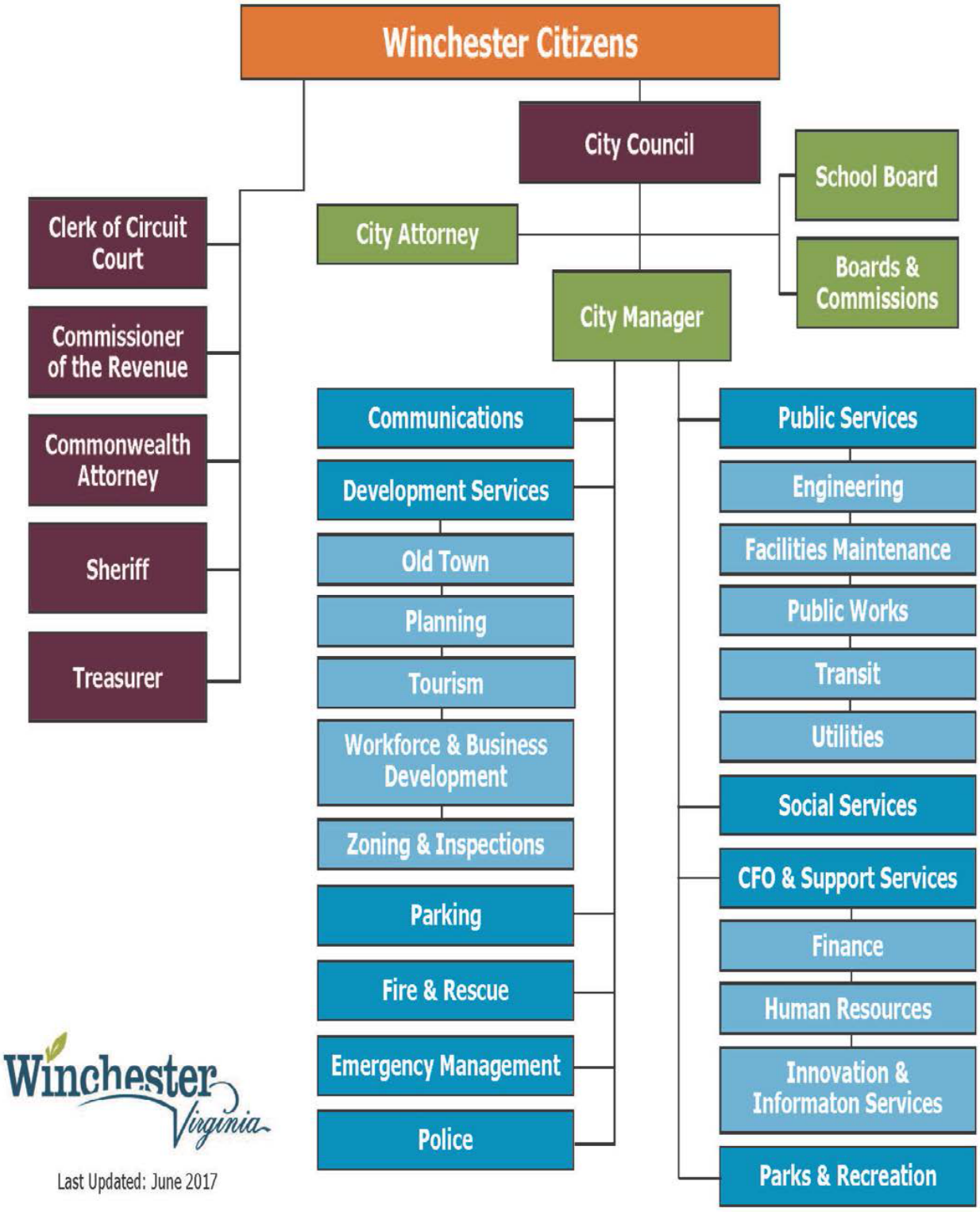
CONSTITUTIONAL OFFICERS

Leslie R. Taylor, City Sheriff
Jeffrey L. Barbour, City Treasurer
William D. Gardner, Clerk of the Circuit Court
Ann T. Burkholder, Commissioner of Revenue
Heather D. Hovermale, Commonwealth's Attorney

OTHER OFFICIALS

Melisa G. Michelsen	City Attorney
Amy L. Simmons	Communications Director
Shawn P. Hershberger	Development Services Director
Paula A. Nofsinger	Director of Human Resources
Celeste R. Broadstreet	Finance Director/Real Estate Administrator
Jonathan D. Henschel	Fire and Rescue Chief
Tyler B. Schenck	Innovation and Information Services Director
Christopher A. Konyar	Parks & Recreation Director
Timothy A. Youmans	Planning Director
Patrick S. Elwell	Acting Zoning Administrator
John R Piper	Police Chief
Perry A. Eisenach	Public Services Director
Amber D. Dopkowski	Social Services Director
Dr. Jason Van Heukelum	Superintendent of Schools
Justin R. Kerns	Executive Director, Win-Fred Co. Convention & Visitor's Bureau
David W. Parker	Building Official
Elizabeth W. Martin	Voter Registrar

City of Winchester
Organizational Chart



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November 24, 2021

To the Honorable Mayor and Members of the City Council
To the Citizens of the City of Winchester
Winchester, Virginia

Ladies and Gentlemen:

The Annual Comprehensive Financial Report (ACFR) of the City of Winchester, Virginia for the fiscal year ended June 30, 2021 is submitted herewith pursuant to Sections 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, 2021. 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 Uniform Guidance. 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 resident population of approximately 28,705. 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, MD, 97 miles away. As a regional employment and health care center, the City's daytime population increases to approximately 45,000.

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 serving 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 Council elects one of the councilors to serve as President for a two-year term. 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; 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 ACFR 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 Winchester Parking Authority was created at the request of the City of Winchester under Chapter 221 the 1964 Acts of the Virginia General Assembly on March 27, 1964 as a public body and body politic and corporate to acquire, construct, reconstruct, equip, improve, extend, enlarge, maintain, repair and operate off-street parking facilities; providing for the issuance of revenue bonds of the Parking Authority, payable solely from revenues; to pay all or any part of the cost of such parking facilities; providing for the imposition and collection of rates, rentals, fees, and charges for the use of and for the services furnished by the parking facilities; authorizing the issuance of revenue refunding bonds; and prescribing the powers and duties of the Authority in connection with the parking facilities and adjoining areas. All members of the WPA are appointed by the City's Common Council.

- Winchester School Board (Board): The Board was created by Common Council in accordance with Article VIII, Section 7 of the Virginia Constitution and Section 14.01(A) of the Winchester City Charter as a public body corporate. Pursuant to the foregoing, the Board is vested with the authority to supervise the City's publicly funded primary and secondary school system. The Board is authorized to oversee the operation and management of the City's public schools and receives annual appropriations in furtherance of these efforts from Common Council and other funding sources. In November 2019 the residents of Winchester voted via a referendum to transition from an appointed School Board to one that is elected. Four of the seats were elected in November 2020 and the remaining seats will be elected in November of 2022.

Profile of the City of Winchester (Continued)

Financial activities of the following joint ventures and other related organizations are not included in the ACFR, 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 annual 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, recreational, industrial, and medical center serving a 75-mile radius. Because of the City's position as a regional economic center and its extensive highway system, the City's workforce 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, as well as an emerging presence of information technology opportunities.

The City's largest employer is Valley Health Systems, which owns and operates the Winchester Medical Center and five smaller primary care hospitals in the region along with other related services such as urgent care clinics, home health services, a childcare facility, and transport services. A level II trauma center and level III Neonatal Intensive Care Unit (NICU), the Winchester Medical Center is a non-profit, regional referral hospital, serving the tri-state region surrounding the city. The 495-bed facility, which has recently finalized a medical office building expansion and renovation to accommodate additional medical specialties, offers a full range of inpatient and outpatient diagnostic, medical, advanced surgical options, and rehabilitative services.

Located within 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 over 4,000 students. These students participate in more than 200 areas of study at the bachelor's, master's, and doctoral degree levels, as well as through undergraduate and graduate certificates, across six schools: College of Arts and Sciences, School of Business, Shenandoah Conservatory, Bernard J. Dunn School of Pharmacy, Eleanor Wade Custer School of Nursing, and School of Health Professions. The University has continued to grow academic offerings and has recently become one of the first universities to offer bachelor's degrees in virtual reality design and esports management, as well as the state's oldest music therapy program. Despite the impact of COVID-19 on higher education, Shenandoah University has seen their largest freshman enrollment class in their history in 2020 and have taken steps to expand their residential offerings.

Local Economy (Continued)

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 sells 100LL and Jet-A aviation fuel. 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 improvements of the airport.

The City's commercial tax base accounts for 34.4% 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 Belk, J.C. Penney's, and AMC Theatres as its anchors, along with over 80 stores, specialty merchants and restaurants, including a newly opened Men's Warehouse clothing store. Plazas such as Apple Blossom Corners, Winchester Crossing, Winchester Station and Winchester Plaza house Martin's, Staples, Hobby Lobby, Kohl's, HomeGoods, Books-A-Million, Michael's, Old Navy, Bed Bath and Beyond, Dick's Sporting Goods, Planet Fitness and Kirkland's. Also, serving the area are a Wal-Mart Supercenter, Lowe's, Home Depot, Target, and T.J. Maxx. The Old Town Mall, a pedestrian mall in the City's downtown, offers a wide range of boutiques, specialty shops and restaurants and is often viewed as the cultural center of the community. There are also several anchorless retail centers and one lifestyle center that house Ann Taylor Loft, Talbots, J. Jill, Jos A Bank Clothier, and other high-end retail stores. The city is also 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. In addition to retail, hospitality and office space, the City is home to several large manufacturing companies including Continental AG, National Fruit Company, Rubbermaid Commercial Products, and Trex Corporation. These companies provide over 1,400 jobs to Winchester.

The City's Development Services Team and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development and growth within Winchester. In 2016, the EDA acquired the Winchester Towers property (a 35,000 square foot building and parking lot) at 200 North Cameron Street for the purpose of demolishing the structure and pursing redevelopment. Currently, the EDA is working with Lynx Ventures LLC on the redevelopment of the property and neighboring properties into a mixed-use project with 175 residential units, structured parking facility, and commercial opportunities. This property has recently been sold by the EDA to Lynx Development. The EDA has also acquired and demolished the structures on 6 lots at the corner of Kent and Piccadilly Streets; the property is proposed to be developed into 16 for sale townhomes by the Aikens Group. Also, through Enterprise Zone designation by the Virginia Department of Housing and Community Development, the EDA has created a valuable and comprehensive incentive package that facilitates the startup and expansion of Winchester businesses. Recently, the Enterprise Zone was utilized to encourage an $11.0 million expansion of Continental AG, adding 67 new manufacturing jobs; the creation of an apple pressing facility investment valued at over $1 million and creating 4 new jobs; as well as securing the recent commitment of a $35.0 million investment from TFC Poultry and creation of 111 new jobs as part of establishing their first East Coast facility. Outside of the Enterprise Zone, the City has been actively supportive of new, expanding, and relocating businesses as well; the most prominent example being successfully securing the location of the new headquarters for Trex Corporation, this will relocate nearly 200 employees into the City of Winchester and result in a roughly $15.0 million investment.

Local Economy (Continued)

In addition, the City's Old Town Advancement Commission (OTAC) continues to successfully market the City's downtown. Despite the economic impacts felt due to the COVID-19 pandemic, new businesses continue to locate downtown, while many existing businesses have continued to thrive due to adapting their business models. The OTAC administers the Main Street Program, focused 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 OTAC have earned 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. Emerging from the effects of the COVID-19 pandemic, the downtown is seeing redevelopment projects occurring in both the primary and secondary district, with high levels of occupancy being maintained.

Long-term Financial Planning

Unassigned fund balance in the general fund (23.5% of General Fund expenditures) exceeds the policy guidelines set by Council for planning purposes. Twenty percent is the adopted minimum target for the City's General Fund balance. Amounts that exceed 25% are transferred to the capital reserve account up to the funding maximum of $2.0 million, as currently established by City Council.

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 2041. Factored into the financial planning model are anticipated future major capital projects. The City is planning for several road improvement projects that will leverage state revenue sharing funds and general obligation bonds. School projects include the renovation of and addition to the Historic Douglas School to convert it to the Winchester Public School central office and community meeting space, scheduled to be completed in the summer/fall of 2022. This project is partially funded through the issuance of a $21.0 million general obligation bond, and partially through fundraising by the Winchester Educational Foundation. Winchester Public Schools projects that enrollment will remain flat with a possible slight decrease by 2023-2024 to an anticipated total enrollment of over 4,100. Current educational facilities are adequately sized at the elementary level, and the opening of the Shihadeh Innovation Center has alleviated any high school overcrowding, but middle school level assets will be slightly strained by student enrollment in grades 5-8. 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 (updated in August 2016), 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. Hope Drive Extension

Construction on this $8.4 million project started in January 2021 and is expected to be completed by July 2022. One-half of the costs of this project will be paid for using VDOT Revenue Sharing funds. The project consists of extending Hope Drive east over the railroad tracks, realigning Papermill Road, and terminating Tevis Street west of the railroad tracks.

B. Valley Avenue Drainage and Sidewalk Improvements

Construction on this $8.9 million project also started in January 2021 and is expected to be completed by July 2022. The project will correct the significant drainage problem near the intersection of Valley/Tevis and will also install sidewalks on both sides of the roadway where none currently exist. One-half of the costs of the drainage and sidewalk improvements will also be paid for using VDOT Revenue Sharing funds.

C. Sidewalk Improvements

Making improvements to sidewalks is one of the highest priorities for City Council and the residents of Winchester. The existing Sidewalk Master Plan will be revised in 2022 that will prioritize sidewalk improvements that will be made throughout the City the next several years.

D. Green Circle Trail

The City continues to work towards completing the Green Circle Trail. Construction on the section of the trail along Jubal Early between just west of Harvest Drive and just east of Valley Avenue was completed over the summer. In addition, the City has been awarded $3.1 million in Smart Scale funds and an additional $1.0 million in Revenue Sharing funds from VDOT to complete the final section of the trail along Jubal Early between Plaza Drive and Millwood Avenue and the process to select the final route through this area has been initiated.

E. Wentworth Drive Improvements

The City received $450,000 in federal funds through VDOT to construct new sidewalks along Wentworth Drive as part of the Safe Routes to School program. Following delays due to COVID-19, the construction of this project has been successfully completed.

F. North Cameron Street Drainage Improvements

This project will consist of improvements necessary to alleviate significant flooding that occurs along N. Cameron Street north of Piccadilly Street. The City has purchased property near the intersection of Wyck/Fairmont and is working on obtaining some additional property adjacent to the CSX railroad tracks to construct landscaped, stormwater management ponds that will hold runoff after large rain events and release it slowly into the City's stormwater system. The estimated total cost of this major project is over $14.0 million and will take multiple years to complete.

<u>Major Initiatives</u> (Continued)

G. Utility Infrastructure Improvements

Work has started on multiple utility projects that will be completed in the next few years and are being paid for by the Utility fund. These projects are necessary to replace old infrastructure and include the following:

1. Water and sewer main replacements. Work was completed this past year on N. Loudoun Street between Fairfax and Wyck and Amherst Street between Braddock and Boscawen.
2. Replacement of all 3/4-inch and 1-inch water meters in the system. Work was successfully completed this past year following approximately 3 years of construction.
3. Sewer pump station replacements. Construction is in progress on two different pump stations that should be completed in early 2022.
4. Improvements at the water treatment plant. The repairs to the wall along the river adjacent to the City's water intake have been completed.
5. New maintenance facility at City Yards. Construction is in progress and is expected to be completed in the summer of 2022.

<u>Awards and Acknowledgment</u>

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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the twenty-nineth consecutive 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 annual comprehensive 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 that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to 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,

Daniel C. Hoffman
City Manager

Mary M. Blowe
Deputy City Manager/CFO

Celeste R. Broadstreet
Financial Services 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, 2020

Christopher P. Morrill

Executive Director/CEO

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City") as of and for the year ended June 30, 2021, 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 opinions 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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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
1909 Financial Drive • 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 of Winchester, Virginia, as of June 30, 2021, 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 accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, the City adopted GASB Statement No. 84, *Fiduciary Activities,* during the fiscal year 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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 basic financial statements. The introductory section, other supplementary information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 24, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 24, 2021

City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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, 2021. 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 and deferred outflows of resources of the City of Winchester, on a government-wide basis excluding component unit, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2021 by $104.3 million (net position).
- The City's total net position decreased approximately $5.0 million over the course of this year's operations. Net position of governmental activities decreased $5.0 million, and net position of business-type activities remained the same as the prior year.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $33.9 million, an increase of $3.4 million over the prior year. Approximately 60.4% of this amount, $20.5 million, is available for spending at the government's discretion (unassigned fund balance).
- As of the close of the current fiscal year, the City's general fund unassigned fund balance was $21.1 million. This amount represents 23.5% of total general fund expenditures.
- The City's total debt increased by $32.5 million, or 15.6%. The City's general obligation bond debt increased $4.7 million and revenue bond debt increased $28.2 million from the prior year.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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.

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).

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

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; community development; and recreation and cultural. The business-type activities of the City include water and sewer 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 nine governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and capital projects fund, which are considered major funds. 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.

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 and equipment maintenance operation. Because these two functions predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Overview of the Financial Statements (Continued)

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 18 - 94 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 95 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 $104.3 million at the close of fiscal year 2021.

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.

Governmental activities. As shown in Table 1, net position for governmental activities decreased from $32.1 million at the end of FY 2020 to $27.1 million ($5.0 million decrease) at the end of FY 2021. This decrease is attributed mainly to the increase in long-term debt. The City issued new debt in FY 2021 of $14.6 million thereby increasing the overall general obligation debt liability.

Government-wide Financial Analysis (Continued)

In FY 2015, the City began complying with the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This standard requires the City for the first time to report a net pension liability for the Defined Benefit Pension Plan that is offered to City employees. For detailed information on the Defined Benefit Pension Plan see Note 11, page 52. In addition, in FY 2018 the City began complying with GASB Statements No. 74 and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the City for the first time to report a net Other Postemployment Benefits (OPEB) liability for its cost sharing defined benefit healthcare plan offered to eligible retirees and other OPEB plans offered employees through the Virginia Retirement System see Note 13, page 66. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

Table 1
City of Winchester's Net Position
Fiscal Year ended June 30, 2021

(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Assets								
Current and other assets	$ 53.5	$ 45.0	$ 34.3	$ 18.4	$ 87.8	$ 63.4	$ 25.9	$ 20.9
Capital assets	104.5	103.2	210.0	194.9	314.5	298.1	129.0	119.2
Total Assets	158.0	148.2	244.3	213.3	402.3	361.5	154.9	140.1
Deferred Outflows of Resources								
Deferred charge on refunding	2.3	3.4	1.7	0.6	4.0	4.0	-	-
Pension related deferred outflows	7.6	4.7	0.7	0.3	8.3	5.0	13.0	9.8
Other postemployment benefit related deferred outflows	3.8	3.2	0.2	0.2	4.0	3.4	1.1	1.0
Total Deferred outflows of resources	13.7	11.3	2.6	1.1	16.3	12.4	14.1	10.8
Liabilities								
Current and other liabilities	12.3	6.3	7.3	4.3	19.6	10.6	8.3	6.9
Long-term liabilities	128.9	117.6	162.3	132.8	291.2	250.4	61.9	56.3
Total Liabilities	141.2	123.9	169.6	137.1	310.8	261.0	70.2	63.2
Deferred Inflows of Resources								
Property taxes collected in advance	1.2	1.1	-	-	1.2	1.1	-	-
Pension related deferred inflows	0.1	1.3	-	0.1	0.1	1.4	4.7	6.3
Other postemployment benefit related deferred inflows	2.1	1.1	0.1	-	2.2	1.1	0.4	0.6
Total Deferred inflows of resources	3.4	3.5	0.1	0.1	3.5	3.6	5.1	6.9
Net Position								
Net investment in capital assets	79.6	74.7	73.1	67.2	152.7	141.9	129.0	119.2
Restricted	0.3	0.1	-	-	0.3	0.1	6.4	6.9
Unrestricted	(52.8)	(42.7)	4.1	10.0	(48.7)	(32.7)	(41.7)	(45.3)
Total Net Position	**$ 27.1**	**$ 32.1**	**$ 77.2**	**$ 77.2**	**$ 104.3**	**$ 109.3**	**$ 93.7**	**$ 80.8**

Government-wide Financial Analysis (Continued)

In addition, since the GASB 34 implementation the City 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 ($63.4 million) were not presented in Table 2, the net position for the governmental activities would be $90.5 million and the total net position for the primary government would be $167.7 million.

Table 2
Changes in the City of Winchester's Net Position
Fiscal Year ended June 30, 2021
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenues								
Program Revenues								
Charges for services	$ 4.1	$ 5.1	$ 31.1	$ 31.1	$ 35.2	$ 36.2	$ 0.6	$ 0.7
Operating grants and contributions	22.8	18.3	0.4	0.2	23.3	18.5	36.8	32.3
Capital grants and contributions	1.6	2.2	0.4	2.7	2.0	4.9	1.0	0.9
General Revenues								
Property taxes	47.0	46.2	-	-	47.0	46.2	-	-
Sales taxes	10.8	9.7	-	-	10.8	9.7	-	-
Other taxes	22.9	22.4	-	-	22.8	22.4	-	-
Grants and contributions not restricted to specific programs	3.1	3.1	-	-	3.1	3.1	-	-
Unrestricted investment earnings	-	0.2	0.1	0.4	0.1	0.6	0.1	0.2
Other	-	-	-	0.1	-	0.1	42.0	40.8
Total revenues	**$ 112.3**	**$ 107.2**	**$ 32.0**	**$ 34.5**	**$ 144.3**	**$ 141.7**	**$ 80.5**	**$ 74.9**
Expenses								
General government administration	7.7	7.0	-	-	7.7	7.0	-	-
Judicial administration	5.0	4.8	-	-	5.0	4.8	-	-
Public safety	27.6	25.2	-	-	27.6	25.2	-	-
Public works	12.7	13.1	-	-	12.7	13.1	-	-
Health and welfare	11.8	10.9	-	-	11.8	10.9	-	-
Education	41.9	40.9	-	-	41.9	40.9	68.4	65.1
Parks, recreation and culture	6.2	5.6	-	-	6.2	5.6	-	-
Community development	3.1	1.9	-	-	3.1	1.9	-	-
Interest on long-term debt	2.8	3.1	-	-	2.8	3.1	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Water and sewer	-	-	30.5	27.0	30.5	27.0	-	-
Total expenses	**118.8**	**112.5**	**30.5**	**27.0**	**149.3**	**139.5**	**68.4**	**65.1**
Increase (decrease) in net position before transfers	**(6.5)**	**(5.3)**	**1.5**	**7.5**	**(5.0)**	**2.2**	**12.1**	**9.8**
Transfers	1.5	1.4	(1.5)	(1.4)	-	-	-	-
Increase (decrease) in net position	**(5.0)**	**(3.9)**	**-**	**6.1**	**(5.0)**	**2.2**	**12.1**	**9.8**
Net position - beginning	**32.1**	**36.0**	**77.2**	**71.1**	**109.3**	**107.1**	**81.6**	**71.0**
Net position - ending	**$ 27.1**	**$ 32.1**	**$ 77.2**	**$ 77.2**	**$ 104.3**	**$ 109.3**	**$ 93.7**	**$ 80.8**

Government-wide Financial Analysis (Continued)

As shown in Table 2, the City's revenues from governmental activities totaled $112.3 million for FY 2021, an increase of $5.1 million from FY 2020. The largest increase was in operating grants and contributions totaling $4.5 million from the prior year due to the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act grant to help mitigate and respond to the COVID-19 pandemic. Sales taxes increased $1.1 million and property taxes increased $0.8 million from the prior year due to the City's economic base which has remained strong and is recovering with the easing of COVID-19 pandemic restrictions and shut downs.

Capital grants and contributions decreased $0.6 million due to the completion of several public works projects including the new Fire Burn Building and road improvement projects.

Winchester's general revenues increased by $2.2 million from the prior year including a $1.6 million increase in local taxes, including sales, hotel and meals taxes due to the easing of COVID-19 restrictions. Property taxes increased by $0.8 million; this continues the trend of steady growth in local revenues based on a strong local economy. Governmental activities expenditures increased by $6.3 million from the prior year, including $1.0 million in education expenses for school operations. Public safety increased by $2.4 million, general government increased by $0.7 million, parks, recreation and culture increased by $0.6 millions mainly from the CARES Act funding to respond to and mitigate the COVID-19 impacts, including a new fire training facility, upgrades to the Emergency Communications Center, improved teleworking capabilities, and improved employee safety measures. Community Development increased by $1.2 million primarily due to the CARES Act funding allocated for small businesses grants to help mitigate the negative economic impacts due to the COVID-19 pandemic.

As shown in Figure A, the City received 71.8% of its revenue from taxes. The major source of revenue for the City was property taxes ($47.0 million or 41.9%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for the 2021 reassessment increased by approximately 6.1% from the prior reassessment year. The increase in property tax revenues is due to the biennial reassessment of real property. The City's real property tax rate remained unchanged from the prior year at $0.93 per $100 of assessed values (effective January 1, 2021). The City revalues real property every two years. The increase is real property values is another strong indicator of the City's continuing growth. Other tax revenues (sales and other taxes) increased $1.6 million from the prior year, due to the easing of the pandemic restrictions.

The City's expenses from governmental activities totaled $118.8 million (Table 2) for the fiscal year ended June 30, 2021, an increase of $6.3 million from the prior year. As shown in Figure B, education was the largest expense at $41.9 million or 35.3% of total governmental expenses. Public safety was the second largest expense at $27.6 million or 23.2% of total governmental expenses.

Government-wide Financial Analysis (Continued)

Figure A
Revenues by Source – Governmental Activities

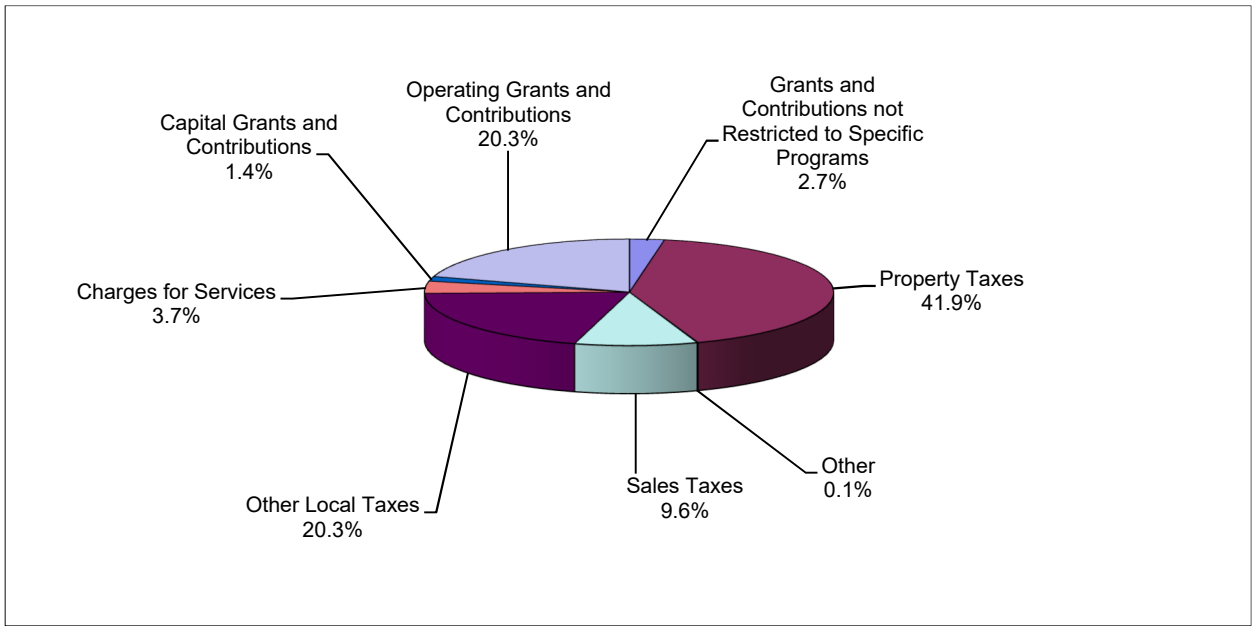
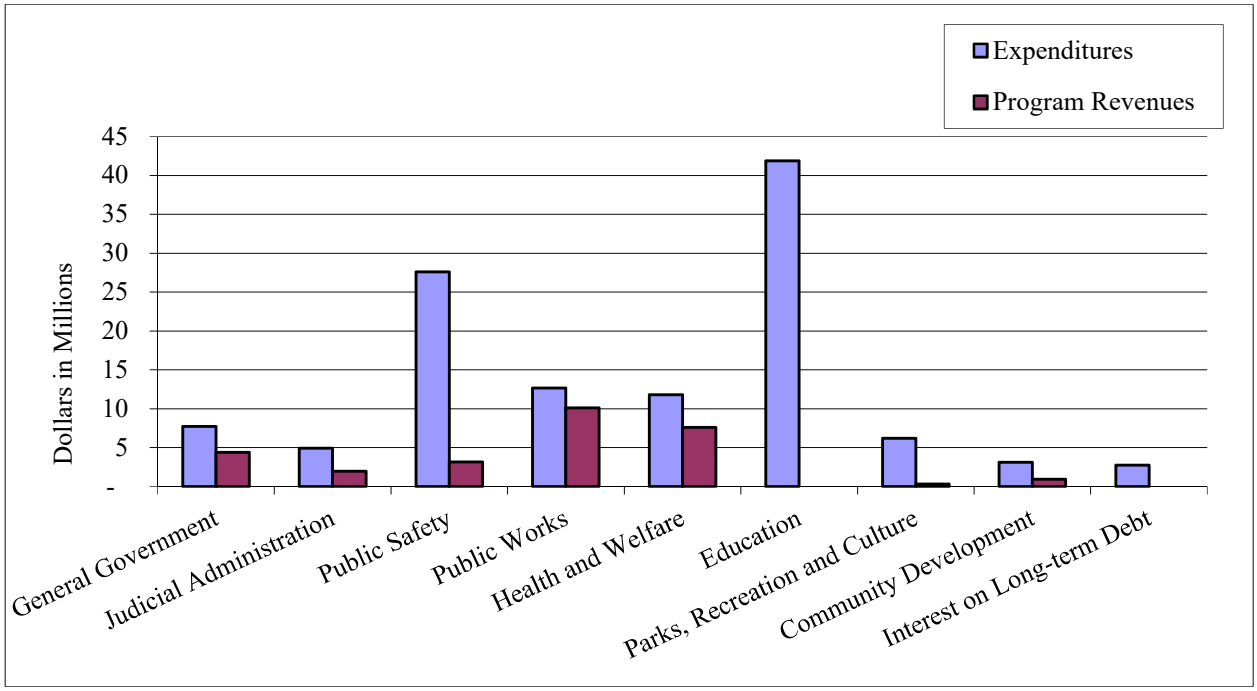


Figure B
Expenses and Program Revenues – Governmental Activities



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 $77.2 million (Table 2) same as the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility fees, which totaled $31.1 million or 97.1% of the total revenues for business-type activities, which is comparable to the prior year. Expenses of the business-type activities totaled $30.5 million (Table 2) an increase from the prior year of $3.5 million. This increase in expenses is mainly due to the debt service payments to support the upgrades to the City's aging water and sewer infrastructure.

Figure C
Revenues by Source – Business-type Activities

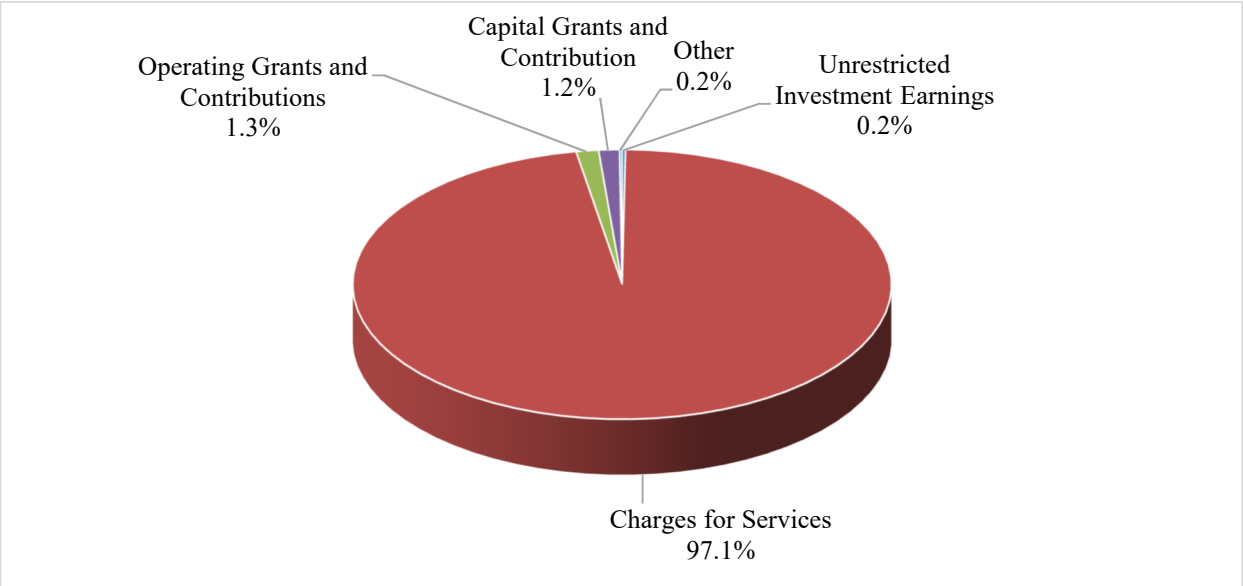
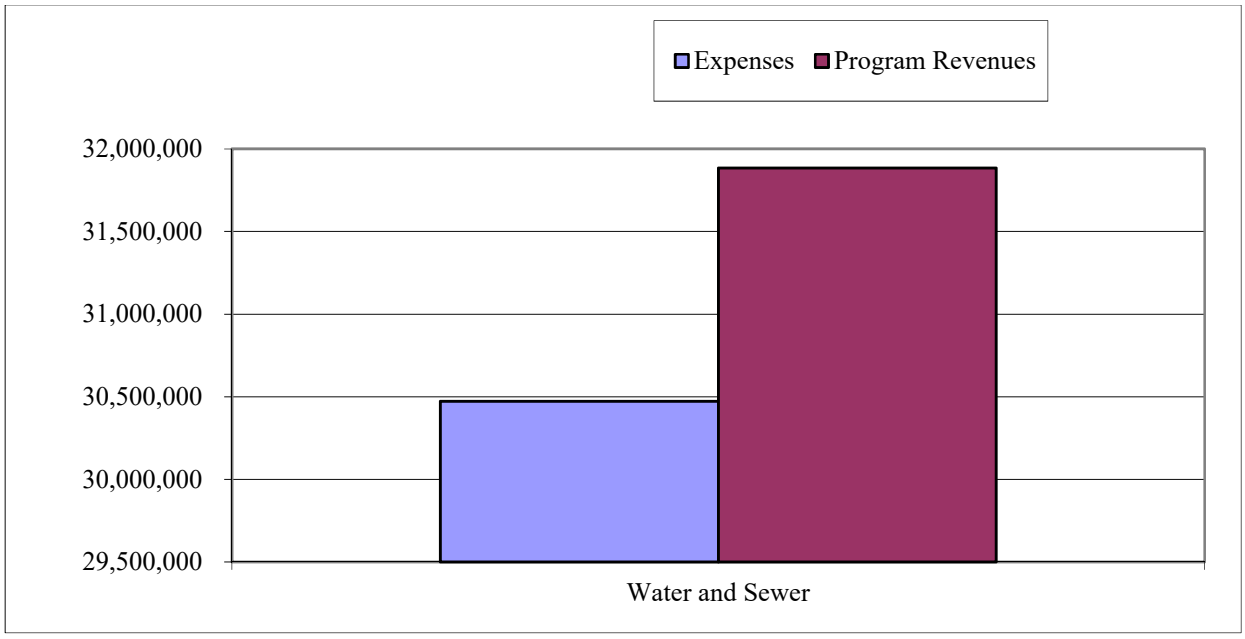


Figure D
Expenses and Program Revenues – Business-type Activities



Government-wide Financial Analysis (Continued)

School Board activities. The net position of the School Board totaled $93.7 million (Table 1). School Board revenues (Table 2) increased by $5.6 million (7.5%), mainly due to a $4.5 million increase (13.9%) in operating grants and contributions, including federal funds for COVID-19 response and mitigation. Overall, School Board expenses increased $3.3 million (5.1%), mainly due to salary increases for teachers to ensure the school system stays competitive with neighboring school systems.

Financial Analysis of the City's Funds

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

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

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

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

For the fiscal year ended June 30, 2021, the City's governmental funds reported combined fund balances of $33.9 million, an increase of $3.4 million in comparison with the prior year. Approximately $20.5 million of the combined total fund balances constitutes unassigned fund balance, which is generally available for spending at the City's discretion.

General Fund. The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2021, the unassigned fund balance of the general fund was $21.1 million, while total fund balance reached $26.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents 23.5% (25.3% in the prior year) of total general fund expenditures, the decrease is due to the planned use of fund balance for one-time capital projects in FY 2021. Total fund balance represents 29.1% (30.9% in the prior year) of general fund expenditures.

Financial Analysis of the City's Funds (Continued)

Total fund balance in the general fund decreased by $0.1 million during the current fiscal year due to the planned use of fund balance for several capital improvement projects. Total revenues increased $4.3 million or 4.8% over the prior year. Real property taxes increased $0.7 million (2.2%), due to an increase in the real property assessment values. Personal property taxes remained comparable with the prior year. Other local taxes increased by $1.5 million (4.8%) from the prior year, including sales, meals and hotel taxes. Sales and use taxes increased $1.1 million (11.4%), hotel taxes decreased by $0.1 million (14.4%) and meals taxes increased $0.8 million (9.3%) while business license taxes decreased $0.2 million (2.5%) compared to the prior year. In addition, charges for services decreased $0.2 million or 18.5% from the prior year primarily due to the decrease in park and recreation activities because of the pandemic.

Total expenditures increased $4.9 million or 5.7% as compared to the prior year, mainly due to the Federal CARES Act funding used to respond to and mitigate the negative effect of the COVID-19 virus. The City carried forward the following strategies from FY 2020 to control expenses, a hiring freeze on non-public safety positions, suspension of all travel (unless required), and a delay of projects that had not already started, unless they impacted the safety or security of our citizens. General government expenditures increased by $0.6 million or 8.5% compared to the prior year. Judicial administration expenditures remained comparable with the prior year. Public safety expenditures increased by $1.7 million or 7.6% compared to the prior year. Public works expenditures increased by $0.7 million or 17.1% compared to the prior year. Education decreased by $0.4 million or 1.4% compared to the prior year. Parks, recreation, and culture, and community development combined for an increase of $1.3 million or 28.5% over the prior year. Debt service payments increased by $0.5 million (4.2%) due to the refunding existing debt.

Capital Improvements Fund. The Capital Improvements Fund has a total fund balance of $6.8 million, of which the entire amount is either restricted or committed for various projects. Revenue totaled $4.3 million, of which $3.4 million was intergovernmental revenue. Intergovernmental revenue included $2.7 million in funding from the state for road improvement projects, and $0.7 million in federal funding for road improvement projects. Other financing sources included $2.3 million transfer from the general fund and $17.2 million in bond proceeds. Expenditures totaled $20.3 million, of which the most significant included $11.9 million for school construction, $4.0 million for road improvement projects, $1.3 million for renovations to the Handley Library, $1.8 million for the Museum of the Shenandoah Valley Trails project (pass-thru funding), in addition to sidewalks and the Green Circle Trail project.

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, 2021, amounted to $4.3 million, a decrease of $5.9 million from the prior year, mainly due to an increase in bonds payable.

General Fund Budgetary Highlights

City Council revised the City budget four times 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 $6.8 million, mainly due to federal CARES Act funding and school excess funds for capital improvement from FY 2020.

General Fund Budgetary Highlights (Continued)

Actual revenues were more than final budget amounts by $2.0 million, and actual expenditures were $3.6 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Other local taxes were more than budget by $1.7 million due to the sales and meals tax collections increasing due to the relaxing of COVID-19 restrictions.
- Revenues from general property taxes were $1.1 million more than budgeted amounts mainly due to an increase assessment values for the real property taxes.
- Revenues from use of money and charges for services revenues were $0.6 million less than budgeted amounts due to decline in recreation fees due to COVID-19 and low interest earnings on investments.
- Actual combined general government, public safety and community development expenditures were $0.7 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies and the cost reduction strategies the City implemented due to COVID-19.
- Actual combined judicial administration, public works, and health and welfare expenditures were $0.3 million more than budgeted amounts resulting primarily from costs associated with the response and mitigation of the COVID-19 virus.
- Parks, recreation and cultural expenditures were $0.6 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies and the cost reduction strategies the City implemented due to COVID-19
- Education expenditures were $2.4 million less than budgeted amounts primarily from savings in personnel and operating costs by the Winchester Public Schools.

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, 2021, amounts to $314.5 million net of depreciation, which represents an increase of $16.4 million, or 5.5% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 7 to the financial statements.

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

- Sidewalk and curb improvements totaled $0.4 million
- Jim Barnett ball field improvements for $0.7 million.
- Replacement of public safety and public works equipment totaled $0.9 million.
- Parking garages automation improvements totaled $0.6 million
- Replacement of a water storage tanks totaled $4.0 million

Capital Assets and Debt Administration (Continued)

Table 3 summarizes the City's capital assets as of June 30, 2020 and 2021.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2021

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Land	$ 7,480,583	$ 7,480,583	$ 1,201,485	$ 1,201,485	$ 8,682,068	$ 8,682,068
Construction in progress	9,728,911	5,547,867	25,555,511	8,518,229	35,284,422	14,066,096
Buildings	31,302,339	31,793,255	-	-	31,302,339	31,793,255
Treatment plants	-	-	40,631,414	37,567,661	40,631,414	37,567,661
Improvements other than buildings	10,239,773	9,977,583	891	1,346	10,240,664	9,978,929
Infrastructure	35,884,452	37,527,992	96,213,413	97,880,518	132,097,865	135,408,510
Machinery & Equipment	9,896,653	10,868,095	18,193,334	19,125,863	28,089,987	29,993,958
FWSA purchased capacity	-	-	28,221,071	30,636,769	28,221,071	30,636,769
Total Capital Assets	**$ 104,532,711**	**$ 103,195,375**	**$210,017,119**	**$194,931,871**	**$ 314,549,830**	**$ 298,127,246**

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of $240.7 million for the fiscal year ended June 30, 2021, an increase of $32.5 million from the fiscal year ended June 30, 2020. This entire amount is backed by the full faith and credit of the City, with $149.8 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2021, the City's outstanding general bond obligation increased by $4.7 million, including the new issuance of $44.4 million in general obligation bonds and the retirement of $39.7 million general bond obligations due to the scheduled retirement of principal and bond refunding. The business-type activities obligations payable amount decreased by $0.3 million. The revenue bonds payable amount increased by $28.1 million, including the new issuance of $32.6 million and the retirement of $4.5 million in revenue bonds. The City's Water and Sewer Fund continues to upgrade the City's aging water and sewer system. Projects include water line replacements, sewer pump station replacements, upgrades to the Percy D. Miller Water Treatment plant, and a new Maintenance Facility. More detailed information regarding the City's long-term debt can be found in Note 9 to the financial statements.

Table 4
City of Winchester's Outstanding Debt
Fiscal Year ended June 30, 2021

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
General Obligation Bonds	$ 90,544,678	$ 84,695,772	$ 5,360,322	$ 6,469,228	$ 95,905,000	$ 91,165,000
Revenue Bonds	-	-	110,668,679	82,503,354	110,668,679	82,503,354
Obligations payable	400,000	600,000	33,808,488	33,967,211	34,208,488	34,567,211
Total Outstanding Debt	**$ 90,944,678**	**$ 85,295,772**	**$ 149,837,489**	**$ 122,939,793**	**$ 240,782,167**	**$ 208,235,565**

Capital Assets and Debt Administration (Continued)

The City's General Obligation Bonds have been rated AAA by Standard & Poor's Corporation, Aa2 by Moody's Investors Service, and AA+ from Fitch Ratings. 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 of Winchester's legal debt limit is $330.9 million. As of June 30, 2021, the City of Winchester's total debt applicable to the limitation totaled $91.1 million, leaving a legal debt margin of $252.0 million.

Economic Factors and Next Year's Budgets and Rates

- At this time, it remains difficult to predict the continuing impact of the COVID-19 pandemic on the City's economy and operations. The COVID-19 outbreak and measures implemented to contain its spread have altered, and continue to alter, business operations and citizens' behavior in a manner that is having negative effects on the global and local economies, including the City's. Since the start of the COVID-19 pandemic, these measures have included, at various times, statewide mask-wearing and social distancing guidelines, limitations on public and private in-person gatherings, the closure of certain businesses deemed non-essential, a statewide stay-at-home order, and the cancellation of in-person instruction at schools. Over time, some restrictions have been lifted or eased, but, in some cases, have subsequently been re-imposed depending on the trends in new cases and hospitalizations. On May 14, 2021, the Governor lifted the public health restrictions imposed to mitigate the spread of COVID-19, citing the effectiveness and wide availability of the COVID-19 vaccines. In addition, the Governor's declaration of a state of emergency expired on June 30, 2021. Since that date, in response to the rise of COVID-19 variants, the Governor has imposed two requirements: (1) an executive directive requiring state employees and contractors to disclose vaccination status and, if not vaccinated, to submit to certain testing requirements and (2) a Public Health Emergency Order requiring universal masking indoors for all K-12 schools.

- City staff will continue to monitor the financial and operating effects of the pandemic and if revenues are not meeting the FY 2022 projections, we will prepare a mid-year (January timeframe) budget amendment to adjust revenues and expenditures. If decisions need to be made on our fund balance policies, or it appears that the City will drop below its policy goals, City staff will present to Council a plan to restore the fund balance, preferably within one fiscal year as per the City's fund balance policy.

- To date, the City has received approximately $4.9 million in federal funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (of which approximately $2.5 million was received in fiscal year 2020 and $2.4 million was received in fiscal year 2021). The City has used approximately $0.9 million to provide small business grants through the City's Economic Development Authority and approximately $0.6 million to provide assistance to local non-profits. The remaining funds have been used to offset costs associated with preparing and responding to the COVID-19 pandemic. Of the total CARES Act funding received, the City spent approximately $750,000 in fiscal year 2020 and approximately $4,150,000 in fiscal year 2021. The City received approximately $6.2 million of funding under the American Rescue Plan Act (ARPA) in fiscal year 2021 and expects to receive approximately $6.2 million of additional ARPA funding in fiscal year 2023. The Common Council has appropriated the first round of funding for a range of purposes including revenue replacement, COVID-19-related facility improvements, water quality and sanitation, digital services improvements and homeowner assistance.

<u>Economic Factors and Next Year's Budgets and Rates</u> (Continued)

- 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. The 2021-2026 strategic plan includes the City's Mission and Vision and five goals with related objectives and action items. The five main goals include: 1) Promote economic opportunity for all residents through small business supports and workforce development; 2) Establish the foundation for a vibrant community by stimulating development of affordable housing, revitalizing catalyst sites, and building smart infrastructure; 3) Foster a safe, healthy and diverse community for all with ample opportunities for recreation, wellness, and cultural activities; 4) Facilitate the movement of people and goods around the city with comfortable sidewalks and trails, expanded transit, and safe streets; and 5) Support the City's high-performing operations with effective and open communication, innovation, and sound fiscal policies. City Council and staff embrace the plan and work together to achieve these goals.

- The approved $93.0 million FY 2022 General Fund budget is $2.3 million more than the adopted FY 2021 budget. The FY 2022 budget includes a $1.3 million increase in real property tax revenue resulting from the increase in property values due to the biennial reassessment. In addition, local taxes are projected to increase in anticipation of a slowly recovering local economy mainly in sales taxes ($0.8 million). The FY 2022 budget includes $0.9 million increase in personnel to support a 4% cost of living adjustment for City employees, $0.5 million decrease in equipment replacement, $0.4 million increase in public safety expenses, and $0.7 million increase in the contribution to the Winchester Public Schools.

- The FY 2022 budget includes an increase in the solid waste fee from the current rate of $5.00 per month to an options based model based on container size $6.00 (35-gallon container), $8.00 (65-gallon container) and $10.00 (95-gallon container) which is projected to generate an additional $294,000 in FY 2022. The new container program will modernize and partially automate our solid waste collection system, enhance employee safety, and reduce employee injuries.

- The City is planning to issue $12.8 million in new general obligation debt in FY 2022 for building acquisition ($5.0 million) and infrastructure improvements ($7.8 million).

- The City has adopted storm water regulations to comply with federal and state mandates related primarily to the Chesapeake Bay initiatives that are intended to improve water quality in the Bay. These regulations will become more stringent in the next 10 years and will require the City to undertake additional activities related to storm water management. There are numerous stormwater infrastructure improvements needed throughout the City to remedy flooding and maintenance issues. City staff is compiling a prioritized list of these projects that will be presented to City Council in 2022. The highest priority project is currently improvements to alleviate flooding on N. Cameron Street, north of Piccadilly Street.

- The City continues in the effort of major capital improvements to replace aging water and sanitary sewer infrastructure. In 2017, City Council approved a series of water and sewer rate increases that are necessary to pay for these capital improvements. Since 2017, approximately $60 million of capital improvements have been completed and there are additional improvements that are planned or in progress. The City is also in the process of implementing an in-house construction crew that will focus on replacing old water and sewer lines.

- The City of Winchester reassesses real property every two years; the next reassessment is effective January 1, 2023. The 2021 reassessment resulted in a 6.1% increase in taxable real property values. Based on current trends, the 2023 overall assessment values are projected to show modest growth over 2021 values.

Economic Factors and Next Year's Budgets and Rates (Continued)

- For the month of June 2021, the City's unemployment rate was 3.5%, compared to the State's 4.3% and the Federal rate of 5.9%.

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 Financial Services Director, City of Winchester, 15 N. Cameron Street, Winchester, VA 22601.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2021

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash and cash equivalents	$ 21,773,665	$ 8,314,704	$ 30,088,369	$ 13,852,600	$ 641,815
Investments	1,207,382	461,063	1,668,445	730,422	35,590
Receivables, net:					
Taxes, including penalties	5,706,293	-	5,706,293	-	-
Accounts	2,009,228	4,119,326	6,128,554	29,998	13,660
Promises to give	-	-	-	35,078	-
Due from other governments	7,995,764	6,626	8,002,390	3,059,773	-
Internal balances	247,818	(247,818)	-	-	-
Prepaids	545,885	-	545,885	431,776	-
Inventories	126,531	135,464	261,995	80,346	-
Cash and cash equivalents - restricted	6,115,037	-	6,115,037	-	-
Investments - restricted	7,754,920	21,486,399	29,241,319	7,679,873	-
Capital assets:					
Nondepreciable	17,209,494	26,756,996	43,966,490	21,075,152	11,685
Depreciable, net	87,323,217	183,260,123	270,583,340	107,938,653	7,105,146
Total assets	158,015,234	244,292,883	402,308,117	154,913,671	7,807,896
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	2,261,587	1,730,732	3,992,319	-	-
Pension related deferred outflows	7,596,038	718,521	8,314,559	13,041,432	65,914
Other postemployment benefit related deferred outflows	3,801,931	202,165	4,004,096	1,095,303	20,916
Total deferred outflows of resources	13,659,556	2,651,418	16,310,974	14,136,735	86,830
LIABILITIES					
Accounts payable and other current liabilities	5,060,221	5,852,025	10,912,246	8,298,498	108,830
Accrued interest	1,102,467	1,442,825	2,545,292	-	98,739
Unearned revenue	6,168,841	-	6,168,841	-	-
Noncurrent liabilities due in more than one year:					
Net pension liability due in more than one year	16,012,574	1,514,654	17,527,228	51,909,121	138,950
Net other postemployment benefit liability due in more than one year	8,419,773	442,416	8,862,189	7,402,217	45,757
Due within one year	11,080,992	8,558,189	19,639,181	125,947	301,326
Due in more than one year	93,315,734	151,800,112	245,115,846	2,513,132	6,260,490
Total liabilities	141,160,602	169,610,221	310,770,823	70,248,915	6,954,092
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts on refunding	-	-	-	-	83,412
Property taxes collected in advance	1,185,837	-	1,185,837	-	-
Pension related deferred inflows	92,612	8,760	101,372	4,677,186	804
Other postemployment benefit related deferred inflows	2,094,300	118,094	2,212,394	454,386	12,228
Total deferred inflows of resources	3,372,749	126,854	3,499,603	5,131,572	96,444
NET POSITION					
Net investment in capital assets	79,574,272	73,095,972	152,670,244	129,013,805	505,019
Restricted for:					
Unspent bond proceeds	-	-	-	6,404,579	-
Revenue for public safety programs	148,038	-	148,038	-	-
Community development	187,931	-	187,931	-	-
Unrestricted	(52,768,802)	4,111,254	(48,657,548)	(41,748,465)	339,171
Total net position	$ 27,141,439	$ 77,207,226	$ 104,348,665	$ 93,669,919	$ 844,190

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, 2021

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	$ 7,735,258	$ 206,699	$ 4,201,797	$ -	$ (3,326,762)		$ (3,326,762)		
Judicial administration	4,951,042	362,568	1,609,210	-	(2,979,264)		(2,979,264)		
Public safety	27,625,527	1,399,770	1,744,340	-	(24,481,417)		(24,481,417)		
Public works	12,680,285	1,394,533	7,084,629	1,619,557	(2,581,566)		(2,581,566)		
Health and welfare	11,812,539	107,915	7,485,924	-	(4,218,700)		(4,218,700)		
Education	41,906,085	-	-	-	(41,906,085)		(41,906,085)		
Parks, recreation, and culture	6,216,111	315,020	4,960	-	(5,896,131)		(5,896,131)		
Community development	3,113,080	328,168	623,014	-	(2,161,898)		(2,161,898)		
Interest on long-term debt	2,767,187	-	-	-	(2,767,187)		(2,767,187)		
Total governmental activities	118,807,114	4,114,673	22,753,874	1,619,557	(90,319,010)		(90,319,010)		
Business-type activities:									
Water and sewer	30,472,903	31,057,985	428,676	397,297	-	$ 1,411,055	1,411,055		
Total business-type activities	30,472,903	31,057,985	428,676	397,297	-	1,411,055	1,411,055		
Total primary government	$ 149,280,017	$ 35,172,658	$ 23,182,550	$ 2,016,854	(90,319,010)	1,411,055	(88,907,955)		
Component units:									
School board	$ 68,385,049	$ 558,525	$ 36,824,663	$ 1,032,663				$ (29,969,198)	$ -
Parking authority	1,097,630	1,205,291	1,318	-				-	108,979
Total component unit	$ 69,482,679	$ 1,763,816	$ 36,825,981	$ 1,032,663				(29,969,198)	108,979
General revenues:									
Taxes:									
Property taxes					47,023,633	-	47,023,633	-	-
Sales taxes					10,834,790	-	10,834,790	-	-
Utility taxes					1,921,589	-	1,921,589	-	-
Business license taxes					7,224,306	-	7,224,306	-	-
Franchise taxes					511,022	-	511,022	-	-
Hotel and meals taxes					9,543,120	-	9,543,120	-	-
Communication taxes					1,573,184	-	1,573,184	-	-
Other local taxes					2,077,961	-	2,077,961	-	-
Gain on sale of property					1,928	-	1,928	-	-
Miscellaneous					41,085	50,383	91,468	193,920	1,909
Payments from City					-	-	-	41,841,339	-
Grants and contributions not restricted to specific programs					3,067,832	-	3,067,832	-	-
Unrestricted investment earnings					41,212	64,293	105,505	45,184	1,164
Transfers					1,500,000	(1,500,000)	-	-	-
Total revenues and transfers					85,361,662	(1,385,324)	83,976,338	42,080,443	3,073
Change in net position					(4,957,348)	25,731	(4,931,617)	12,111,245	112,052
Net position - beginning, as restated (Note 21)					32,098,787	77,181,495	109,280,282	81,558,674	732,138
Net position - ending					$ 27,141,439	$ 77,207,226	$ 104,348,665	$ 93,669,919	$ 844,190

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, 2021

Exhibit 3

	General	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 19,876,075	$ -	$ 1,411,407	$ 21,287,482
Investments	1,102,158	-	78,265	1,180,423
Receivables, net:				
Taxes, including penalties	5,706,293	-	-	5,706,293
Accounts	1,459,014	240,897	304,983	2,004,894
Prepaids	-	-	40,000	40,000
Inventories	9,658	-	-	9,658
Due from other funds	3,242,174	-	-	3,242,174
Due from other governments	3,913,136	2,329,426	1,752,514	7,995,076
Cash and cash equivalents - restricted	-	-	5,844,741	5,844,741
Investments - restricted	-	7,430,820	324,100	7,754,920
Total assets	$ 35,308,508	$ 10,001,143	$ 9,756,010	$ 55,065,661
LIABILITIES				
Liabilities:				
Accounts payable	$ 1,070,539	$ 665,573	$ 1,405,976	$ 3,142,088
Deposits payable	26,112	-	-	26,112
Accrued payroll	868,682	-	224,755	1,093,437
Unearned revenue	-	-	6,168,841	6,168,841
Due to other funds	-	2,553,674	688,500	3,242,174
Total liabilities	1,965,333	3,219,247	8,488,072	13,672,652
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	1,185,837	-	-	1,185,837
Unavailable revenue	6,063,749	-	273,314	6,337,063
Total deferred inflows of resources	7,249,586	-	273,314	7,522,900
FUND BALANCES				
Nonspendable	9,658	-	40,000	49,658
Restricted	335,969	7,430,820	-	7,766,789
Committed	1,568,721	-	-	1,568,721
Assigned	3,040,614	-	972,105	4,012,719
Unassigned	21,138,627	(648,924)	(17,481)	20,472,222
Total fund balances	26,093,589	6,781,896	994,624	33,870,109
Total liabilities, deferred inflows of resources and fund balances	$ 35,308,508	$ 10,001,143	$ 9,756,010	
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.				104,466,486
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				6,337,063
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.				734,947
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.				2,261,587
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Pension related deferred outflows				7,503,360
Pension related deferred inflows				(91,482)
Net pension liability				(15,817,207)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.				
Other postemployment benefit related deferred outflows				3,771,080
Other postemployment benefit related deferred inflows				(2,076,082)
Net other postemployment benefit liability				(8,353,779)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				
Bonds and obligations payable				(90,944,678)
Issuance premiums				(10,664,819)
Accrued interest				(1,102,467)
Compensated absences				(2,752,679)
Net position of governmental activities				$ 27,141,439

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, 2021

Exhibit 4

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	$ 45,850,960	$ -	$ -	$ 45,850,960
Other local taxes	33,685,972	-	-	33,685,972
Permits, privilege fees, and regulatory licenses	345,145	-	-	345,145
Fines and forfeitures	62,821	-	-	62,821
Revenues from use of money and property	121,508	14,602	3,084	139,194
Charges for services	857,702	-	1,237,427	2,095,129
Miscellaneous	844,427	-	55,745	900,172
Recovered costs	919,508	922,471	-	1,841,979
Intergovernmental:				
Frederick County	-	-	378,450	378,450
Commonwealth	6,548,373	2,662,588	7,675,640	16,886,601
Federal	4,545,868	697,086	3,983,955	9,226,909
Total revenues	93,782,284	4,296,747	13,334,301	111,413,332
EXPENDITURES				
Current:				
General government administration	7,165,856	-	-	7,165,856
Judicial administration	4,235,189	-	36,629	4,271,818
Public safety	23,806,009	-	1,142,425	24,948,434
Public works	4,959,121	-	4,649,797	9,608,918
Health and welfare	1,208,831	-	10,409,048	11,617,879
Education	29,956,852	11,949,233	-	41,906,085
Parks, recreation, and culture	3,135,134	-	-	3,135,134
Community development	2,554,980	-	511,199	3,066,179
Capital outlay	951,624	8,006,208	81,209	9,039,041
Debt service:				
Principal retirement	8,174,980	-	-	8,174,980
Interest and fiscal charges	3,490,794	-	-	3,490,794
Bond issuance costs	136,634	389,062	-	525,696
Total expenditures	89,776,004	20,344,503	16,830,307	126,950,814
Excess (deficiency) of revenues over expenditures	4,006,280	(16,047,756)	(3,496,006)	(15,537,482)
OTHER FINANCING SOURCES (USES)				
Sale of property	1,928	-	-	1,928
Insurance recoveries	41,085	-	-	41,085
Issuance of bonds	10,020,000	31,573,535	-	41,593,535
Proceeds from premium on bond issuance	2,368,095	2,413,428	-	4,781,523
Payment to refunded bond escrow agent	(12,271,534)	(16,738,652)	-	(29,010,186)
Transfers in	1,500,000	2,304,918	3,501,080	7,305,998
Transfers out	(5,805,998)	-	-	(5,805,998)
Total other financing sources (uses)	(4,146,424)	19,553,229	3,501,080	18,907,885
Net change in fund balances	(140,144)	3,505,473	5,074	3,370,403
Fund balance - beginning	26,233,733	3,276,423	989,550	30,499,706
Fund balance - ending	$ 26,093,589	$ 6,781,896	$ 994,624	$ 33,870,109

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, 2021

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)		$ 3,370,403
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, $6,596,783, exceeded depreciation, $5,282,654, in the current period.		1,314,129
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		893,421
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	$ 2,128,634	
Pension expense	(3,720,159)	(1,591,525)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions	255,407	
Other postemployment benefit expense	(224,298)	31,109
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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Principal repayments		8,174,980
Issuance of bonds		(41,593,535)
Proceeds from premium on bond issuance		(4,781,523)
Payment to refunded bond escrow agent		29,010,186
Amortization of issuance premium		1,321,889
Amortization of deferred charge on refunding		(827,282)
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.		
Compensated absences		(252,370)
Accrued interest		229,001
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 internal service funds is allocated between governmental and business-type activites in the Statement of Activities.		
Net revenue (expense) of internal service funds		(300,875)
Allocation of net revenue (expense) to business-type activities		44,644
Change in net position of governmental activities		$ (4,957,348)

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, 2021

Exhibit 6

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
General property taxes	$ 44,749,900	$ 44,749,900	$ 45,850,960	$ 1,101,060
Other local taxes	32,008,000	32,008,000	33,685,972	1,677,972
Permits, privilege fees, and regulatory licenses	381,700	381,700	345,145	(36,555)
Fines and forfeitures	125,000	125,000	62,821	(62,179)
Revenues from use of money and property	257,000	257,000	121,508	(135,492)
Charges for services	1,315,900	1,315,900	857,702	(458,198)
Miscellaneous	941,300	941,300	844,427	(96,873)
Recovered costs	868,600	868,600	919,508	50,908
Intergovernmental:				
Commonwealth	6,416,500	6,416,500	6,548,373	131,873
Federal	1,173,000	4,739,492	4,545,868	(193,624)
Total revenues	88,236,900	91,803,392	93,782,284	1,978,892
EXPENDITURES				
Current:				
General government administration:				
Legislative	271,100	297,100	283,740	13,360
General and financial administration	6,040,756	7,242,556	6,740,076	502,480
Board of elections	225,900	288,963	288,865	98
Total general government administration	6,537,756	7,828,619	7,312,681	515,938
Judicial administration:				
Courts	2,646,875	2,640,829	2,718,764	(77,935)
Commonwealth attorney	1,531,000	1,603,140	1,603,103	37
Total judicial administration	4,177,875	4,243,969	4,321,867	(77,898)
Public safety:				
Law enforcement and traffic control	8,235,700	8,397,400	8,396,400	1,000
Fire and rescue services	6,174,605	7,773,185	7,756,164	17,021
Correction and detention	5,417,387	5,417,387	5,400,776	16,611
Inspections	534,600	544,600	544,539	61
Other protection	2,960,400	2,397,508	2,400,251	(2,743)
Total public safety	23,322,692	24,530,080	24,498,130	31,950
Public Works:				
Maintenance of highways, streets, bridges and sidewalks	277,500	397,500	378,253	19,247
Sanitation and waste removal	1,635,500	1,707,287	1,823,399	(116,112)
Maintenance of buildings and grounds	2,458,000	2,896,213	2,877,469	18,744
Total public works	4,371,000	5,001,000	5,079,121	(78,121)
Health and welfare:				
Health	355,160	355,160	355,160	-
Chapter X board	245,092	245,092	245,092	-
Welfare/Social Services	225,000	425,000	608,579	(183,579)
Total health and welfare	825,252	1,025,252	1,208,831	(183,579)
Education:				
Contributions to community college	64,746	64,746	64,746	-
Contributions to School Board	30,339,102	32,296,207	29,892,106	2,404,101
Total education	30,403,848	32,360,953	29,956,852	2,404,101
Parks, recreation, and cultural:				
Parks and recreation	2,869,800	2,887,800	2,606,079	281,721
Cultural enrichment	-	300,000	16,035	283,965
Contribution to Regional Library	419,020	419,020	419,020	-
Total parks, recreation, and cultural	3,288,820	3,606,820	3,041,134	565,686

(Continued)

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, 2021

Exhibit 6 (Continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES (continued)				
Current: (continued)				
Community development:				
Planning and community development	$ 1,686,157	$ 2,681,157	$ 2,554,980	$ 126,177
Total community development	1,686,157	2,681,157	2,554,980	126,177
Debt service:				
Principal retirement	8,573,700	8,573,700	8,174,980	398,720
Interest and fiscal charges	3,383,100	3,383,100	3,490,794	(107,694)
Bond issuance costs	-	129,560	136,634	(7,074)
Total debt service	11,956,800	12,086,360	11,802,408	283,952
Total expenditures	86,570,200	93,364,210	89,776,004	3,588,206
Excess of revenues over expenditures	1,666,700	(1,560,818)	4,006,280	5,567,098
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	1,928	1,928
Insurance recoveries	-	23,700	41,085	17,385
Proceeds from bond issuance	-	10,020,000	10,020,000	-
Proceeds from premium on bond issuance	-	2,368,095	2,368,095	-
Payment to refunded bond escrow agent	-	(12,271,535)	(12,271,534)	1
Transfers in	1,500,000	1,500,000	1,500,000	-
Transfers out	(4,051,800)	(8,150,219)	(5,805,998)	2,344,221
Appropriation of fund balance	885,100	8,070,777	-	(8,070,777)
Total other financing sources (uses)	(1,666,700)	1,560,818	(4,146,424)	(5,707,242)
Net change in fund balances	$ -	$ -	$ (140,144)	$ (140,144)

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

Exhibit 7

	Business-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,314,704	$ 486,183
Investments	461,063	26,959
Accounts receivable, net	4,119,326	4,334
Prepaids	-	505,885
Due from other governments	6,626	688
Inventories	135,464	116,873
Cash and cash equivalents - restricted	-	270,296
Investments - restricted	21,486,399	-
Total current assets	34,523,582	1,411,218
Noncurrent assets:		
Capital assets:		
Nondepreciable	26,756,996	-
Depreciable, net	183,260,123	66,225
Total capital assets, net	210,017,119	66,225
Total noncurrent assets	210,017,119	66,225
Total assets	244,540,701	1,477,443
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,730,732	-
Pension related deferred outflows	718,521	92,678
Other postemployment benefit related deferred outflows	202,165	30,851
Total deferred outflows of resources	2,651,418	123,529
LIABILITIES		
Current liabilities:		
Accounts payable	5,132,950	780,935
Customer deposits	558,200	-
Accrued payroll	160,875	17,649
Accrued interest	1,442,825	-
Compensated absences - current	104,863	16,467
Bonds payable and other obligations - current	8,453,326	-
Total current liabilities	15,853,039	815,051
Noncurrent liabilities:		
Compensated absences	115,160	18,083
Net pension liability	1,514,654	195,367
Net other postemployment benefit liability	442,416	65,994
Bonds payable and other obligations	151,684,952	-
Total noncurrent liabilities	153,757,182	279,444
Total liabilities	169,610,221	1,094,495
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	8,760	1,130
Other postemployment benefit related deferred inflows	118,094	18,218
Total deferred inflows of resources	126,854	19,348
NET POSITION		
Net investment in capital assets	73,095,972	66,225
Unrestricted	4,359,072	420,904
Total net position	77,455,044	$ 487,129
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.	(247,818)	
Net position of business-type activities	$ 77,207,226	

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, 2021

Exhibit 8

	Business-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	$ 25,099,424	$ 2,199,597
Miscellaneous	50,383	-
Recovered costs	5,958,561	-
Total operating revenues	31,108,368	2,199,597
OPERATING EXPENSES		
Personal services	5,882,207	731,077
Contractual services	7,182,163	232,520
Other supplies and expenses	4,942,362	793,708
Insurance claims and expenses	-	747,961
Depreciation	6,446,795	10,249
Total operating expenses	24,453,527	2,515,515
Operating income (loss)	6,654,841	(315,918)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental:		
Federal	428,676	14,652
Investment earnings	64,293	391
Interest and fiscal charges	(5,974,732)	-
Total nonoperating revenues (expenses)	(5,481,763)	15,043
Income (loss) before contributions and transfers	1,173,078	(300,875)
CAPITAL CONTRIBUTIONS	397,297	-
TRANSFERS OUT	(1,500,000)	-
Change in net position	70,375	(300,875)
Total net position - beginning	77,384,669	788,004
Total net position - ending	$ 77,455,044	$ 487,129

Change in net position	$ 70,375
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(44,644)
Change in net position of business-type activities	$ 25,731

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, 2021

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	$ 25,700,941	$ -
Cash received from internal services provided	-	2,198,638
Cash paid to suppliers	(9,221,444)	(929,912)
Cash received from internal services reimbursements	(246,770)	-
Cash paid to employees	(5,428,339)	(814,458)
Premiums paid	-	(671,073)
Recovered costs and other receipts	6,007,288	(172)
Net cash provided by (used in) operating activities	16,811,676	(216,977)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from federal grants	428,676	14,652
Transfer to other funds	(1,500,000)	-
Net cash provided by (used in) noncapital financing activities	(1,071,324)	14,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(19,683,416)	(33,456)
Principal paid on capital debt	(7,444,749)	-
Interest paid on capital debt	(8,160,764)	-
Proceeds from debt issuances	38,613,470	-
Escrow payment for bond refundings	(2,645,350)	-
Net cash provided by (used in) capital and related financing activities	679,191	(33,456)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchases) of investments, net	(18,048,609)	32,909
Investment income	64,293	391
Net cash provided by (used in) investing activities	(17,984,316)	33,300
Net decrease in cash and cash equivalents	(1,564,773)	(202,481)
Cash and cash equivalents - beginning of year	9,879,477	958,960
Cash and cash equivalents - end of year	$ 8,314,704	$ 756,479
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash and cash equivalents	$ 8,314,704	$ 486,183
Restricted cash	-	270,296
Total	$ 8,314,704	$ 756,479

(Continued)

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, 2021

Exhibit 9 (Continued)

	Busines-type Activities-Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ 6,654,841	$ (315,918)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,446,795	10,249
Pension expense, net of employer contributions	341,180	(74,771)
Other postemployment benefit expense, net of employer contributions	31,568	(26,153)
(Increase) decrease in:		
Accounts receivable	581,017	(959)
Prepaids	-	38,998
Due from other governments	(1,656)	(172)
Inventories	1,118	13,901
Increase (decrease) in:		
Accounts payable	2,735,500	120,305
Customer deposits	20,500	3,680
Accrued payroll	15,411	13,863
Compensated absences	(14,598)	-
Total adjustments	10,156,835	98,941
Net cash provided by (used in) operating activities	$ 16,811,676	$ (216,977)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions of water and sewer lines from developers	$ 397,297	$ -

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, 2021

Exhibit 10

	Other Postemployment Benefits Trust Fund	Total Custodial Funds
ASSETS		
Cash and cash equivalents - restricted	$ -	$ 1,527,447
Investments:		
Money markets	12,814	1,431,125
Domestic equity securities	2,605,914	-
Domestic fixed income securities	1,943,455	-
International equity securities	1,850,277	-
Total investments	6,412,460	1,431,125
Accounts receivable	-	109,818
Total assets	$ 6,412,460	$ 3,068,390
LIABILITIES		
Accounts payable	$ -	$ 30,312
Accrued payroll	-	81,219
Total liabilities	$ -	$ 111,531
NET POSITION		
Restricted for postemployment benefits other than pensions	$ 6,412,460	$ -
Restricted for individuals, organizations, and other governments	-	2,956,859
Total net position	$ 6,412,460	$ 2,956,859

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the fiscal year ended June 30, 2021

Exhibit 11

	Other Postemployment Benefits Trust Fund	Custodial Funds
ADDITIONS		
Employer contributions	$ 418,000	$ -
Member contributions	-	47,837
Payments collected from other local governments	-	3,452,623
Payments collected from Federal government	-	138,306
Grant proceeds	-	824,254
Miscellaneous	-	60,769
Investment income:		
Net increase in fair value of investments	1,210,894	-
Interest and dividends	103,165	4,064
Less investment related expenses	(19,799)	-
Net investment income	1,294,260	4,064
Total additions	$ 1,712,260	$ 4,527,853
DEDUCTIONS		
Payments made to welfare recipients	$ -	$ 49,502
Bond principal payments	-	820,000
Bond interest payments	-	408,525
Payroll	-	2,693,033
Administrative	-	318,902
Total deductions	$ -	$ 4,289,962
Increase in fiduciary net position	1,712,260	237,891
Total net position - beginning, as restated (Note 21)	4,700,200	2,718,968
Total net position - ending	$ 6,412,460	$ 2,956,859

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 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.

Joint Ventures:

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning, and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services. The City has certain long-term obligations with the Authority that are described further in Note 9. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at P.O. Box 43, Winchester, Virginia 22604.

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 2021, the City provided total support of $79,796. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 491 Airport Road, Winchester, Virginia 22602.

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Joint Ventures (Continued):

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 2021, the City provided total support of $452,604. 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 2021, the City provided total support of $4,872,834. 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 $419,020 to the Board for operating support for 2021. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, 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 unavailable 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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

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

Enterprise Funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water and Sewer Fund, 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 benefits and equipment inventory 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 and Equipment Operating Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 the other postemployment benefits trust fund and custodial funds. Fiduciary funds utilize the accrual basis of accounting as described in the proprietary funds presentation. Custodial 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.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Receivables and Payables

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

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 20 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 20/December 5

Property Taxes - Motor Vehicles

The City employs three prorated billing/assessment methodologies for personal property taxes on motor vehicles. Vehicles added to the tax roll prior to 1994 are assessed as of January 1 with taxes due in one installment on December 5. For vehicles added to the tax roll 1994 – 2018, property is assessed on a twelve-month cycle based on the date which a vehicle gains situs in the City, using its value as of the starting month and year of the vehicle's twelve-month billing cycle and with taxes due in one installment thirty days after the cycle ends. Vehicles added to the tax roll 2019 - present (or by taxpayer option) follow a calendar year tax cycle with property assessed as of January 1 and semi-annual payment options due April 5 and October 5. The City bills and collects its own taxes, which attach as a lien on the property. These taxes are accounted for in the General Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

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, 2021 consisted of the following:

General Fund (property taxes, penalties, and interest)	$ 1,612,401
Emergency Medical Service Fund	260,171
Water and Sewer Fund	995,573
	$ 2,868,145

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 using the consumption method.

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. The City capitalizes the following categories with a cost of at least:

Land and land improvements	$10,000
Building and building improvements	$50,000
Machinery and equipment	$10,000
Infrastructure	$100,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Capital Assets (Continued)

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 paid time off at a rate of 16 to 22 hours per month, depending on years of service. Benefits or pay is received for unused medical leave upon termination at 25% of its carrying value to a maximum of $5,000 per employee after five years of uninterrupted service or $7,500 per employee after twenty years of uninterrupted service. Accumulated paid time off is paid out at a rate of 50% to 100% depending on the years of service with the maximum hours paid being 350 hours.

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.

Unearned Revenues

Unearned revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Unearned revenue consists of unspent federal awards.

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 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 recognized as an expense in the period incurred.

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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

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.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the City and Schools' Plans and the additions to/deductions from the City and Schools' Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement which presents financial position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement which presents financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

- Deferred charge on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB; these will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between projected and actual earnings on pension and OPEB plan investments. These differences will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion and differences between employer contributions and the proportionate share of employer contributions, resulting from participation in cost-sharing pension and OPEB plans, are reported as deferred outflows or inflows as appropriate.
- Property taxes collected in advance of the period for which they were levied. These amounts are recognized as revenue in the period for which they were levied.
- Governmental funds report unavailable revenue from property taxes and other receivables not collected within the availability period. These amounts are recognized as an inflow of resources in the period they become available.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Deferred Outflows and Inflows of Resources (Continued)

- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

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 are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on City Council direction through adoption or amendment of the budget or through ordinance or resolution.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Minimum Fund Balance Policy

The General Fund reserve target is 20% of the fund's prior year actual expenditures less capital outlays funded with bond proceeds. For the purpose of determining if the target has been met, the unassigned fund balance of the General Fund is compared with prior year actual expenditures.

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.

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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.

Note 2. 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.

Note 2. Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

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 Improvements 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 improvements 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), with the exception of appropriations of prior fund balance, which are treated as revenue sources on the budgetary basis.
7. Appropriations lapse on June 30 for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City required budget amendments during the year, which increased total appropriations in the General Fund by $23,163,964.

The City spent funds in excess of budgeted amounts in three departments but did not exceed the budget for the general fund as illustrated in Exhibit 6.

Note 3. 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. For the purposes of this disclosure, deposits include cash and cash equivalents as well as nonnegotiable certificates of deposit with original maturities of more than three months.

Note 3. Deposits and Investments (Continued)

Investments

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

Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
Investments – Level 1:			
U.S. Treasury notes	$ 1,346,664	N/A	1.00
Mutual funds – equity	510,020	N/A	N/A
Mutual fund – fixed income	351,438	Unavailable	N/A
Investments – Level 2:			
Mutual funds – equity	4,134,661	Unavailable	N/A
Mutual funds – fixed income	2,942,845	Unavailable	3.76
Negotiable certificates of deposit	1,484,834	N/A	1.15
Money market	12,814	N/A	N/A
Investments reported at amortized cost:			
LGIP	338,876	AAAm	.29
SNAP	36,597,092	AAAm	.23
Total investments	47,719,244		
Cash and cash equivalents	52,355,215		
Nonnegotiable certificates of deposit	65,264		
Total deposits	52,420,479		
Total deposits and investments	$ 100,139,723		

* - Average Maturity in Years

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

		Component Units		
	Primary Government	School Board	Winchester Parking Authority	Total
Statement of Net Position:				
Cash and cash equivalents	$ 30,088,369	$ 13,852,600	$ 641,815	$ 44,582,784
Investments	1,668,445	730,422	35,590	2,434,457
Cash and cash equivalents - restricted	6,115,037	-	-	6,115,037
Investments - restricted	29,241,319	7,679,873	-	36,921,192
Fiduciary:				
Cash and cash equivalents - restricted	1,527,447	129,947	-	1,657,394
Investments	6,412,460	-	-	6,412,460
Investments – restricted	1,431,125	585,274	-	2,016,399
Total	$ 76,484,202	$ 22,978,116	$ 677,405	$ 100,139,723

(Continued)

Note 3. Deposits and Investments (Continued)

Investments (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 2 investments are valued using a matrix pricing technique, which is based on the investments' benchmark quoted prices.

Neither LGIP nor SNAP are registered with the SEC, but are overseen by the Treasurer of Virginia and the State Treasury Board. The value of the City's position in the pools is the same as the value of the pool shares and is stated at amortized cost in accordance with GASB Statement No. 79, which approximates fair value.

The City has no investment policy that would further limit its investment choices.

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, mutual funds, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Concentration of Credit Risk - The City held investments at June 30 issued by the United States Treasury totaling approximately 2.82% of all investments. Additionally, the City held investments at June 30 issued by PFM Multi Manager International and PFM Multi Manager Fixed Income Fund totaling approximately 5.46% and 4.07% of all investments, respectively. These investments were not considered by management to represent a risk to the City.

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 flows 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.

Note 3. Deposits and Investments (Continued)

Investments (Continued)

Restricted cash and investments:

Restricted cash and investments consist of the following:

Unspent bond proceeds restricted for capital projects	$ 36,597,092
Flexible spending accounts held for benefit of employees	270,296
Unspent Federal funding	6,168,841

Note 4. 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	$ -	$ 720,403
Title V-B	-	154,708
Title I	-	375,046
School lunch and breakfast	-	84,741
METRICS education grant	-	525,000
Other federal and state school funds	-	85,748
Elementary and Secondary School Emergency Relief	-	1,114,127
Local sales tax	1,929,037	-
Transit grants	764,455	-
Highway construction funds	2,329,426	-
Welfare grants	808,263	-
Communication tax	245,374	-
Other federal and state funds	377,461	-
Total due from federal and state sources	6,454,016	3,059,773
Frederick County:		
Joint Judicial Center – debt service	1,215,748	-
Joint Judicial Center – operating expenses	96,970	-
Tourism	168,450	-
Other receivables	59,094	-
Other local receivables	8,112	-
Total due from other governments	$ 8,002,390	$ 3,059,773

Note 5. Promises to Give

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

Receivable in less than one year	$	4,500
Receivable in one to five years		31,333
Receivable in five to ten years		11,500
Total unconditional promises to give		47,333
Less discounts to present value		(12,255)
Net unconditional promises to give	$	35,078

The discount rate used on long-term promises to give is 5%. Amounts above are net of uncollectable amounts.

Note 6. 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	$	688,500
Capital improvements fund		2,553,674
	$	3,242,174
Component Unit – School Board		
Due to school operating fund from:		
Federal grants fund	$	3,984,312
Due to school capital improvement fund from:		
Construction fund	$	2,000

Interfund receivables and payables are generally used by the City and School Board to cover temporary cash deficits in individual funds until grant or similar resources are received.

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

Primary Government		
Transfers to general fund from:		
Water and sewer fund	$	1,500,000
Transfers to capital improvements fund from:		
General fund	$	2,304,918
Transfers to non-major governmental funds from:		
General fund	$	3,501,080

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.

(Continued)

Note 7. 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	$ 7,480,583	$ -	$ -	$ 7,480,583
Construction in progress	5,547,866	4,440,738	(259,693)	9,728,911
Total capital assets not being depreciated	13,028,449	4,440,738	(259,693)	17,209,494
Capital assets, being depreciated:				
Buildings	46,050,414	450,144	-	46,500,558
Improvements other than buildings	16,480,295	940,019	-	17,420,314
Infrastructure	74,816,884	62,549	-	74,879,433
Equipment	24,517,050	1,042,164	(474,251)	25,084,963
Total capital assets being depreciated	161,864,643	2,494,876	(474,251)	163,885,268
Less accumulated depreciation for:				
Buildings	(14,257,159)	(941,060)	-	(15,198,219)
Improvements other than buildings	(6,502,712)	(677,829)	-	(7,180,541)
Infrastructure	(37,288,892)	(1,706,089)	-	(38,994,981)
Equipment	(13,648,955)	(2,013,606)	474,251	(15,188,310)
Total accumulated depreciation	(71,697,718)	(5,338,584)	474,251	(76,562,051)
Total capital assets being depreciated, net	90,166,925	(2,843,708)	-	87,323,217
Governmental activities capital assets, net	$ 103,195,374	$ 1,597,030	$ (259,693)	$ 104,532,711

(Continued)

Note 7. 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	$	367,355
Judicial administration		257,209
Public safety		1,374,258
Public works		2,717,234
Health and welfare		17,259
Parks, recreation, and cultural		600,118
Community development		5,151
Total depreciation expense – governmental activities	$	5,338,584

Increases include depreciation expense and transfers in from other funds.

Note 7. 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 assets, not being depreciated:				
Land	$ 1,201,485	$ -	$ -	$ 1,201,485
Construction in progress	8,518,229	20,551,285	(3,514,003)	25,555,511
Total capital assets not being depreciated	9,719,714	20,551,285	(3,514,003)	26,756,996
Capital assets, being depreciated:				
Treatment plants	47,239,199	3,973,791	-	51,212,990
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	133,709,014	389,030	-	134,098,044
Equipment	21,944,868	131,940	(159,834)	21,916,974
FWSA purchased capacity	52,496,047	-	-	52,496,047
Total capital assets being depreciated	255,507,965	4,494,761	(159,834)	259,842,892
Less accumulated depreciation for:				
Treatment plants	(9,671,538)	(910,038)	-	(10,581,576)
Improvements other than buildings	(117,491)	(455)	-	(117,946)
Infrastructure	(35,828,496)	(2,056,135)	-	(37,884,631)
Equipment	(2,819,005)	(1,064,469)	159,834	(3,723,640)
FWSA purchased capacity	(21,859,278)	(2,415,698)	-	(24,274,976)
Total accumulated depreciation	(70,295,808)	(6,446,795)	159,834	(76,582,769)
Total capital assets being depreciated, net	185,212,157	(1,952,034)	-	183,260,123
Business-type activities capital assets, net	$ 194,931,871	$ 18,599,251	$ (3,514,003)	$ 210,017,119

Increases include depreciation expense and transfers in from other funds.

Note 7. Capital Assets (Continued)

Primary Government (Continued)

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

	Total Contracts	Total Payments	Future Amounts to be Expended
Primary Government			
Hope Drive Extension	$ 8,451,936	$ 2,657,540	$ 5,794,396
Valley Avenue Drainage and Sidewalks	8,994,892	2,528,747	6,466,145
Traffic Signal at Adams/Legge	297,190	7,500	289,690
Green Circle Trail Phase III	817,905	401,386	416,519
Wentworth Drive Improvements	2,592,138	2,020,243	571,895
Total Primary Government	$ 21,154,061	$ 7,615,416	$ 13,538,645
Utilities			
City Yards Maintenance Facility	$ 12,487,551	$ 6,280,772	$ 6,206,779
Dam Repairs at Water Treatment Plant	1,178,612	432,831	745,781
Sewer Pump Station Replacements	2,491,000	541,651	1,949,349
City Yards Utilities	2,135,720	1,834,484	301,236
Central Downtown Infrastructure Improvements	14,258,498	5,396,229	8,862,269
Total Utilities	$ 32,551,381	$ 14,485,967	$ 18,065,414
School Board			
Douglas Community Learning Center	$ 11,690,995	$ 980,089	$ 10,710,906
Shihadeh Innovation Center	14,449,229	13,568,650	880,579
Total School Board	$ 26,140,224	$ 14,548,739	$ 11,591,485

(Continued)

Note 7. 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	$ 3,758,028	$ -	$ -	$ 3,758,028
Construction in progress	4,065,815	13,251,309	-	17,317,124
Total capital assets not being depreciated	7,823,843	13,251,309	-	21,075,152
Capital assets, being depreciated:				
Buildings	148,702,951	-	-	148,702,951
Improvements other than buildings	6,138,264	-	-	6,138,264
Equipment	9,438,548	271,237	(236,238)	9,473,547
Total capital assets being depreciated	164,279,763	271,237	(236,238)	164,314,762
Less accumulated depreciation for:				
Buildings	(43,380,739)	(2,884,394)	-	(46,265,133)
Improvements other than buildings	(2,981,112)	(257,993)	-	(3,239,105)
Equipment	(6,537,648)	(568,953)	234,730	(6,871,871)
Total accumulated depreciation	(52,899,499)	(3,711,340)	234,730	(56,376,109)
Total capital assets being depreciated, net	111,380,264	(3,440,103)	(1,508)	107,938,653
School board capital assets, net	$ 119,204,107	$ 9,811,206	$ (1,508)	$ 129,013,805

Note 7. 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	752,621	568,812	(582,646)	738,787
Total capital assets being depreciated	10,560,199	568,812	(582,646)	10,546,365
Less accumulated depreciation for:				
Buildings	(3,034,598)	(194,849)	-	(3,229,447)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	(672,266)	(59,184)	575,857	(155,593)
Total accumulated depreciation	(3,763,043)	(254,033)	575,857	(3,441,219)
Total capital assets being depreciated, net	6,797,156	314,779	(6,789)	7,105,146
Parking Authority capital assets, net	$ 6,808,841	$ 314,779	$ (6,789)	$ 7,116,831

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	$ 3,711,340
Business-type activities:	
Parking Authority	$ 254,033

Note 8. Unavailable Revenue

Unavailable revenue reported in the general fund is comprised of the following:

	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 45 days after year-end	$ 4,848,001	$ -
Uncollected joint judicial commission debt service billings	1,215,748	-
EMS billings not collected within 45 days after year-end	-	273,314
Total general fund unavailable revenue	$ 6,063,749	$ 273,314

Note 9. Long-Term Debt

Primary Government

Changes in Long-Term Debt

The following is a summary of changes in the long-term liabilities of the City for the year ended June 30:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	$ 84,695,772	$ 41,593,535	$ (35,744,629)	$ 90,544,678	$ 8,468,763
HUD obligation	600,000	-	(200,000)	400,000	100,000
Unamortized bond premium	8,771,383	4,781,523	(2,888,087)	10,664,819	1,183,830
Compensated absences	2,520,996	1,369,822	(1,103,589)	2,787,229	1,328,399
Governmental activities long-term liabilities	$ 96,588,151	$ 47,744,880	$ (39,936,305)	$ 104,396,726	$ 11,080,992

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Business-type Activities:					
General obligation bonds	$ 6,469,228	$ 2,881,465	$ (3,990,371)	$ 5,360,322	$ 1,396,237
Revenue bonds	82,503,354	32,655,000	(4,489,675)	110,668,679	4,585,887
Obligations payable FWSA	33,967,211	13,249,330	(13,408,053)	33,808,488	1,597,816
Unamortized bond premium	8,464,000	3,077,005	(1,240,216)	10,300,789	873,386
Compensated absences	234,621	88,109	(102,707)	220,023	104,863
Business-type activities long-term liabilities	$ 131,638,414	$ 51,950,909	$ (23,231,022)	$ 160,358,301	$ 8,558,189

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, $34,550 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 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness		
General Obligation Bonds:		
$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	$ 8,492,833	$ 1,437,167
$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	3,673,310	1,041,690
$24,265,000 General Obligation Public Improvement Bond, Series 2013, issued October 30, 2013, maturing annually beginning September 1, 2014 through September 1, 2033, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General and School capital projects	2,275,000	-

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
$14,685,000 General Obligation Public Improvement Refunding Bonds, Series 2014, issued October 30, 2014, maturing annually beginning September 1, 2015 through September 1, 2027, interest payable semi-annually at rates of 1.5-5.0%. Purpose: Refund certain outstanding bonds	$ 3,320,000	$ -
$16,660,000 General Obligation Public Improvement Bond, Series 2017 refunding, issued July 18, 2017, maturing annually beginning September 1, 2023 through September 1, 2033, interest payable semi-annually at rate of 1.5-5.0%. Purpose: Refund certain outstanding bonds	16,660,000	-
$15,000,000 General Obligation Public Improvement Bond, Series 2019, issued October 15, 2019, maturing annually beginning March 1, 2021 through March 1, 2040, interest payable semi-annually at rates of 3-5%. Purpose: General and School capital projects	14,530,000	-
$10,020,000 General Obligation Bonds, Series 2020, issued July 15, 2020, maturing annually beginning August 1, 2021 through August 1, 2036, interest payable semi-annually at rates of 3.00-5.00%. Purpose: Refund certain outstanding bonds.	10,020,000	-
$14,605,000 General Obligation Bonds, Series 2020, issued July 15, 2020, maturing annually beginning August 1, 2021 through August 1, 2040, interest payable semi-annually at rate of 2.00-5.00%. Purpose: General and School Capital Projects.	14,605,000	-

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
$19,850,000 General Obligation Public Improvement Refunding Bonds, Series 2021A, issued March 30, 2021, maturing annually beginning August 1, 2022 through August 1, 2026, interest payable semi-annually at rate of .30-1.00%. Purpose: Refund certain outstanding bonds.	16,968,535	2,881,465
Total General Obligation Bonds	$ 90,544,678	$ 5,360,322

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
Revenue Bonds:		
$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	$ -	$ 6,955,000
$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	-	1,213,679
$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	-	860,000
$14,810,000 Virginia Resources Authority Revenue Bond, Series 2015, issued April 28, 2015, maturing annually beginning October 1, 2015 through April 1, 2030, interest payable semi-annually at rates of 2.93%-5.13%. Purpose: Utilities capital projects and refunding of outstanding bonds	-	12,865,000

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
Revenue Bonds (Continued):		
$13,115,000 Virginia Resources Authority Revenue Bond, Series 2016A, issued March 31, 2017, maturing annually beginning November 1, 2016 through November 1, 2032, interest payable semi-annually at rates of 3.13%-5.13%. Purpose: Refund certain outstanding bonds	$ -	$ 13,000,000
$37,725,000 Virginia Resources Authority Revenue Bond, Series 2018, issued March 30, 2018, maturing annually beginning October 1, 2020 through October 1, 2039, interest payable semi-annually at rates of 3.59%-5.13%. Purpose: Utilities capital projects	-	36,565,000
$6,555,000 Virginia Resources Authority Revenue Bond, Series 2019, issued November 20, 2019, maturing annually beginning October 1, 2021 through October 1, 2030, interest payable semi-annually at a rate of 5.125%. Purpose: Utilities capital projects and refunding of outstanding bonds	-	6,555,000
$32,655,000 Virginia Resources Authority Revenue Bond, Series 2020B, issued August 5, 2020, maturing annually beginning October 1, 2024 through October 1, 2050, interest payable semi-annually at rates of 2.13-5.125%. Purpose: Utilities capital projects	-	32,655,000
Total Revenue Bonds	$ -	$ 110,668,679

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

	Governmental Activities	Business-type Activities
Details of Long-Term Indebtedness (Continued)		
Obligations Payable:		
$26,452,442 FWSA Opequon Water Facility obligations, commencing April 1, 2004, maturing annually through October 1, 2039 interest payable monthly at rates of 2.6%-3.5%. Purpose: Utilities capital projects**	$ -	$ 9,703,488
$25,092,500 FWSA Green Energy Project obligations, commencing June 30, 2016, maturing annually through October 1, 2038 interest payable monthly at rates of 3.13%-5.13%. Purpose: Utilities capital projects**	-	24,105,000
$1,000,000 HUD 108 Loan commencing on May 10, 2019, maturing annually through August 1, 2028 interest payable quarterly. Interest rate will be equal to 20 basis (0.2%) above the Applicable LIBO rate. Purpose: Sidewalk improvements	400,000	-
Total Obligations Payable	$ 400,000	$ 33,808,488

**On October 1, 2021, the FWSA Green Energy Project and the FWSA Opequon Water Facility obligations were refunded, maturing annually through April 1, 2039 with interest payable at rates of 0.31%-2.81%.

Note 9. 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		HUD Obligation	
	Principal	Interest	Principal	Interest
2022	$ 8,468,763	$ 2,444,581	$ 100,000	$ 14,843
2023	9,123,957	2,544,654	100,000	12,165
2024	9,368,415	2,294,193	100,000	9,486
2025	8,940,443	2,125,410	100,000	6,808
2026	7,862,975	1,939,789	-	4,129
2027-2031	20,175,125	6,952,051	-	1,451
2032-2036	17,480,000	2,760,450	-	-
2037-2041	9,125,000	586,775	-	-
	$ 90,544,678	$ 21,647,903	$ 400,000	$ 48,882

	Business-type Activities					
	General Obligation Bonds		Revenue Bonds		Obligations Payable FWSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 1,396,237	$ 80,164	$ 4,585,887	$ 4,376,594	$ 1,597,816	$ 1,012,237
2023	1,036,043	44,334	4,812,123	4,137,958	1,643,463	972,018
2024	971,586	17,511	5,043,396	3,887,696	1,705,067	906,658
2025	874,557	11,847	6,009,708	3,606,859	1,774,855	837,986
2026	772,025	6,379	6,311,059	3,290,799	1,846,309	763,641
2027-2031	309,874	1,549	32,512,037	11,569,801	10,073,954	2,982,093
2032-2036	-	-	19,407,500	6,002,255	9,065,994	1,595,032
2037-2041	-	-	16,919,458	2,809,629	6,101,030	287,451
2042-2046	-	-	7,187,511	1,258,200	-	-
2047-2051	-	-	7,880,000	440,938	-	-
	$ 5,360,322	$ 161,784	$ 110,668,679	$ 41,380,729	$ 33,808,488	$ 9,357,116

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

Frederick-Winchester Service Authority (FWSA) treatment plant rights

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

In November 2013, the City, along with the FWSA, the County of Frederick, and the Frederick County Sanitation Authority, approved the Green Energy Project (the "Project") for the purpose of implementing a series of capacity and efficiency improvements to the Opequon Water Reclamation Facility. To finance this project, the FWSA authorized the issuance of $53,000,000 in bonds. In late fiscal year 2017, the Project began accepting waste. The City has assumed responsibility for a portion of the related debt service in the approximate amount of $25,092,500.

Current Year Refunding of Debt

In March 2021, the City issued a General Obligation Public Improvement Refunding Bond totaling $19,850,000 for the purpose of partially refunding $18,240,000 of outstanding series 2012 bonds. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the partially refunded bonds are considered to be defeased, and the liability has been removed from the City's long-term debt. This refunding was undertaken to reduce total debt service payments by $1,269,401, resulting in an economic gain of $1,252,024.

In July 2020, the City issued a General Obligation Public Improvement Refunding Bond totaling $24,625,000, of which $10,200,000 was used to refund $12,175,000 of outstanding series 2015 and 2016 bonds. 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 refunding was undertaken to reduce total debt service payments by $827,471, resulting in an economic gain of $780,571.

Prior Defeasance of Debt

In addition to the current year refunding, the City defeased certain outstanding general obligation and revenue bonds payable in prior years. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

Note 9. Long-Term Debt (Continued)

Primary Government (Continued)

At June 30, 2021, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds				
PIB Series 2007	$ 3,610,000	$ -	$ (385,000)	$ 3,225,000
PIB Series 2013	16,650,000	-	-	16,650,000
Series 2015 and 2016	-	12,175,000	(12,175,000)	-
Series 2012	-	18,240,000	-	18,240,000
Revenue bonds				
VRA VPFP 2008B	6,410,000	-	(670,000)	5,740,000
VRA VPFP 2011B	12,955,000	-	-	12,955,000
VRA VPFP 2010 C	7,585,000	-	(645,000)	6,940,000
	$ 47,210,000	$ 30,415,000	$ (13,875,000)	$ 63,750,000

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	$ 2,444,794	$ 350,166	$ (155,881)	$ 2,639,079	$ 125,947

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	$ 6,806,000	$ -	$ (277,600)	$ 6,528,400	$ 285,400
Compensated absences	32,355	15,224	(14,163)	33,416	15,926
Parking authority Long-term liabilities	$ 6,838,355	$ 15,224	$ (291,163)	$ 6,561,816	$ 301,326

Note 9. Long-Term Debt (Continued)

Parking Authority (Continued)

Details of Long-Term Indebtedness

$7,342,300 Revenue Bonds, Series of 2018, issued February 1, 2018, maturing annually beginning August 1, 2018 through August 1, 2037, interest payable semi-annually at a rate of 3.65%. Purpose: Refund certain outstanding bonds	$ 6,528,400

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

	Parking Authority Revenue Bonds	
	Principal	Interest
2022	$ 285,400	$ 233,078
2023	297,900	222,433
2024	305,200	211,426
2025	317,100	200,069
2026-2030	1,763,600	814,965
2031-2035	2,106,400	462,831
2036-2038	1,452,800	80,720
	$ 6,528,400	$ 2,225,522

Note 10. Contingent Liabilities and Commitments

Federal programs in which the City participates were audited in accordance with provisions of the *Uniform Guidance*. 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 effect on the financial condition of the government.

Note 11. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the City, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	WPA	School Non-Professional
Inactive members or their beneficiaries currently receiving benefits	280	2	48
Inactive members:			
Vested inactive members	84	1	9
Non-vested inactive members	158	1	21
Inactive members active elsewhere in VRS	192	2	11
Total inactive members	434	4	41
Active members	468	4	91
Total covered employees	1,182	10	180

Note 11. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The City and WPA's contractually required contribution rate for the year ended June 30, 2021 was 10.23% of covered employee compensation. The School Board Non-Professional Employee Plan's contractually required contribution rate for the year ended June 30, 2021 was 5.85% of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2019.

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability. Contributions to the pension plan from the City were $2,358,765 and $2,144,551 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the pension plan from the WPA were $18,699 and $12,328 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the pension plan from School Board Non-Professional Employee Plan were $144,444 and $134,192 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total pension liability for General Employees, Public Safety employees with Hazardous Duty Benefits, and the VRS Teacher Retirement Plan in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits - Salary increases, including inflation	3.50 – 4.75%
Teacher Cost Sharing Plan – Salary increases, including inflation	3.50-5.95%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year, age, and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

(Continued)

Note 11. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	4.65 %	1.58 %
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		4.64 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.14 %

* The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	$ 102,350,825	$ 91,240,525	$ 11,110,300
Changes for the year:			
Service cost	2,711,174	-	2,711,174
Interest	6,788,546	-	6,788,546
Changes of assumptions	-	-	-
Differences between expected and actual experience	2,159,470	-	2,159,470
Contributions – employer	-	2,101,581	(2,101,581)
Contributions – employee	-	1,223,366	(1,223,366)
Net investment income	-	1,756,513	(1,756,513)
Benefit payments, including refunds of employee contributions	(4,580,019)	(4,580,019)	-
Administrative expenses	-	(59,729)	59,729
Other changes	-	220,531	(220,531)
Net changes	7,079,171	662,243	6,416,928
Balances at June 30, 2020	$ 109,429,996	$ 91,902,768	$ 17,527,228

Note 11. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability - WPA

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2019	$ 1,041,050	$ 977,180	$ 63,870
Changes for the year:			
Service cost	21,493	-	21,493
Interest	53,817	-	53,817
Changes of assumptions	-	-	-
Differences between expected and actual experience	17,120	-	17,120
Contributions – employer	-	16,661	(16,661)
Contributions – employee	-	9,698	(9,698)
Net investment income	-	13,925	(13,925)
Benefit payments, including refunds of employee contributions	(36,309)	(36,309)	-
Administrative expenses	-	(474)	474
Other changes	-	(22,460)	22,460
Net changes	56,121	(18,959)	75,080
Balances at June 30, 2020	$ 1,097,171	$ 958,221	$ 138,950

Note 11. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability – School Board Non-Professional Employee Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2019	$ 8,467,670	$ 8,420,447	$ 47,223
Changes for the year:			
Service cost	260,986	-	260,986
Interest	557,813	-	557,813
Changes of assumptions	-	-	-
Differences between expected and actual experience	(107,196)	-	(107,196)
Contributions – employer	-	133,747	(133,747)
Contributions – employee	-	118,764	(118,764)
Net investment income	-	158,448	(158,448)
Benefit payments, including refunds of employee contributions	(407,534)	(407,534)	-
Administrative expenses	-	(5,476)	5,476
Other changes	-	(190)	190
Net changes	304,069	(2,241)	306,310
Balances at June 30, 2020	$ 8,771,739	$ 8,418,206	$ 353,533

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City's net pension liability	$ 32,597,993	$ 17,527,228	$ 5,144,907
WPA's net pension liability	258,426	138,950	40,787
School Board Non-Professional Employee Plan's net pension liability (asset)	1,242,973	353,533	(404,260)

Note 11. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of $4,366,099. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,858,276	$ 101,372
Changes of assumptions	1,342,890	-
Net difference between projected and actual earnings on pension plan investments	2,754,628	-
Employer contributions subsequent to the measurement date	2,358,765	-
Total	$ 8,314,559	$ 101,372

The $2,358,765 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase to Pension Expense
2022	$ 1,750,601
2023	2,050,023
2024	1,172,343
2025	881,455
2026	-
Thereafter	-

Note 11. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, the WPA recognized pension expense of $34,613. At June 30, 2021, the WPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,731	$ 804
Changes of assumptions	10,646	-
Net difference between projected and actual earnings on pension plan investments	21,838	-
Employer contributions subsequent to the measurement date	18,699	-
Total	$ 65,914	$ 804

The $18,699 reported as deferred outflows of resources related to pensions resulting from WPA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase to Pension Expense
2022	$ 13,878
2023	16,252
2024	9,294
2025	6,987
2026	-
Thereafter	-

Note 11. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, the School Board Non-Professional Employee Plan recognized pension expense of $266,497. At June 30, 2021, the School Board Non-Professional Employee Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 52,828	$ 73,699
Changes of assumptions	67,032	-
Net difference between projected and actual earnings on pension plan investments	253,744	-
Employer contributions subsequent to the measurement date	144,444	-
Total	$ 518,048	$ 73,699

The $144,444 reported as deferred outflows of resources related to pensions resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase to Pension Expense
2022	$ 87,258
2023	45,937
2024	85,809
2025	80,901
2026	-
Thereafter	-

Note 11. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including Winchester City Public Schools, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously funded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 11.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $4,951,480 and $4,687,085 for the years ended June 30, 2021 and June 30, 2020, respectively.

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the school division reported a liability of $51,555,588 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.354% as compared to 0.353% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of $5,380,562. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,021,952
Changes of assumptions	3,519,315	-
Net difference between projected and actual earnings on pension plan investments	3,921,374	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,215	1,581,535
Employer contributions subsequent to the measurement date	4,951,480	-
Total	$ 12,523,384	$ 4,603,487

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The $4,951,480 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2022	$ (524,736)
2023	869,573
2024	1,428,872
2025	1,248,607
2026	(53,899)
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 51,001,855
Plan Fiduciary Net Position	36,449,229
Employers' Net Pension Liability (Asset)	$ 14,552,626
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%

Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	$ 75,643,627	$ 51,555,588	$ 31,631,735

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, approximately $716,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll for the Teacher Cost Sharing Plan and School Board Non-Professional Employee Plan combined.

Note 13. Other Postemployment Benefits Liability – Local Plan

Plan Description and Benefits Provided

The City of Winchester administers a cost-sharing defined benefit healthcare plan (the "Retiree Health Plan"). Participating employers include the City, the WPA, the Northwestern Juvenile Detention Center Commission, and the Frederick-Winchester Service Authority. 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 is one grandfathered retiree 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. Management of the plan is vested in the City's OPEB Finance Board, which is comprised of the City's CFO, Treasurer, and a citizen representative.

Summary of Significant Accounting Policies

Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30. Securities without an established market are reported at estimated fair value.

Employees Covered by Benefit Terms

As of the January 1, 2020 actuarial valuation, the following employees were covered by the benefit terms of the plan, including City, WPA and other employers:

Inactive employees or beneficiaries:	
Currently receiving benefits	29
Active plan members	513
Total	542

Investment Policies

The City's policy for the allocation of invested assets is established and may be amended by the OPEB Finance Board. It is the policy of the OPEB Finance Board to ensure that assets are diversified to minimize the impact of large losses from individual investments, and to achieve a long-term level of return commensurate with contemporary economic conditions. The investment policy discourages the use of cash equivalents, except for liquidity purposes.

Note 13. Other Postemployment Benefits Liability – Local Plan (Continued)

Contributions

Contribution requirements are established by City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. Contributions to the OPEB plan from the City were $418,000 for the year ended June 30, 2021.

Net OPEB Liability

At June 30, 2021, the City and WPA reported liabilities of $2,752,160 and $25,977, respectively for their proportionate shares of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of January 1, 2020. The City's and WPA's proportion of the collective net OPEB liability was based on a projection of the City's and WPA's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers actuarially determined. At June 30, 2021, the City's and WPA's proportion was 95.10%, which is the same as the proportion measured as of June 30, 2020.

	City and WPA	Other Employers	Total
Total OPEB liability	$ 8,876,386	$ 457,353	$ 9,333,739
Plan fiduciary net position	6,098,249	314,211	6,412,460
Employers' net OPEB liability	$ 2,778,137	$ 143,142	$ 2,921,279
Plan fiduciary net position as a percentage of total OPEB liability	68.70%	68.70%	68.70%

Actuarial Assumptions and Other Inputs

In the January 1, 2020 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 6.50% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the plan's investments calculated based on the funded level of the plan at the valuation date.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse – Actual coverage status is used; females assumed to be three 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.

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

(Continued)

Note 13. Other Postemployment Benefits Liability – Local Plan (Continued)

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 – The medical trend assumption was changed from developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The updated SOA Model was released in April 2010 and updated September 2019. The following assumptions were used as input variables into this model:

- Rate of Inflation 2.50%
- Rate of Growth in Real Income / GNP per capita 1.50%
- Extra Trend due to Technology and other factors 1.10%
- Health Share of GDP Resistance Point 25.00%
- Year for Limiting Cost Growth to GDP Growth 2075

Payroll is assumed to increase at 2.50% per annum. This assumption is used to determine the level percentage of payroll amortization factor. Inflation is assumed to be 2.50% per annum.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB investments was determined using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, the expectation for inflation of 2.50%, productivity, and labor force growth.

Asset Class (Strategy)	Target Allocation	Capital Market Assumptions	Expected Long-term Return (Net of Inflation)
Domestic Equity	39.00 %	7.50 %	5.00 %
International Developed Equity	15.00	7.60	5.10
International Emerging Markets Equity	6.00	7.90	5.40
Core Fixed	20.00	3.80	1.30
Investment Grade Corporate Debt	10.00	4.20	1.70
Emerging Markets Debt	5.00	6.10	3.60
High Yield	5.00	6.00	3.50
Total	100.00 %		
	Inflation		2.50 %

Note 13. Other Postemployment Benefits Liability – Local Plan (Continued)

Discount Rate

The discount rate used to measure the net OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the political subdivision, as well as what the political subdivision's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Net OPEB liability – City	$ 3,728,676	$ 2,752,160	$ 1,892,275
Net OPEB liability – WPA	35,194	25,977	17,861
Net OPEB liability – Other Employers	193,932	143,142	98,419
Total	$ 3,957,802	$ 2,921,279	$ 2,008,555

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the political subdivision, as well as what the political subdivision's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.04%) or one percentage point higher (5.04%) than the current healthcare cost trend rates:

	1.00% Decrease (3.04%)	Current Healthcare Cost Trend Rates (4.04%)	1.00% Increase (5.04%)
Net OPEB liability – City	$ 1,640,046	$ 2,752,160	$ 4,082,406
Net OPEB liability – WPA	15,480	25,977	38,533
Net OPEB liability – Other Employers	85,301	143,142	212,330
Total	$ 1,740,827	$ 2,921,279	$ 4,333,269

Note 13. Other Postemployment Benefits Liability – Local Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City, WPA, and other participating employers recognized OPEB expenses of $581,328, $5,487, and $30,235, respectively. At June 30, 2021, the City and WPA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	City		WPA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,692,059	$ 7,522	$ 15,971	$ 71
Net difference between projected and actual earnings on OPEB plan investments	-	683,934	-	6,455
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	8,133	-	77
Changes of assumptions	-	406,033	-	3,832
Total	$ 1,692,059	$ 1,105,622	$ 15,971	$ 10,435

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Increase (Reduction) to OPEB Expense	
	City	WPA
2022	$ 116,888	$ 1,103
2023	96,759	913
2024	99,063	935
2025	87,680	828
2026	187,070	1,766
Thereafter	(1,023)	(9)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City, Schools, and WPA also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at
https://www.varetire.org/retirees/insurance/healthinscredit/index.asp

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	City	WPA	Schools Non-Professional Employees
Inactive members or their beneficiaries currently receiving benefits	47	1	15
Inactive members:			
Vested inactive members	-	-	-
Total inactive members	47	1	15
Active members	363	4	91
Total covered employees	410	5	106

Line of Duty Act Program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple employer, cost sharing plan.

Specific information about the LODA is available at https://www.valoda.org/

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.

	City	WPA	Schools
June 30, 2021 Contribution	$132,667	$1,240	$182,368
June 30, 2020 Contribution	$131,667	$913	$175,154

Teacher Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2021 Contribution	$377,877
June 30, 2020 Contribution	$373,337

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.10% of covered employee compensation.

	City	WPA	Schools
June 30, 2021 Contribution	$18,764	$230	$7,620
June 30, 2020 Contribution	$23,491	$204	$6,016

Line of Duty Act Program

Governed by:	*Code of Virginia* 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	$717.34 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2021 Contribution	$120,149
June 30, 2020 Contribution	$130,391

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program

	City	WPA	Schools
June 30, 2021 proportionate share of liability	$2,012,790	$18,813	$2,731,385
June 30, 2020 proportion	0.13%	0.01%	0.16%
June 30, 2019 proportion	0.12 %	0.01 %	0.15%
June 30, 2021 expense	$79,771	$746	$84,581

Teacher Health Insurance Credit Program

June 30, 2021 proportionate share of liability	$4,629,337
June 30, 2020 proportion	0.35%
June 30, 2019 proportion	0.35%
June 30, 2021 expense	$342,365

Line of Duty Act Program

June 30, 2021 proportionate share of liability	$4,018,366
June 30, 2020 proportion	0.96%
June 30, 2019 proportion	0.92%
June 30, 2021 expense	$368,062

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program

Changes in the City's net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) – (b)**
Balances at June 30, 2019	$ 478,378	$ 395,879	$ 82,499
Changes for the year:			
Service cost	14,046	-	14,046
Interest	31,626	-	31,626
Benefit changes	-	-	-
Differences between expected and actual experience	(17,090)	-	(17,090)
Changes of assumptions	-	-	-
Contributions – employer	-	22,933	(22,933)
Net investment income	-	8,085	(8,085)
Benefit payments	(32,261)	(32,261)	-
Administrative expenses	-	(768)	768
Other changes	-	1,958	(1,958)
Net changes	(3,679)	(53)	(3,626)
Balances at June 30, 2020	$ 474,699	$ 395,826	$ 78,873

In addition, for the year ended June 30, 2021, the City recognized OPEB expense of $8,862 related to the General Employee Health Insurance Credit Program.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Changes in the WPA's net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) – (b)**
Balances at June 30, 2019	$ 5,590	$ 4,874	$ 716
Changes for the year:			
Service cost	172	-	172
Interest	388	-	388
Benefit changes	-	-	-
Differences between expected and actual experience	(209)	-	(209)
Changes of assumptions	-	-	-
Contributions – employer	-	281	(281)
Net investment income	-	99	(99)
Benefit payments	(395)	(395)	-
Administrative expenses	-	(9)	9
Other changes	-	(271)	271
Net changes	(44)	(295)	251
Balances at June 30, 2020	$ 5,546	4,579	$ 967

In addition, for the year ended June 30, 2021, the WPA recognized OPEB expense of $109 related to the General Employee Health Insurance Credit Program.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Changes in the Schools Non-Professional Employees net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2019	$ 126,713	$ 87,523	$ 39,190
Changes for the year:			
Service cost	4,460	-	4,460
Interest	8,314	-	8,314
Benefit changes	4,016	-	4,016
Differences between expected and actual experience	(6,898)	-	(6,898)
Changes of assumptions	-	-	-
Contributions – employer	-	6,016	(6,016)
Net investment income	-	1,739	(1,739)
Benefit payments	(7,090)	(7,090)	-
Administrative expenses	-	(167)	167
Other changes	-	(1)	1
Net changes	2,802	497	2,305
Balances at June 30, 2020	$ 129,515	$ 88,020	$ 41,495

In addition, for the year ended June 30, 2021, the Schools recognized OPEB expense of $11,121 related to the General Employee Health Insurance Credit Program.

At June 30, 2021, the City, WPA, and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 129,102	$ 18,079
Changes of assumptions	100,663	42,028
Net difference between projected and actual earnings on OPEB plan investments	60,462	-
Changes in proportion	51,405	35,967
Employer contributions subsequent to the measurement date	132,667	-
Total	$ 474,299	$ 96,074

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program - WPA

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,207	$ 169
Changes of assumptions	941	393
Net difference between projected and actual earnings on OPEB plan investments	565	-
Changes in proportion	480	336
Employer contributions subsequent to the measurement date	1,240	-
Total	$ 4,433	$ 898

Group Life Insurance Program - Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 175,194	$ 24,535
Changes of assumptions	136,601	57,033
Net difference between projected and actual earnings on OPEB plan investments	82,049	-
Changes in proportion	5,520	86,462
Employer contributions subsequent to the measurement date	182,368	-
Total	$ 581,732	$ 168,030

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 61,823
Change in assumptions	91,515	25,293
Net difference between projected and actual earnings on OPEB plan investments	20,515	-
Changes in proportion	5,598	191,336
Employer contributions subsequent to the measurement date	377,877	-
Total	$ 495,505	$ 278,452

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 64,131
Changes of assumptions	9,878	8,904
Net difference between projected and actual earnings on OPEB plan investments	13,113	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	18,764	-
Total	$ 41,755	$ 73,035

General Employee Health Insurance Credit Program - WPA

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 786
Changes of assumptions	121	109
Net difference between projected and actual earnings on OPEB plan investments	161	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	230	-
Total	$ 512	$ 895

General Employee Health Insurance Credit Program - Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,862	$ 6,946
Changes of assumptions	1,694	958
Net difference between projected and actual earnings on OPEB plan investments	2,890	-
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	7,620	-
Total	$ 18,066	$ 7,904

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 426,557	$ 547,836
Changes of assumptions	1,075,747	250,406
Net difference between projected and actual earnings on OPEB plan investments	-	5,713
Changes in proportion	173,530	133,708
Employer contributions subsequent to the measurement date	120,149	-
Total	$ 1,795,983	$ 937,663

The deferred outflows of resources related to OPEB resulting from the City's, WPA's, and Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program - City

Year Ended June 30,	Increase to OPEB Expense
2022	$ 33,333
2023	50,407
2024	69,065
2025	74,220
2026	17,902
Thereafter	631

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program - WPA

Year Ended June 30,	Increase to OPEB Expense
2022	$ 312
2023	471
2024	646
2025	694
2026	167
Thereafter	5

Group Life Insurance Program - Schools

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ 21,563
2023	44,733
2024	68,601
2025	76,259
2026	18,626
Thereafter	1,552

Teacher Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ (36,748)
2023	(34,715)
2024	(35,396)
2025	(28,386)
2026	(15,945)
Thereafter	(9,634)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program - City

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ (10,645)
2023	(7,722)
2024	(7,602)
2025	(7,794)
2026	(9,208)
Thereafter	(7,073)

General Employee Health Insurance Credit Program - WPA

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ (130)
2023	(95)
2024	(93)
2025	(96)
2026	(113)
Thereafter	(86)

General Employee Health Insurance Credit Program - Schools

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2022	$ 29
2023	1,370
2024	1,514
2025	(371)
2026	-
Thereafter	-

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Line of Duty Act Program

Year Ended June 30,	Increase to OPEB Expense
2022	$ 94,329
2023	95,385
2024	96,511
2025	96,842
2026	97,195
Thereafter	257,909

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
• Locality- general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 6.75%; LODA 2.21%

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan	Line of Duty Act Program
Total OPEB Liability	$ 3,523,937	$ 1,448,676	$ 423,147
Plan fiduciary net position	1,855,102	144,160	4,333
Employers' net OPEB liability (asset)	$ 1,668,835	$ 1,304,516	$ 418,814
Plan fiduciary net position as a percentage of total OPEB liability	52.64%	9.95%	1.02%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	4.65 %	1.58 %
Fixed Income	15.00	0.46	0.07
Credit Strategies	14.00	5.38	0.75
Real Assets	14.00	5.01	0.70
Private Equity	14.00	8.34	1.17
MAPS – Multi-Asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		4.64 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.14 %

* The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

(Continued)

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 6.75% assumption noted above. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The discount rate used to measure the LODA OPEB liability was 2.21% The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the City, WPA, and Schools, as well as what the net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% HIC; GLI/1.21% LODA) or one percentage point higher (7.75% HIC; GLI/3.21% LODA) than the current discount rate:

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – City	$ 2,645,967	$ 2,012,790	$ 1,498,592
GLI Net OPEB liability – WPA	24,731	18,813	14,007
GLI Net OPEB liability – Schools	3,590,615	2,731,385	2,033,610
Teacher HIC Net OPEB liability	$ 5,182,061	$ 4,629,337	$ 4,159,563
General Employee HIC Net OPEB liability – City	$ 138,668	$ 78,873	$ 28,680
General Employee HIC Net OPEB liability – WPA	1,700	967	352
General Employee HIC Net OPEB liability – Schools	54,482	41,495	29,871
	(1.21 %)	**(2.21 %)**	**(3.21 %)**
LODA Net OPEB liability	$ 4,769,746	$ 4,018,366	$ 3,451,992

Sensitivity of the LODA Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the City using health care trend rate of 7.00% decreasing to 4.75%, as well as what the City's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current healthcare cost trend rates:

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
LODA Net OPEB liability	$ 3,321,311	$ 4,018,366	$ 4,930,105

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15. Summary of Other Postemployment Benefits

	Deferred Outflows of Resources	Net OPEB Liability	Deferred Inflows of Resources	OPEB Expense
City – Local Plan	$ 1,692,059	$ 2,752,160	$ 1,105,622	$ 581,328
City – GLI	474,299	2,012,790	96,074	79,771
City – HIC	41,755	78,873	73,035	8,862
City – LODA	1,795,983	4,018,366	937,663	368,062
	$ 4,004,096	$ 8,862,189	$ 2,212,394	$ 1,038,023
WPA – Local Plan	15,971	25,977	10,435	5,487
WPA – GLI	4,433	18,813	898	746
WPA – HIC	512	967	895	109
	$ 20,916	$ 45,757	$ 12,228	$ 6,342
Schools Non Professional – HIC	18,066	41,495	7,904	11,121
Teachers – HIC	495,505	4,629,337	278,452	342,365
Schools Non Professional – GLI	48,133	203,265	6,721	9,347
Teachers – GLI	533,599	2,528,120	161,309	75,234
	$ 1,095,303	$ 7,402,217	$ 454,386	$ 438,067

Note 16. 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.

Note 16. Risk Management (Continued)

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.

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.

Note 17. Related Party Transactions

The Social Services fund has a 15 year lease for property that commenced during 2009 for which the City paid $536,693 in 2021. The lease calls for monthly lease payments, and an additional deposit of $40,000 is being held by the lessor. One member of the City's Common Council had an economic interest in the leasing company.

(Continued)

Note 18. 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	Capital Projects Fund	Nonmajor Governmental Funds
Nonspendable:			
Prepaids	$ -	$ -	$ 40,000
Inventories	9,658	-	-
Total nonspendable	9,658	-	40,000
Restricted for:			
Revenue for public safety programs	148,038	-	-
Revenue for community development programs	187,931	-	-
Debt proceeds not yet spent for projects	-	7,430,820	-
Total restricted	335,969	7,430,820	-
Committed to:			
Public safety	79,100	-	-
Parks, recreation and cultural	189,621	-	-
Other capital projects	1,300,000	-	-
Total committed	1,568,721	-	-
Assigned to:			
Judicial administration	13,402	-	80,621
Public safety	105,911	-	449,997
Public works	-	-	281,521
Education	2,404,101	-	-
Parks, recreation and cultural	-	-	159,966
Subsequent year appropriation	517,200	-	-
Total assigned	3,040,614	-	972,105
Unassigned	21,138,627	(648,924)	(17,481)
Total fund balance	$ 26,093,589	$ 6,781,896	$ 994,624

Note 19. Subsequent Events

Subsequent to year end, the Winchester Parking Authority approved the issuance of a $6,285,000 revenue bond which will be used to refund the outstanding 2018 revenue bond. The bond will bear interest at 2.250% and mature in August 2037. Additionally, the City approved the issuance of a $6,825,000 in tax exempt bonds and $5,135,000 in taxable bonds. The tax exempt bond will bear interest ranging from 3.00%-5.00% while the taxable bond will bear interest ranging from 1.050%-2.625%. Both bonds will mature in August 2041.

(Continued)

Note 20. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the City's financial condition, liquidity, and future results of operations. To date, the City has not suffered any significant impact from the pandemic. However, management continues to monitor the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Note 21. Prior Period Restatement – City and Schools

For the year ended June 30, 2021, the City and School Board adopted GASB Statement No. 84, *Fiduciary Activities.* The primary purpose of this standard was to improve the comparability of fiduciary activities between local governments while also enhancing the usefulness of the fiduciary activity information reported in the ACFR. In doing so, users of the financial statements can readily see the responsibility governments have in their roles as fiduciaries. As a result, the School Board incorporated the School Activity Funds (SAFs) as a special revenue fund since the SAFs no longer qualified as a custodial fund under the new standard. Additionally, the City's custodial funds now present net position instead of "Amounts Held for Others." Total net position for all custodial funds were restated by $2,718,968, as noted in Exhibit 11, as a result of the new standard.

The following is a summary of the restatement to beginning fund balance for Other Governmental Funds, as can be seen in Exhibits 28 and 31.

Total fund balance (Other Governmental Funds), June 30, 2020, as previously reported	$ 601,335
Effect of adopting GASB 84	703,391
Total fund balance (Other Governmental Funds), June 30, 2020, as restated	$ 1,304,726

The following is a summary of the restatement to beginning net position, as can be seen in Exhibit 2.

Net position (School Board), June 30, 2020, as previously reported	$ 80,855,283
Effect of adopting GASB 84	703,391
Net position (School Board), June 30, 2020, as restated	$ 81,558,674

Note 22. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95**, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In June 2017, the GASB issued **Statement No. 87**, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In August 2018, the GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Note 22. New Accounting Standards (Continued)

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2021

	Primary Government and Winchester Parking Authority Plan Year Ended June 30,						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total Pension Liability							
Service cost	$ 2,732,667	$ 2,597,139	$ 2,484,786	$ 2,579,048	$ 2,505,857	$ 2,454,330	$ 2,316,409
Interest on total pension liability	6,842,363	6,619,241	6,194,543	5,955,078	5,655,539	5,566,393	5,265,624
Benefit payments, including refunds of employee contributions	(4,616,328)	(4,498,689)	(4,051,306)	(3,747,622)	(3,717,526)	(3,463,806)	(3,782,051)
Difference between actual and expected experience	2,176,590	811,802	(556,820)	(573,149)	(249,368)	(2,623,418)	-
Changes of assumptions	-	3,228,192	-	(692,576)	-	-	-
Net change in total pension liability	7,135,292	8,757,685	4,071,203	3,520,779	4,194,502	1,933,499	3,799,982
Total pension liability - beginning	103,391,875	94,634,190	90,562,987	87,042,208	82,847,706	80,914,207	77,114,225
Total pension liability - ending	$ 110,527,167	$ 103,391,875	$ 94,634,190	$ 90,562,987	$ 87,042,208	$ 82,847,706	$ 80,914,207
Plan Fiduciary Net Position							
Contributions - employer	$ 2,118,242	$ 2,112,247	$ 2,087,412	$ 2,054,193	$ 2,551,366	$ 2,496,346	$ 2,480,335
Contributions - employee	1,233,064	1,292,059	1,084,938	1,107,449	1,102,156	1,063,902	1,010,980
Net investment income	1,770,438	5,982,376	6,089,112	9,027,657	1,291,832	3,207,547	9,515,209
Benefit payments, including refunds of employee contributions	(4,616,328)	(4,498,689)	(4,051,306)	(3,747,622)	(3,717,526)	(3,463,806)	(3,782,051)
Administrative expenses	(60,203)	(58,925)	(52,294)	(51,704)	(44,712)	(43,206)	(50,971)
Other changes	198,071	(169,802)	(10,114)	(22,965)	63,874	(47,957)	502
Net change in plan fiduciary net position	643,284	4,659,266	5,147,748	8,367,008	1,246,990	3,212,826	9,174,004
Plan fiduciary net position - beginning	92,217,705	87,558,439	82,410,691	74,043,683	72,796,693	69,583,867	60,409,863
Plan fiduciary net position - ending	$ 92,860,989	$ 92,217,705	$ 87,558,439	$ 82,410,691	$ 74,043,683	$ 72,796,693	$ 69,583,867
Net pension liability - ending	$ 17,666,178	$ 11,174,170	$ 7,075,751	$ 8,152,296	$ 12,998,525	$ 10,051,013	$ 11,330,340
Plan fiduciary net position as a percentage of total pension liability	84%	89%	93%	91%	85%	88%	86%
Covered payroll	$ 25,468,564	$ 23,917,946	$ 22,250,533	$ 22,001,965	$ 22,043,861	$ 21,352,682	$ 20,509,189
Net pension liability as a percentage of covered payroll	69%	47%	32%	37%	59%	47%	55%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - e.g., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2021

	Schools - Nonprofessional Employees Plan Year Ended June 30,						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total Pension Liability							
Service cost	$ 260,986	$ 242,727	$ 239,752	$ 229,749	$ 239,831	$ 232,607	$ 234,274
Interest on total pension liability	557,813	527,051	508,391	503,177	487,897	460,720	432,031
Benefit payments, including refunds of employee contributions	(407,534)	(423,662)	(378,664)	(336,811)	(317,220)	(291,762)	(221,176)
Difference between actual and expected experience	(107,196)	167,672	(80,413)	(160,784)	(182,415)	(597)	-
Changes of assumptions	-	212,756	-	(139,925)	-	-	-
Net change in total pension liability	304,069	726,544	289,066	95,406	228,093	400,968	445,129
Total pension liability - beginning	8,467,670	7,741,126	7,452,060	7,356,654	7,128,561	6,727,593	6,282,464
Total pension liability - ending	$ 8,771,739	$ 8,467,670	$ 7,741,126	$ 7,452,060	$ 7,356,654	$ 7,128,561	$ 6,727,593
Plan Fiduciary Net Position							
Contributions - employer	$ 133,747	$ 127,371	$ 140,978	$ 142,642	$ 182,973	$ 182,430	$ 202,866
Contributions - employee	118,764	111,012	108,249	109,305	104,368	104,329	100,009
Net investment income	158,448	534,183	562,499	839,313	118,191	298,135	884,655
Benefit payments, including refunds of employee contributions	(407,534)	(423,662)	(378,664)	(336,811)	(317,220)	(291,762)	(221,176)
Administrative expenses	(5,476)	(5,338)	(4,863)	(4,829)	(4,204)	(4,031)	(4,659)
Other changes	(190)	(336)	(501)	(748)	(51)	(62)	46
Net change in plan fiduciary net position	(2,241)	343,230	427,698	748,872	84,057	289,039	961,741
Plan fiduciary net position - beginning	8,420,447	8,077,217	7,649,519	6,900,647	6,816,590	6,527,551	5,565,810
Plan fiduciary net position - ending	$ 8,418,206	$ 8,420,447	$ 8,077,217	$ 7,649,519	$ 6,900,647	$ 6,816,590	$ 6,527,551
Net pension liability (asset) - ending	$ 353,533	$ 47,223	$ (336,091)	$ (197,459)	$ 456,007	$ 311,971	$ 200,042
Plan fiduciary net position as a percentage of total pension liability (asset)	96%	99%	104%	103%	94%	96%	97%
Covered payroll	$ 2,509,199	$ 2,342,029	$ 2,278,347	$ 2,245,349	$ 2,127,334	$ 2,109,954	$ 2,044,072
Net pension liability (asset) as a percentage of covered payroll	14%	2%	-15%	-9%	21%	15%	10%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - e.g., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2021

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.35%	$ 51,555,588	$ 31,549,305	163.41%	71.47%
2019	0.35%	46,466,019	29,750,334	156.19%	73.51%
2018	0.36%	42,860,000	29,604,640	144.77%	74.81%
2017	0.37%	45,450,000	29,329,091	154.97%	72.92%
2016	0.38%	53,014,000	28,839,427	183.82%	68.28%
2015	0.38%	47,549,000	28,107,384	169.17%	70.68%
2014	0.37%	44,422,000	27,264,162	162.93%	70.88%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - e.g., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2021

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government and Winchester Parking Authority					
2021	$ 2,377,464	$ 2,377,464	-	$ 24,694,829	9.63%
2020	2,156,879	2,156,879	-	25,468,564	8.47%
2019	2,063,819	2,063,819	-	23,917,946	8.63%
2018	2,086,214	2,086,214	-	22,250,533	9.38%
2017	2,051,838	2,051,838	-	22,001,965	9.33%
2016	2,567,157	2,567,157	-	22,043,861	11.65%
2015	2,638,462	2,638,462	-	21,352,682	12.36%
Schools - Nonprofessional Employees					
2021	$ 144,444	$ 144,444	-	$ 2,467,380	5.85%
2020	134,192	134,192	-	2,509,199	5.35%
2019	127,729	127,729	-	2,342,029	5.45%
2018	141,361	141,361	-	2,278,347	6.20%
2017	143,042	143,042	-	2,245,349	6.37%
2016	183,396	183,396	-	2,127,334	8.62%
2015	182,815	182,815	-	2,109,954	8.66%
Schools - VRS Teacher Retirement Plan					
2021	$ 4,951,480	$ 4,951,480	-	$ 31,839,788	15.55%
2020	4,687,085	4,687,085	-	31,549,305	14.86%
2019	4,523,107	4,523,107	-	29,750,334	15.20%
2018	4,713,786	4,713,786	-	29,604,640	15.92%
2017	4,205,966	4,205,966	-	29,329,091	14.34%
2016	4,021,395	4,021,395	-	28,839,427	13.94%
2015	4,074,900	4,074,900	-	28,107,384	14.50%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

EXHIBIT 15A

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2021

VRS Health Insurance Credit - City and WPA	Plan Year Ended			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 14,218	$ 14,221	$ 13,397	$ 14,030
Interest on total OPEB liability	32,014	34,748	33,879	32,993
Difference between expected and actual experience	(17,299)	(46,940)	(25,089)	-
Changes of assumptions	-	13,750	-	(17,997)
Benefit payments, including refunds of employee contributions	(32,656)	(22,827)	(25,595)	(11,878)
Net change in total OPEB liability	(3,723)	(7,048)	(3,408)	17,148
Total OPEB liability - beginning	483,968	491,016	494,424	477,276
Total OPEB liability - ending	480,245	483,968	491,016	494,424
Plan Fiduciary Net Position				
Contributions - employer	23,214	22,855	21,761	22,286
Net investment income	8,184	25,415	25,719	36,848
Benefit payments	(32,656)	(22,827)	(25,595)	(11,878)
Administrative expenses	(777)	(557)	(606)	(615)
Other	1,687	(3,306)	(2,466)	1,819
Net change in plan fiduciary net position	(348)	21,580	18,813	48,460
Plan fiduciary net position - beginning	400,753	379,173	360,360	311,900
Plan fiduciary net position - ending	400,405	400,753	379,173	360,360
Net OPEB liability - ending	$ 79,840	$ 83,215	$ 111,843	$ 134,064
Plan fiduciary net position as a percentage of total OPEB liability	83%	83%	77%	73%
Covered payroll	$ 19,818,132	$ 18,532,932	$ 17,312,179	$ 17,226,470
Net OPEB liability as a percentage of covered payroll	0.40%	0.45%	0.65%	0.78%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 was presented in the entity's fiscal year 2018 financial report.

Note: Plan year 2017 amounts corrected in 2019 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

EXHIBIT 15B

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2021

	Plan Year Ended			
VRS Health Insurance Credit - Schools Nonprofessional Employees	**2020**	**2019**	**2018**	**2017**
Total OPEB Liability				
Service cost	$ 4,460	$ 3,547	$ 3,227	$ 3,096
Interest on total OPEB liability	8,314	7,414	7,425	7,360
Changes in benefit terms	4,016	-	-	-
Difference between expected and actual experience	(6,898)	10,142	(3,657)	-
Changes of assumptions	-	2,930	-	(4,270)
Benefit payments, including refunds of employee contributions	(7,090)	(6,477)	(7,819)	(2,701)
Net change in total OPEB liability	2,802	17,556	(824)	3,485
Total OPEB liability - beginning	126,713	109,157	109,981	106,496
Total OPEB liability - ending	129,515	126,713	109,157	109,981
Plan Fiduciary Net Position				
Contributions - employer	6,016	5,607	5,669	5,614
Net investment income	1,739	5,329	5,875	8,159
Benefit payments	(7,090)	(6,477)	(7,819)	(2,701)
Administrative expenses	(167)	(116)	132	(135)
Other	(1)	(6)	(914)	401
Net change in plan fiduciary net position	497	4,337	2,943	11,338
Plan fiduciary net position - beginning	87,523	83,186	80,243	68,905
Plan fiduciary net position - ending	88,020	87,523	83,186	80,243
Net OPEB liability - ending	$ 41,495	$ 39,190	$ 25,971	$ 29,738
Plan fiduciary net position as a percentage of total OPEB liability	68%	69%	76%	73%
Covered payroll	$ 2,509,199	$ 2,336,297	$ 2,267,717	$ 2,245,349
Net OPEB liability as a percentage of covered payroll	2%	2%	1%	1%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 15C

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2021

	Plan Year Ended			
Local Plan - Totals for all employers	**2021**	**2020**	**2019**	**2018**
Total OPEB Liability				
Service cost	$ 243,481	$ 235,248	$ 222,257	$ 214,120
Interest on total OPEB liability	566,667	456,740	395,825	374,376
Difference between expected and actual experience	(7,634)	2,007,314	633,920	(3,365)
Changes of assumptions	-	(603,377)	-	-
Benefit payments, including refunds of employee contributions	(381,094)	(360,870)	(294,359)	(253,650)
Net change in total OPEB liability	421,420	1,735,055	957,643	331,481
Total OPEB liability - beginning	8,912,319	7,177,264	6,219,621	5,888,140
Total OPEB liability - ending	9,333,739	8,912,319	7,177,264	6,219,621
Plan Fiduciary Net Position				
Contributions - employer	799,094	677,870	688,359	3,763,727
Net investment income	1,294,260	218,216	253,647	7,260
Benefit payments	(381,094)	(360,870)	(294,359)	(253,650)
Net change in plan fiduciary net position	1,712,260	535,216	647,647	3,517,337
Plan fiduciary net position - beginning	4,700,200	4,164,984	3,517,337	-
Plan fiduciary net position - ending	6,412,460	4,700,200	4,164,984	3,517,337
	-	-	-	-
Net OPEB liability - ending	$ 2,921,279	$ 4,212,119	$ 3,012,280	$ 2,702,284
Plan fiduciary net position as a percentage of total OPEB liability	69%	53%	58%	57%
Covered payroll	$ 26,954,995	$ 25,706,956	$ 24,341,867	$ 23,926,081
Net OPEB liability as a percentage of covered payroll	11%	16%	12%	11%
Schedule of Investment Returns				
Annual money-weighted rate of return, net of investment expense	26.22%	5.08%	6.78%	0.59%

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 16

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2021

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Local Plan - City and WPA					
2021	95.10%	$ 2,778,137	$ 26,954,995	10.31%	68.70%
2020	95.10%	4,005,725	25,706,956	15.58%	52.74%
2019	95.35%	2,872,209	24,341,867	11.80%	58.03%
2018	95.61%	2,583,654	23,926,081	10.80%	56.55%
Virginia Retirement System - Group Life Insurance - City and WPA					
2020	0.14%	$ 2,031,603	$ 25,580,734	7.94%	52.64%
2019	0.13%	2,031,179	23,957,369	8.48%	52.00%
2018	0.13%	1,780,176	22,336,167	7.97%	51.22%
2017	0.13%	1,783,983	21,855,882	8.16%	48.86%
Virginia Retirement System - Line of Duty Act - City					
2020	0.96%	$ 4,018,366	$ 10,052,714	39.97%	1.02%
2019	0.92%	3,316,000	9,748,157	34.02%	0.79%
2018	0.94%	2,947,000	9,253,377	31.85%	0.60%
2017	0.99%	2,606,000	9,299,054	28.02%	1.30%
Virginia Retirement System - Group Life Insurance - Schools (Teacher and Non-professional)					
2020	0.16%	$ 2,731,385	$ 34,123,682	8.00%	52.64%
2019	0.15%	2,663,347	32,085,718	8.30%	52.00%
2018	0.17%	2,548,000	31,898,684	7.99%	51.22%
2017	0.17%	2,569,000	31,488,698	8.16%	48.86%
Virginia Retirement System - Health Insurance Credit - Teachers					
2020	0.35%	$ 4,629,337	$ 31,549,305	14.67%	9.95%
2019	0.35%	4,639,048	29,723,396	15.61%	8.97%
2018	0.37%	4,646,000	29,591,167	15.70%	8.08%
2017	0.37%	4,700,000	29,240,563	16.07%	7.04%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - e.g., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 17A

CITY OF WINCHESTER, VIRGINIA

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - CITY
June 30, 2021

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Health Insurance Credit - City and WPA					
2021	$ 18,994	$ 18,994	-	$ 19,021,853	0.10%
2020	23,695	23,695	-	19,818,132	0.12%
2019	22,204	22,204	-	18,532,932	0.12%
2018	21,663	21,663	-	17,312,179	0.13%
Virginia Retirement System - Group Life Insurance - City and WPA					
2021	$ 133,907	$ 133,907	-	$ 24,824,551	0.54%
2020	132,580	132,580	-	25,580,734	0.52%
2019	124,331	124,331	-	23,957,369	0.52%
2018	116,437	116,437	-	22,336,167	0.52%
Virginia Retirement System - Line of Duty Act - City					
2021	$ 120,149	$ 120,149	-	$ 10,060,931	1.19%
2020	130,391	130,391	-	10,052,714	1.30%
2019	124,039	124,039	-	9,748,157	1.27%
2018	100,141	100,141	-	9,253,377	1.08%

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Local Plan - City and WPA					
2021	$ 397,518	$ 397,518	-	$ 26,954,995	1.47%
2020	301,467	301,467	-	25,706,956	1.17%
2019	375,679	375,679	-	24,341,867	1.54%
2018	3,355,985	3,355,985	-	23,926,081	14.03%

Schedules are intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the City's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this schedule.

EXHIBIT 17B

CITY OF WINCHESTER, VIRGINIA

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - SCHOOLS
June 30, 2021

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Health Insurance Credit - Schools Nonprofessional Employees					
2021	$ 7,620	$ 7,620	-	$ 2,464,994	0.31%
2020	6,016	6,016	-	2,509,199	0.24%
2019	5,607	5,607	-	2,336,297	0.24%
2018	5,669	5,669	-	2,267,717	0.25%
Virginia Retirement System - Group Life Insurance - Schools (Teacher and Non-professional)					
2021	$ 182,368	$ 182,368	-	$ 34,387,933	0.53%
2020	175,154	175,154	-	34,123,682	0.51%
2019	168,064	168,064	-	32,085,718	0.52%
2018	167,149	167,149	-	31,898,684	0.52%
Virginia Retirement System - Health Insurance Credit - Teachers					
2021	$ 377,877	$ 377,877	-	$ 31,838,038	1.19%
2020	373,337	373,337	-	31,549,305	1.18%
2019	356,531	356,531	-	29,723,396	1.20%
2018	363,973	363,973	-	29,591,167	1.23%

Schedules are intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the School's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this schedule.

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year through 9 years of service
- Lowered rates of disability retirement
- No changes to salary rates
- Increased Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, HIC OPEB, and LODA OPEB

(Continued)

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:
- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year through 9 years of service
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:
- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, HIC OPEB, and LODA OPEB

Teacher cost-sharing pool
- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each year age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

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.

Federal Grants Fund – to account for Federal grants and monies received under the American Rescue Plan Act and used for the City's response to COVID and fiscal recovery.

CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2021

Exhibit 18

	Special Revenue Funds							
	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	Federal Grants Fund	Total
ASSETS								
Cash and cash equivalents	$ 315,711	$ 408,892	$ 557,985	$ 49,802	$ 78,849	$ 168	$ -	$ 1,411,407
Investments	17,507	22,674	30,941	2,762	4,372	9	-	78,265
Accounts receivable, net	-	-	296,670	-	870	7,443	-	304,983
Prepaids	40,000	-	-	-	-	-	-	40,000
Cash and cash equivalents - restricted	-	-	-	-	-	-	5,844,741	5,844,741
Investments - restricted	-	-	-	-	-	-	324,100	324,100
Due from other governments	808,263	-	-	170,025	9,771	764,455	-	1,752,514
Total assets	$ 1,181,481	$ 431,566	885,596	$ 222,589	$ 93,862	$ 772,075	$ 6,168,841	$ 9,756,010
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 1,043,720	$ 142,585	136,051	$ 56,346	$ 12,844	$ 14,430	$ -	$ 1,405,976
Accrued payroll	115,242	49,765	26,234	6,277	397	26,840	-	224,755
Due to other funds	-	-	-	-	-	688,500	-	688,500
Unearned revenue	-	-	-	-	-	-	6,168,841	6,168,841
Total liabilities	1,158,962	192,350	162,285	62,623	13,241	729,770	6,168,841	8,488,072
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	273,314	-	-	-	-	273,314
Fund balances:								
Nonspendable	40,000	-	-	-	-	-	-	40,000
Assigned	-	239,216	449,997	159,966	80,621	42,305	-	972,105
Unassigned	(17,481)	-	-	-	-	-	-	(17,481)
Total fund balances	22,519	239,216	449,997	159,966	80,621	42,305	-	994,624
Total liabilities, deferred inflows of resources and fund balances	$ 1,181,481	$ 431,566	$ 885,596	$ 222,589	$ 93,862	$ 772,075	$ 6,168,841	$ 9,756,010

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2021

Exhibit 19

	Special Revenue Funds							
	Social Services Fund	Highway Maintenance Fund	Emergency Medical Services Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Transit Fund	Federal Grants Fund	Total
REVENUES								
Revenues from use of money and property	$ -	$ 1,752	$ 1,062	$ 128	$ 142	$ -	$ -	$ 3,084
Charges for services	-	-	1,141,363	-	18,876	77,188	-	1,237,427
Miscellaneous	510	5,995	-	42,735	-	6,505	-	55,745
Intergovernmental:								
Frederick County	-	-	-	378,450	-	-	-	378,450
Commonwealth	4,025,881	3,400,576	-	-	-	249,183	-	7,675,640
Federal	3,172,280	3,713	43,437	70	-	764,455	-	3,983,955
Total revenues	7,198,671	3,412,036	1,185,862	421,383	19,018	1,097,331	-	13,334,301
EXPENDITURES								
Current:								
Judicial administration	-	-	-	-	36,629	-	-	36,629
Public safety	-	-	1,142,425	-	-	-	-	1,142,425
Public works	-	3,437,286	-	-	-	1,212,511	-	4,649,797
Health and welfare	10,409,048	-	-	-	-	-	-	10,409,048
Community development	-	-	-	511,199	-	-	-	511,199
Capital outlay	25,023	12,749	43,437	-	-	-	-	81,209
Total expenditures	10,434,071	3,450,035	1,185,862	511,199	36,629	1,212,511	-	16,830,307
Excess (deficiency) of revenues over expenditures	(3,235,400)	(37,999)	-	(89,816)	(17,611)	(115,180)	-	(3,496,006)
OTHER FINANCING SOURCES								
Transfers in	3,235,400	-	-	150,500	-	115,180	-	3,501,080
Total other financing sources	3,235,400	-	-	150,500	-	115,180	-	3,501,080
Net change in fund balances	-	(37,999)	-	60,684	(17,611)	-	-	5,074
Fund balance - beginning	22,519	277,215	449,997	99,282	98,232	42,305	-	989,550
Fund balance - ending	$ 22,519	$ 239,216	$ 449,997	$ 159,966	$ 80,621	$ 42,305	$ -	$ 994,624

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, 2021

	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	-	-	510	510
Intergovernmental:				
Commonwealth	3,871,030	4,363,631	4,025,881	(337,750)
Federal	2,963,870	3,084,863	3,172,280	87,417
Total revenues	6,834,900	7,448,494	7,198,671	(249,823)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	10,001,000	10,777,969	10,409,048	368,921
Capital Outlay	25,000	25,025	25,023	2
Total expenditures	10,026,000	10,802,994	10,434,071	368,923
Excess (deficiency) of revenues over expenditures	(3,191,100)	(3,354,500)	(3,235,400)	119,100
OTHER FINANCING SOURCES				
Transfers in	3,176,600	3,340,000	3,235,400	(104,600)
Appropriation of fund balance	14,500	14,500	-	(14,500)
Total other financing sources	3,191,100	3,354,500	3,235,400	(119,100)
Net change in fund balances	$ -	$ -	$ -	$ -

	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	$ -	$ -	$ 128	$ 128
Charges for services	-	-	-	-
Miscellaneous	93,000	93,000	42,735	(50,265)
Intergovernmental:				
Frederick County	433,500	433,500	378,450	(55,050)
Commonwealth	-	-	-	-
Federal	-	-	70	70
Total revenues	526,500	526,500	421,383	(105,117)
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	677,000	677,000	511,199	165,801
Capital Outlay	-	-	-	-
Total expenditures	677,000	677,000	511,199	165,801
Excess (deficiency) of revenues over expenditures	(150,500)	(150,500)	(89,816)	60,684
OTHER FINANCING SOURCES				
Transfers in	150,500	150,500	150,500	-
Appropriation of fund balance	-	-	-	-
Total other financing sources	150,500	150,500	150,500	-
Net change in fund balances	$ -	$ -	$ 60,684	$ 60,684

Exhibit 20

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	$ 1,752	$ (4,848)	$ 2,000	$ 2,000	$ 1,062	$ (938)
-	-	-	-	1,148,000	1,148,000	1,141,363	(6,637)
-	-	5,995	5,995	-	-	-	-
3,378,400	3,378,400	3,400,576	22,176	-	-	-	-
4,000	4,000	3,713	(287)	-	43,437	43,437	-
3,389,000	3,389,000	3,412,036	23,036	1,150,000	1,193,437	1,185,862	(7,575)
-	-	-	-	1,150,000	1,193,437	1,142,425	51,012
3,389,000	3,476,200	3,437,286	38,914	-	-	-	-
-	-	-	-	-	-	-	-
-	12,800	12,749	51	-	-	43,437	(43,437)
3,389,000	3,489,000	3,450,035	38,965	1,150,000	1,193,437	1,185,862	7,575
-	(100,000)	(37,999)	62,001	-	-	-	-
-	-	-	-	-	-	-	-
-	100,000	-	(100,000)	-	-	-	-
-	100,000	-	(100,000)	-	-	-	-
$ -	$ -	$ (37,999)	$ (37,999)	$ -	$ -	$ -	$ -

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)
$ -	$ -	$ 142	$ 142	$ -	$ -	$ -	$ -
33,000	33,000	18,876	(14,124)	111,500	111,500	77,188	(34,312)
-	-	-	-	-	-	6,505	6,505
-	-	-	-	-	-	-	-
-	-	-	-	206,000	206,000	249,183	43,183
-	-	-	-	530,800	530,800	764,455	233,655
33,000	33,000	19,018	(13,982)	848,300	848,300	1,097,331	249,031
50,000	50,000	36,629	13,371	-	-	-	-
-	-	-	-	1,173,000	1,173,000	1,212,511	(39,511)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
50,000	50,000	36,629	13,371	1,173,000	1,173,000	1,212,511	(39,511)
(17,000)	(17,000)	(17,611)	(611)	(324,700)	(324,700)	(115,180)	209,520
-	-	-	-	324,700	324,700	115,180	(209,520)
17,000	17,000	-	(17,000)	-	-	-	-
17,000	17,000	-	(17,000)	324,700	324,700	115,180	(209,520)
$ -	$ -	$ (17,611)	$ (17,611)	$ -	$ -	$ -	$ -

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
For the Year Ended June 30, 2021

Exhibit 21

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenue from use of money and property	$ -	$ -	$ 14,602	$ 14,602
Recovered costs	-	697,639	922,471	224,832
Intergovernmental:				
Frederick County	-	-	-	-
Commonwealth	-	7,472,357	2,662,588	(4,809,769)
Federal	5,387,000	5,841,080	697,086	(5,143,994)
Total revenues	5,387,000	14,011,076	4,296,747	(9,714,329)
EXPENDITURES				
Current:				
Public works	10,637,000	25,365,706	5,724,448	19,641,258
Parks, recreation and culture	-	2,329,089	2,281,760	47,329
Education	12,000,000	12,000,000	11,949,233	50,767
Debt service:				
Bond issuance costs	250,000	435,614	389,062	46,552
Total expenditures	22,887,000	40,130,409	20,344,503	19,785,906
Excess (deficiency) of revenues over expenditures	(17,500,000)	(26,119,333)	(16,047,756)	10,071,577
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	17,100,000	37,135,614	31,573,535	(5,562,079)
Proceeds from premium on bond issuance	-	-	2,413,428	2,413,428
Payments to refunded bond escrow agent	-	(19,550,000)	(16,738,652)	2,811,348
Transfers in	400,000	5,124,419	2,304,918	(2,819,501)
Appropriation of fund balance	-	3,409,300	-	(3,409,300)
Total other financing sources	17,500,000	26,119,333	19,553,229	(6,566,104)
Net change in fund balances	$ -	$ -	$ 3,505,473	$ 3,505,473

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.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2021

Exhibit 22

	Employee Benefits Fund	Equipment Operating Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 215,414	$ 270,769	$ 486,183
Investments	11,945	15,014	26,959
Accounts receivable, net	4,179	155	4,334
Due from other governments, net	-	688	688
Prepaids	505,885	-	505,885
Inventories	-	116,873	116,873
Cash and cash equivalents - restricted	270,296	-	270,296
Total current assets	1,007,719	403,499	1,411,218
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	66,225	66,225
Total assets	1,007,719	469,724	1,477,443
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	-	92,678	92,678
Other postemployment benefit related deferred outflows	-	30,851	30,851
Total deferred outflows of resources	-	123,529	123,529
LIABILITIES			
Current liabilities:			
Accounts payable	650,771	130,164	780,935
Accrued payroll	-	17,649	17,649
Compensated absences - current	-	16,467	16,467
Total current liabilities	650,771	164,280	815,051
Noncurrent liabilities:			
Compensated absences	-	18,083	18,083
Net pension liability	-	195,367	195,367
Net other postemployment benefit liability	-	65,994	65,994
Total noncurrent liabilities	-	279,444	279,444
Total liabilities	650,771	443,724	1,094,495
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	-	1,130	1,130
Other postemployment benefit related deferred inflows	-	18,218	18,218
Total deferred inflows of resources	-	19,348	19,348
NET POSITION			
Net investment in capital assets	-	66,225	66,225
Unrestricted	356,948	63,956	420,904
Total net position	$ 356,948	$ 130,181	$ 487,129

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2021

Exhibit 23

	Employee Benefits Fund	Equipment Operating Fund	Total
OPERATING REVENUES			
Charges for services	$ 637,171	$ 1,562,426	$ 2,199,597
Total operating revenues	637,171	1,562,426	2,199,597
OPERATING EXPENSES			
Personal services	272,065	459,012	731,077
Contractual services	-	232,520	232,520
Other supplies and expenses	-	793,708	793,708
Insurance claims and expenses	747,961	-	747,961
Depreciation	-	10,249	10,249
Total operating expenses	1,020,026	1,495,489	2,515,515
Operating income (loss)	(382,855)	66,937	(315,918)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental:			
Federal	-	14,652	14,652
Investment earnings	186	205	391
Change in net position	(382,669)	81,794	(300,875)
Total net position - beginning	739,617	48,387	788,004
Total net position - ending	$ 356,948	$ 130,181	$ 487,129

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2021

Exhibit 24

	Employee Benefits Fund	Equipment Operating Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	$ 636,311	$ 1,562,327	$ 2,198,638
Cash paid to suppliers	-	(929,912)	(929,912)
Cash paid to employees	(272,065)	(542,393)	(814,458)
Premiums paid	(671,073)	-	(671,073)
Other receipts	-	(172)	(172)
Net cash (used in) provided by operating activities	(306,827)	89,850	(216,977)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from federal grants	-	14,652	14,652
Net cash provided by noncapital financing activities	-	14,652	14,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(33,456)	(33,456)
Net cash used in capital and related financing activities	-	(33,456)	(33,456)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of investments, net	30,731	2,178	32,909
Investment income	186	205	391
Net cash provided by investing activities	30,917	2,383	33,300
Net increase (decrease) in cash and cash equivalents	(275,910)	73,429	(202,481)
Cash and cash equivalents - beginning of year	761,620	197,340	958,960
Cash and cash equivalents - end of year	$ 485,710	$ 270,769	$ 756,479
Cash and cash equivalents at end of year is comprised of the following:			
Cash and cash equivalents	$ 215,414	$ 270,769	$ 486,183
Cash and cash equivalents - restricted	270,296	-	270,296
Total	$ 485,710	$ 270,769	$ 756,479
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (382,855)	$ 66,937	$ (315,918)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	10,249	10,249
Pension expense, net of employer contributions	-	(74,771)	(74,771)
Other postemployment benefit expense, net of employer contributions	-	(26,153)	(26,153)
(Increase) decrease in:			
Accounts receivable	(860)	(99)	(959)
Prepaids	38,998	-	38,998
Due from other governments	-	(172)	(172)
Inventories	-	13,901	13,901
Increase (decrease) in:			
Accounts payable	37,890	82,415	120,305
Accrued payroll	-	3,680	3,680
Compensated absences	-	13,863	13,863
Total adjustments	76,028	22,913	98,941
Net cash (used in) provided by operating activities	$ (306,827)	$ 89,850	$ (216,977)

FIDUCIARY FUNDS

CUSTODIAL 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
CUSTODIAL FUNDS
June 30, 2021

Exhibit 25

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS				
Cash and cash equivalents - restricted	$ 4,296	$ -	$ 1,523,151	$ 1,527,447
Investments - restricted	-	1,346,664	84,461	1,431,125
Accounts receivable	-	-	109,818	109,818
Total assets	$ 4,296	$ 1,346,664	$ 1,717,430	$ 3,068,390
LIABILITIES				
Accounts payable	-	-	30,312	30,312
Accrued payroll	-	-	81,219	81,219
Total liabilities	-	-	111,531	111,531
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	$ 4,296	$ 1,346,664	$ 1,605,899	$ 2,956,859

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
For the Year Ended June 30, 2021

Exhibit 26

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ADDITIONS				
Member contributions	$ 47,837	$ -	$ -	$ 47,837
Payments collected from other local governments	-	1,228,525	2,224,098	3,452,623
Payments collected from Federal government	-	-	138,306	138,306
Grant proceeds	-	-	824,254	824,254
Miscellaneous	-	-	60,769	60,769
INVESTMENT INCOME:				
Interest and dividends	-	2,435	1,629	4,064
Net investment income (loss)	-	2,435	1,629	4,064
Total additions	$ 47,837	$ 1,230,960	$ 3,249,056	$ 4,527,853
DEDUCTIONS				
Payments made to welfare recipients	$ 49,502	$ -	$ -	$ 49,502
Bond principal payments	-	820,000	-	820,000
Bond interest payments	-	408,525	-	408,525
Payroll	-	-	2,693,033	2,693,033
Administrative	-	-	318,902	318,902
Total deductions	$ 49,502	$ 1,228,525	$ 3,011,935	$ 4,289,962
Change in fiduciary net position	(1,665)	2,435	237,121	237,891
Total net position - beginning, as restated (Note 21)	5,961	1,344,229	1,368,778	2,718,968
Total net position - ending	$ 4,296	$ 1,346,664	$ 1,605,899	$ 2,956,859

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.

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Cafeteria Fund – to account for the operation and maintenance of 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 received are limited by the School Board to expenditures only for school textbooks.

School Activity Funds – to account for funds received from extracurricular school activities, and from any and all school sponsored activities of the Schools that involve school personnel, students, or property.

INTERNAL SERVICE FUND

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.

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.

CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
June 30, 2021

Exhibit 27

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 1,891,855	$ 1,924,749	$ 5,400,391	$ 193,253	$ 4,292,520	$ 13,702,768
Investments	104,906	106,686	299,460	10,716	200,346	722,114
Receivables, net:						
Accounts	22,035	-	-	-	5,883	27,918
Promises to give	-	35,078	-	-	-	35,078
Due from other funds	3,984,312	-	2,000	-	-	3,986,312
Due from other governments	720,403	-	-	-	2,339,370	3,059,773
Inventories	-	-	-	-	80,346	80,346
Cash and cash equivalents - restricted	-	-	-	-	-	-
Investments - restricted	-	-	-	7,679,873	-	7,679,873
Total assets	$ 6,723,511	$ 2,066,513	$ 5,701,851	$ 7,883,842	$ 6,918,465	$ 29,294,182
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 793,610	$ 132,802	$ 107,482	$ 1,275,294	$ 171,646	$ 2,480,834
Accrued payroll	5,386,055	-	-	-	431,609	5,817,664
Due to other funds	-	-	-	2,000	3,984,312	3,986,312
Total liabilities	6,179,665	132,802	107,482	1,277,294	4,587,567	12,284,810
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	10,690	35,078	-	-	-	45,768
Total deferred inflows of resources	10,690	35,078	-	-	-	45,768
Fund balances:						
Nonspendable	-	-	-	-	80,346	80,346
Restricted:						
Debt proceeds not yet spent	-	-	-	6,404,579	-	6,404,579
Assigned	533,156	1,898,633	5,594,369	201,969	3,157,072	11,385,199
Unassigned	-	-	-	-	(906,520)	(906,520)
Total fund balances	533,156	1,898,633	5,594,369	6,606,548	2,330,898	16,963,604
Total liabilities and fund balances	$ 6,723,511	$ 2,066,513	$ 5,701,851	$ 7,883,842	$ 6,918,465	

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.	129,013,805
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	45,768
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 fund is included in governmental activities in the Statement of Net Position.	591,996
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(2,639,079)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Pension related deferred outflows	13,041,432
Pension related deferred inflows	(4,677,186)
Net pension liability	(51,909,121)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Other postemployment benefit related deferred outflows	1,095,303
Other postemployment benefit related deferred inflows	(454,386)
Net other postemployment benefit liability	(7,402,217)
Net position of governmental activities	$ 93,669,919

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, 2021

Exhibit 28

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Revenues from use of money and property	$ 7,362	$ 2,204	$ 3,873	$ 29,518	$ 1,831	$ 44,788
Charges for services	162,911	-	-	-	395,614	558,525
Miscellaneous	616,623	654,368	-	-	28,511	1,299,502
Recovered costs	1,817	-	192,103	-	-	193,920
Intergovernmental revenues:						
Local	27,935,001	-	1,957,105	11,949,233	-	41,841,339
Commonwealth	29,592,794	-	250,000	-	40,112	29,882,906
Federal	-	-	-	-	6,941,757	6,941,757
Total revenues	58,316,508	656,572	2,403,081	11,978,751	7,407,825	80,762,737
EXPENDITURES						
Current:						
Education	55,219,491	2,026	57,826	-	7,804,491	63,083,834
Capital outlay	1,611,387	-	15,661	12,773,728	77,162	14,477,938
Total expenditures	56,830,878	2,026	73,487	12,773,728	7,881,653	77,561,772
Excess (deficiency) of revenues over expenditures	1,485,630	654,546	2,329,594	(794,977)	(473,828)	3,200,965
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	1,500,000	1,500,000
Transfers out	(1,500,000)	-	-	-	-	(1,500,000)
Total other financing sources (uses)	(1,500,000)	-	-	-	1,500,000	-
Net change in fund balances	(14,370)	654,546	2,329,594	(794,977)	1,026,172	3,200,965
Fund balances - beginning (restated)	547,526	1,244,087	3,264,775	7,401,525	1,304,726	
Fund balances - ending	$ 533,156	$ 1,898,633	$ 5,594,369	$ 6,606,548	$ 2,330,898	

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 depreciation ($3,711,340) exceeded capital asset additions ($13,522,546) in the current period.		9,811,206
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.		(1,508)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(266,839)
Internal service funds are used by management to charge the costs of risk management, to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities.		(33,726)
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.		
Compensated absences		(194,285)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	5,095,924	
Pension expense	(5,630,689)	(534,765)
Governmental funds report OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.		
Employer OPEB contributions	567,865	
OPEB expense	(437,668)	130,197
Change in net position of governmental activities		$ 12,111,245

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SCHOOL OPERATING FUND
For the Year Ended June 30, 2021

Exhibit 29

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	$ 55,000	$ 55,000	$ 7,362	$ (47,638)
Charges for services	202,400	202,400	162,911	(39,489)
Miscellaneous	285,000	536,895	616,623	79,728
Recovered costs	-	-	1,817	1,817
Intergovernmental:				
Local	31,409,075	30,931,374	27,935,001	(2,996,373)
Commonwealth	28,881,020	29,721,079	29,592,794	(128,285)
Total revenues	60,832,495	61,446,748	58,316,508	(3,130,240)
EXPENDITURES				
Current:				
Education	60,435,072	58,247,086	55,219,491	3,027,595
Capital outlay	397,423	1,699,662	1,611,387	88,275
Total expenditures	60,832,495	59,946,748	56,830,878	3,115,870
Excess (deficiency) of revenues over expenditures	-	1,500,000	1,485,630	(14,370)
OTHER FINANCING USES				
Transfers out	-	(1,500,000)	(1,500,000)	-
Total other financing uses	-	(1,500,000)	(1,500,000)	-
Net change in fund balances	$ -	$ -	$ (14,370)	$ (14,370)

CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

Exhibit 30

	Special Revenue				
	School Cafeteria Fund	**School Federal Grants Fund**	**School Textbook Fund**	**School Activity Funds**	**Total Nonmajor Governmental Funds**
ASSETS					
Cash and cash equivalents	$ 1,334,160	$ 1,250,574	$ 1,029,161	$ 678,625	$ 4,292,520
Investments	73,932	69,346	57,068	-	200,346
Accounts receivable	-	-	5,883	-	5,883
Due from other governments	84,741	2,254,629	-	-	2,339,370
Inventories	80,346	-	-	-	80,346
Total assets	$ 1,573,179	$ 3,574,549	$ 1,092,112	$ 678,625	$ 6,918,465
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 381	$ 171,265	$ -	$ -	$ 171,646
Accrued payroll	106,117	325,492	-	-	431,609
Due to other funds	-	3,984,312	-	-	3,984,312
Total liabilities	106,498	4,481,069	-	-	4,587,567
Fund balances:					
Nonspendable	80,346	-	-	-	80,346
Assigned	1,386,335	-	1,092,112	678,625	3,157,072
Unassigned	-	(906,520)	-	-	(906,520)
Total fund balances	1,466,681	(906,520)	1,092,112	678,625	2,330,898
Total liabilities and fund balances	$ 1,573,179	$ 3,574,549	$ 1,092,112	$ 678,625	$ 6,918,465

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, 2021

Exhibit 31

	Special Revenue				
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	School Activity Funds	Total Nonmajor Governmental Funds
REVENUES					
Revenues from use of money and property	$ 253	$ -	$ 1,434	$ 144	$ 1,831
Charges for services	45,564	-	-	350,050	395,614
Miscellaneous	28,511	-	-	-	28,511
Intergovernmental revenues:					
Local	-	-	-	-	-
Commonwealth	40,112	-	-	-	40,112
Federal	1,027,398	5,914,359	-	-	6,941,757
Total revenues	1,141,838	5,914,359	1,434	350,194	7,407,825
EXPENDITURES					
Current:					
Education	1,622,618	5,806,913	-	374,960	7,804,491
Capital outlay	3,268	73,894	-	-	77,162
Total expenditures	1,625,886	5,880,807	-	374,960	7,881,653
Excess (deficiency) of revenues over expenditures	(484,048)	33,552	1,434	(24,766)	(473,828)
OTHER FINANCING SOURCES					
Transfers in	1,500,000	-	-	-	1,500,000
Total other financing sources	1,500,000	-	-	-	1,500,000
Net change in fund balances	1,015,952	33,552	1,434	(24,766)	1,026,172
Fund balance - beginning, as restated (Note 21)	450,729	(940,072)	1,090,678	703,391	1,304,726
Fund balance - ending	$ 1,466,681	$ (906,520)	$ 1,092,112	$ 678,625	$ 2,330,898

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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, 2021

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 2,000	$ 2,000	$ 253	$ (1,747)
Charges for services	739,568	739,568	45,564	(694,004)
Miscellaneous	15,000	15,000	28,511	13,511
Intergovernmental:				
Local	-	-	-	-
Commonwealth	63,637	63,637	40,112	(23,525)
Federal	1,668,572	1,668,572	1,027,398	(641,174)
Total revenues	2,488,777	2,488,777	1,141,838	(1,346,939)
EXPENDITURES				
Current:				
Education	2,323,777	2,323,777	1,622,618	701,159
Capital outlay	165,000	165,000	3,268	161,732
Total expenditures	2,488,777	2,488,777	1,625,886	862,891
Excess (deficiency) of revenues over expenditures	-	-	(484,048)	(484,048)
OTHER FINANCING SOURCES				
Transfers in	-	-	1,500,000	1,500,000
Total other financing sources	-	-	1,500,000	1,500,000
Net change in fund balances	$ -	$ -	$ 1,015,952	$ 1,015,952

Exhibit 32

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	
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,434	$ 1,434
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	675,681	-	(675,681)
-	-	-	-	-	-	-	-
5,340,988	7,824,241	5,914,359	(1,909,882)	-	-	-	-
5,340,988	7,824,241	5,914,359	(1,909,882)	-	675,681	1,434	(674,247)
5,296,286	7,749,471	5,806,913	1,942,558	400,000	1,075,681	-	1,075,681
44,702	74,770	73,894	-	-	-	-	-
5,340,988	7,824,241	5,880,807	1,942,558	400,000	1,075,681	-	1,075,681
-	-	33,552	33,552	(400,000)	(400,000)	1,434	401,434
-	-	-	-	400,000	400,000	-	(400,000)
-	-	-	-	400,000	400,000	-	(400,000)
$ -	$ -	$ 33,552	$ 33,552	$ -	$ -	$ 1,434	$ 1,434

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, 2021

	School Fundraising Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ -	$ -	$ 2,204	$ 2,204
Miscellaneous	620,000	804,640	654,368	(150,272)
Recovered costs	-	-	-	-
Intergovernmental:				
Local	-	280,588	-	(280,588)
Commonwealth	-	-	-	-
Total revenues	620,000	1,085,228	656,572	(428,656)
EXPENDITURES				
Education	-	-	2,026	(2,026)
Capital outlay	620,000	1,085,228	-	1,085,228
Total expenditures	620,000	1,085,228	2,026	1,083,202
Excess (deficiency) of revenues over expenditures	-	-	654,546	654,546
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ -	$ -	$ 654,546	$ 654,546

Exhibit 33

School Capital Improvement Fund				School Construction Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
$ -	$ -	$ 3,873	$ 3,873	$ -	$ -	$ 29,518	$ 29,518
-	-	-	-	-	-	-	-
-	-	192,103	192,103	-	-	-	-
-	3,881,440	1,957,105	(1,924,335)	16,128,853	18,125,858	11,949,233	(6,176,625)
-	250,000	250,000	-	-	-	-	-
-	4,131,440	2,403,081	(1,728,359)	16,128,853	18,125,858	11,978,751	(6,147,107)
500,000	217,019	57,826	159,193	-	-	-	-
600,000	5,014,421	15,661	4,998,760	16,128,853	18,125,858	12,773,728	5,352,130
1,100,000	5,231,440	73,487	5,157,953	16,128,853	18,125,858	12,773,728	5,352,130
(1,100,000)	(1,100,000)	2,329,594	3,429,594	-	-	(794,977)	(794,977)
1,100,000	1,100,000	-	(1,100,000)	-	-	-	-
1,100,000	1,100,000	-	(1,100,000)	-	-	-	-
$ -	$ -	$ 2,329,594	$ 2,329,594	$ -	$ -	$ (794,977)	$ (794,977)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
June 30, 2021

Exhibit 34

	School Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 149,832
Investments	8,308
Receivables, net	2,080
Prepaids	431,776
Total current assets	591,996
NET POSITION	
Unrestricted	$ 591,996

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2021

Exhibit 35

	School Insurance Fund
OPERATING REVENUES	
Charges for services	$ 5,901,715
Total operating revenues	5,901,715
OPERATING EXPENSES	
Insurance claims and expenses	5,935,837
Total operating expenses	5,935,837
Operating loss	(34,122)
NONOPERATING REVENUES	
Investment earnings	396
Total nonoperating revenues	396
Change in net position	(33,726)
Total net position - beginning	625,722
Total net position - ending	$ 591,996

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2021

Exhibit 36

	School Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal services provided	$ 5,901,715
Premiums paid	(6,367,613)
Net cash used in operating activities	(465,898)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments, net	41,669
Interest and dividends received	396
Net cash provided by investing activities	42,065
Net decrease in cash and cash equivalents	(423,833)
Cash and cash equivalents - beginning of year	573,665
Cash and cash equivalents - end of year	$ 149,832
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (34,122)
(Increase) decrease in:	
Prepaids	(431,776)
Total adjustments	(431,776)
Net cash used in operating activities	$ (465,898)

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2021

Exhibit 37

	Private-Purpose Trust Funds			
	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ASSETS				
Cash and cash equivalents - restricted	$ 49,174	$ 3,232	$ 77,541	$ 129,947
Investments - restricted	521,722	28,093	35,459	585,274
Total assets	$ 570,896	$ 31,325	$ 113,000	$ 715,221
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Total liabilities	$ -	$ -	$ -	$ -
NET POSITION				
Restricted for scholarships	$ 570,896	$ 31,325	$ 113,000	$ 715,221
Total net position	$ 570,896	$ 31,325	$ 113,000	$ 715,221

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, 2021

Exhibit 38

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	$ 18,617	$ 3,000	$ 34,446	$ 56,063
Investment earnings:				
Interest	106	-	7	113
Dividends	19,310	-	-	19,310
Realized and unrealized gains on investments	42,305	-	-	42,305
Total additions	80,338	3,000	34,453	117,791
DEDUCTIONS				
Administrative expenses	3,270	3,448	-	6,718
Scholarships awarded	3,730	-	23,000	26,730
Transfers out	21,500	-	-	21,500
Total deductions	28,500	3,448	23,000	54,948
Change in net position	51,838	(448)	11,453	62,843
Net position - beginning	519,058	31,773	101,547	652,378
Net position - ending	$ 570,896	$ 31,325	$ 113,000	$ 715,221

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, 2021

Exhibit 39

	Parking Authority Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 641,815
Investments	35,590
Accounts receivable, net	13,660
Total current assets	691,065
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	7,105,146
Total capital assets, net	7,116,831
Total noncurrent assets	7,116,831
Total assets	7,807,896
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	65,914
Other postemployment benefit related deferred outflows	20,916
Total deferred outflows of resources	86,830
LIABILITIES	
Current liabilities:	
Accounts payable	98,989
Accrued payroll	9,841
Accrued interest payable	98,739
Compensated absences - current	15,926
Revenue bonds payable - current	285,400
Total current liabilities	508,895
Noncurrent liabilities:	
Net pension liability	138,950
Net other postemployment benefit liability	45,757
Compensated absences	17,490
Revenue bonds payable	6,243,000
Total noncurrent liabilities	6,445,197
Total liabilities	6,954,092
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	83,412
Pension related deferred inflows	804
Other postemployment benefit related deferred inflows	12,228
Total deferred inflows of resources	96,444
NET POSITION	
Net investment in capital assets	505,019
Unrestricted	339,171
Total net position	$ 844,190

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, 2021

Exhibit 40

	Parking Authority Fund
OPERATING REVENUES	
Charges for services	$ 1,205,291
Miscellaneous	1,909
Total operating revenues	1,207,200
OPERATING EXPENSES	
Personal services	394,799
Contractual services	108,252
Other supplies and expenses	99,509
Depreciation	254,033
Total operating expenses	856,593
Operating income	350,607
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,164
Federal funding	1,318
Interest and fiscal charges	(234,248)
Loss on disposal of asset	(6,789)
Total nonoperating revenues (expenses)	(238,555)
Change in net position	112,052
Total net position - beginning	732,138
Total net position - ending	$ 844,190

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2021

Exhibit 41

	Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ 1,200,501
Cash paid to suppliers	(121,091)
Cash paid to employees	(360,568)
Net cash provided by operating activities	718,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from federal grant	1,318
Net cash provided by noncapital financing activities	1,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(568,812)
Principal paid on capital debt	(277,600)
Interest paid on capital debt	(243,352)
Net cash used in capital and related financing activities	(1,089,764)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds of investments, net	48,221
Investment income	1,164
Net cash provided by investing activities	49,385
Net decrease in cash and cash equivalents	(320,219)
Cash and cash equivalents - beginning of year	962,034
Cash and cash equivalents - end of year	$ 641,815
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 350,607
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	254,033
Pension expense, net of employer contributions	30,977
Other postemployment benefit expense, net of employer contributions	2,958
(Increase) decrease in:	
Accounts receivable	(6,699)
Increase (decrease) in:	
Accounts payable	86,670
Accrued payroll	(765)
Compensated absences	1,061
Total adjustments	368,235
Net cash provided by operating activities	$ 718,842

STATISTICAL SECTION

This part of the City of Winchester's annual comprehensive 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. 138-144

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. 145-148

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..... 149-153

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 154-155

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..... 156-158

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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

	2012	2013(1)	2014 (1)	2015 (2)	2016	2017	2018 (3)	2019	2020	2021 (4)
Governmental activities										
Net investment in capital assets	$ 58,706,983	$ 56,163,377	$ 57,626,610	$ 62,544,269	$ 66,966,198	$ 69,929,756	$ 70,459,348	$ 72,904,117	$ 74,708,474	$ 79,574,272
Restricted	-	-	-	-	-	364,378	180,235	161,576	150,594	335,969
Unrestricted	(41,218,664)	(33,564,155)	(46,366,141)	(55,025,188)	(47,098,924)	(44,101,379)	(43,546,593)	(37,104,769)	(42,760,281)	(52,768,802)
Total governmental activities net position	$ 17,488,319	$ 22,599,222	$ 11,260,469	$ 7,519,081	$ 19,867,274	$ 26,192,755	$ 27,092,990	$ 35,960,924	$ 32,098,787	$ 27,141,439
Business-type activities										
Net investment in capital assets	$ 48,176,844	$ 49,037,689	$ 51,196,584	$ 54,226,599	$ 56,936,681	$ 57,742,151	$ 59,597,359	$ 67,751,354	$ 67,170,510	$ 73,095,972
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(443,640)	778,298	1,811,069	1,468,786	2,059,919	6,099,423	7,127,252	3,398,883	10,010,985	4,111,254
Total business-type activities net position	$ 47,733,204	$ 49,815,987	$ 53,007,653	$ 55,695,385	$ 58,996,600	$ 63,841,574	$ 66,724,611	$ 71,150,237	$ 77,181,495	$ 77,207,226
Primary government										
Net investment in capital assets	$ 106,883,827	$ 105,201,066	$ 108,823,194	$ 116,770,868	$ 123,902,879	$ 127,671,907	$ 130,056,707	$ 140,655,471	$ 141,878,984	$ 152,670,244
Restricted	-	-	-	-	-	364,378	180,235	161,576	150,594	335,969
Unrestricted	(41,662,304)	(32,785,857)	(44,555,072)	(53,556,402)	(45,039,005)	(38,001,956)	(36,419,341)	(33,705,886)	(32,749,296)	(48,657,548)
Total primary government net position	$ 65,221,523	$ 72,415,209	$ 64,268,122	$ 63,214,466	$ 78,863,874	$ 90,034,329	$ 93,817,601	$ 107,111,161	$ 109,280,282	$ 104,348,665
School Board Component Unit										
Net investment in capital assets	$ 113,054,855	$ 111,503,820	$ 109,960,064	$ 114,558,724	$ 124,932,493	$ 123,044,755	$ 120,782,253	$ 118,910,329	$ 119,204,107	$ 129,013,805
Restricted	-	575,798	20,371,300	13,403,506	821,630	300,258	1,831,921	-	6,937,921	6,404,579
Unrestricted	5,907,579	5,578,658	3,363,800	(43,930,728)	(43,319,468)	(43,545,337)	(51,460,197)	(47,853,349)	(45,286,745)	(41,748,465)
Total governmental activities net position	$ 118,962,434	$ 117,658,276	$ 133,695,164	$ 84,031,502	$ 82,434,655	$ 79,799,676	$ 71,153,977	$ 71,056,980	$ 80,855,283	$ 93,669,919

Notes: (1) These totals are as previously reported. A prior period adjustment was required in 2010, 2011, 2013, 2014 and 2015 which modified these amounts.
(2) GASB Statement No. 68 was adopted in fiscal year 2015.
(3) GASB Statement No. 75 was adopted in fiscal year 2018.
(4) GASB Statement No. 84 was adopted in fiscal year 2021.

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

Table 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	$ 4,450,987	$ 4,098,528	$ 4,847,983	$ 4,568,861	$ 5,329,460	$ 5,451,957	$ 5,979,196	$ 6,076,967	$ 7,037,126	$ 7,735,258
Judicial administration	2,937,196	3,208,823	3,217,304	3,058,235	3,567,530	3,874,647	4,068,397	4,050,790	4,749,053	4,951,042
Public safety	18,061,684	19,051,218	19,691,104	19,887,873	20,791,778	22,064,479	23,349,564	23,636,754	25,216,038	27,625,527
Public works	11,502,592	10,462,004	12,276,087	10,879,509	11,195,268	12,104,532	12,006,083	12,447,637	13,135,183	12,680,285
Health and welfare	7,659,067	7,208,056	6,874,897	7,425,520	7,773,128	8,962,664	10,109,412	9,846,626	10,885,673	11,812,539
Education	25,383,157	26,706,238	45,697,366	27,576,745	29,707,234	29,222,718	30,404,117	30,516,542	40,872,759	41,906,085
Parks, recreation, and culture	3,525,459	3,792,062	3,504,618	4,021,683	3,366,170	3,497,835	3,565,732	3,678,228	5,600,748	6,216,111
Community development	2,077,685	2,438,493	1,810,977	2,490,393	1,632,494	2,424,272	1,762,569	1,808,680	1,861,174	3,113,080
Interest on long-term debt	3,436,706	3,156,413	3,682,243	3,551,526	3,585,291	3,526,095	3,014,335	2,935,800	3,139,550	2,767,187
Bond issuance costs	-	-	183,567	179,468	75,256	55,800	-	-	-	-
Total governmental activities expenses	79,034,533	80,121,835	101,786,146	83,639,813	87,023,609	91,184,999	94,259,405	94,998,024	112,497,304	118,807,114
Business-type activities:										
Water and sewer	17,132,555	19,207,251	21,294,667	20,636,511	21,456,454	22,171,658	24,222,296	27,743,327	27,037,990	30,472,903
Transit service	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	17,132,555	19,207,251	21,294,667	20,636,511	21,456,454	22,171,658	24,222,296	27,743,327	27,037,990	30,472,903
Total primary government expenses	$ 96,167,088	$ 99,329,086	$ 123,080,813	$ 104,276,324	$ 108,480,063	$ 113,356,657	$ 118,481,701	$ 122,741,351	$ 139,535,294	$ 149,280,017
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 269,955	$ 113,965	$ 147,384	$ 154,503	$ 237,474	$ 173,246	$ 235,862	$ 201,368	$ 291,934	$ 206,699
Judicial administration	837,066	683,121	634,692	653,086	707,512	624,795	698,834	701,643	659,418	362,568
Public safety	961,651	1,226,999	1,193,298	1,254,909	1,349,908	1,261,688	1,297,234	1,283,210	1,448,273	1,399,770
Public works	1,193,772	1,158,991	1,071,780	1,494,206	1,584,757	1,611,541	1,474,553	1,418,784	1,475,717	1,394,533
Health and welfare	61,555	52,875	52,008	55,214	67,621	73,984	80,057	2,716	96,171	107,915
Parks, recreation, and culture	777,314	665,747	833,837	874,561	839,602	913,764	889,174	961,009	801,765	315,020
Community development	279,155	302,148	316,428	390,299	352,184	390,131	387,336	387,420	299,136	328,168
Operating grants and contributions	13,093,099	11,914,905	11,606,524	12,993,980	15,312,212	14,049,448	15,695,768	15,636,296	18,300,232	22,753,874
Capital grants and contributions	1,904,428	1,141,420	1,921,832	1,134,183	3,775,641	1,443,507	1,085,606	753,680	2,166,142	1,619,557
Total governmental activities revenues	19,377,995	17,260,171	17,777,783	19,004,941	24,226,911	20,542,104	21,844,424	21,346,126	25,538,788	28,488,104
Business-type activities:										
Charges for services:										
Water and sewer	19,636,840	20,219,861	22,411,243	24,814,747	25,686,701	26,809,216	28,793,288	31,093,254	31,095,173	31,057,985
Operating grants and contributions	-	-	-	-	-	-	269,348	270,721	233,366	428,676
Capital grants and contributions	498,821	3,882,896	2,809,805	1,400,500	1,237,760	252,812	17,280	1,208,398	2,695,234	397,297
Total business-type activities revenues	20,135,661	24,102,757	25,221,048	26,215,247	26,924,461	27,062,028	29,079,916	32,572,373	34,023,773	31,883,958
Total primary government revenues	$ 39,513,656	$ 41,362,928	$ 42,998,831	$ 45,220,188	$ 51,151,372	$ 47,604,132	$ 50,924,340	$ 53,918,499	$ 59,562,561	$ 60,372,062

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

Table 2 (Continued)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense)/Revenue										
Governmental activities	$ (59,656,538)	$ (62,861,664)	$ (84,008,363)	$ (64,634,872)	$ (62,796,698)	$ (70,642,895)	$ (72,414,981)	$ (73,651,898)	$ (86,958,516)	$ (90,319,010)
Business-type activities	3,003,106	4,895,506	3,926,381	5,578,736	5,468,007	4,890,370	4,857,620	4,829,046	6,985,783	1,411,055
Total primary government net expense	$ (56,653,432)	$ (57,966,158)	$ (80,081,982)	$ (59,056,136)	$ (57,328,691)	$ (65,752,525)	$ (67,557,361)	$ (68,822,852)	$ (79,972,733)	$ (88,907,955)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 34,768,213	$ 35,952,587	$ 37,597,733	$ 38,692,668	$ 39,173,337	$ 40,050,899	$ 42,217,997	$ 43,975,091	$ 46,200,389	$ 47,023,633
Sales taxes	8,485,685	8,718,682	8,119,431	8,859,376	9,086,187	9,431,564	9,749,245	10,008,106	9,724,767	10,834,790
Utility taxes	1,616,764	2,015,264	2,233,337	2,048,531	1,989,779	1,986,800	2,163,796	2,013,325	1,934,929	1,921,589
Business license taxes	5,678,324	5,736,888	6,016,529	6,096,072	6,373,410	6,541,576	6,744,219	7,225,613	7,428,688	7,224,306
Franchise taxes	302,554	360,030	402,711	407,787	417,860	408,904	488,219	516,131	541,248	511,022
Hotel and meals taxes	5,999,862	6,217,625	6,596,681	8,343,827	8,834,036	9,216,945	9,496,911	9,807,536	8,905,186	9,543,120
Communication sales taxes	2,142,639	2,199,696	2,145,662	2,142,416	2,070,870	2,020,045	1,959,936	1,969,935	1,771,153	1,573,184
Other local taxes	1,529,900	1,820,712	1,979,202	2,443,144	2,253,116	2,458,236	2,246,671	2,049,677	1,848,957	2,077,961
Gain on sale of capital assets	386,296	-	-	-	11,250	(6,210)	-	-	-	1,928
Unrestricted grants and contributions	3,007,083	2,966,192	2,987,618	3,051,563	3,036,203	3,110,202	3,079,396	3,134,496	3,073,601	3,067,832
Investment earnings	138,851	68,675	70,590	78,070	159,131	98,245	144,080	313,472	244,789	41,212
Miscellaneous	31,860	47,216	33,441	16,349	139,712	51,170	32,996	106,450	22,672	41,085
Special item	-	-	3,451,777	-	-	-	-	-	-	-
Transfers	1,600,000	1,870,000	1,600,000	1,600,000	1,600,000	1,600,000	1,500,000	1,400,000	1,400,000	1,500,000
Total governmental activities	65,688,031	67,973,567	73,234,712	73,779,803	75,144,891	76,968,376	79,823,466	82,519,832	83,096,379	85,361,662
Business-type activities:										
Investment earnings	32,925	20,577	426	1,833	7,565	4,443	105,567	957,384	378,324	64,293
Miscellaneous	6,516	5,825	6,694	2,858	3,280	9,299	18,393	39,196	67,151	50,383
Transfers	(1,600,000)	(1,870,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,600,000)	(1,500,000)	(1,400,000)	(1,400,000)	(1,500,000)
Total business-type activities	(1,560,559)	(1,843,598)	(1,592,880)	(1,595,309)	(1,589,155)	(1,586,258)	(1,376,040)	(403,420)	(954,525)	(1,385,324)
Total primary government	$ 64,127,472	$ 66,129,969	$ 71,641,832	$ 72,184,494	$ 73,555,736	$ 75,382,118	$ 78,447,426	$ 82,116,412	$ 82,141,854	$ 83,976,338
Change in Net Position										
Governmental activities	$ 6,031,493	$ 5,111,903	$ (10,773,651)	$ 9,144,931	$ 12,348,193	$ 6,325,481	$ 7,408,485	$ 8,867,934	$ (3,862,137)	$ (4,957,348)
Business-type activities	1,442,547	3,051,908	2,333,501	3,983,427	3,878,852	3,304,112	3,481,580	4,425,626	6,031,258	25,731
Total primary government	$ 7,474,040	$ 8,163,811	$ (8,440,150)	$ 13,128,358	$ 16,227,045	$ 9,629,593	$ 10,890,065	$ 13,293,560	$ 2,169,121	$ (4,931,617)

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

Table 2 (Continued)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
School Board Component Unit:										
Education	$ 49,246,256	$ 53,609,858	$ 54,649,291	$ 56,430,750	$ 59,044,154	$ 61,691,194	$ 61,583,347	$ 62,317,846	$ 65,139,530	$ 68,385,049
Total School Board component unit expenses	49,246,256	53,609,858	54,649,291	56,430,750	59,044,154	61,691,194	61,583,347	62,317,846	65,139,530	68,385,049
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	869,102	734,401	697,971	773,193	711,854	795,911	848,227	792,653	699,290	558,525
Operating grants and contributions	20,824,041	23,468,737	23,720,228	25,339,877	27,795,460	28,511,661	28,573,524	30,216,022	32,262,568	36,824,663
Capital grants and contributions	390,328	137,927	248,673	335,570	542,786	389,555	490,731	474,697	880,769	1,032,663
Total School Board component unit revenues	22,083,471	24,341,065	24,666,872	26,448,640	29,050,100	29,697,127	29,912,482	31,483,372	33,842,627	38,415,851
Net (Expense)/Revenue										
School Board Component Unit	(27,162,785)	(29,268,793)	(29,982,419)	(29,982,110)	(29,994,054)	(31,994,067)	(31,670,865)	(30,834,474)	(31,296,903)	(29,969,198)
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	25,351,902	26,651,702	45,659,975	27,521,529	29,646,946	29,158,944	30,142,733	30,452,322	40,807,449	41,841,339
Investment earnings	73,813	80,761	115,791	105,585	133,071	61,775	86,982	208,516	220,650	45,184
Miscellaneous	215,316	214,500	243,541	220,122	136,115	138,369	156,157	76,639	67,107	193,920
Transfers	-	-	-	-	-	-	-	-	-	-
Total School Board Component Unit	25,641,031	26,946,963	46,019,307	27,847,236	29,916,132	29,359,088	30,385,872	30,737,477	41,095,206	42,080,443
Change in Net Position										
School Board Component Unit	$ (1,521,754)	$ (2,321,830)	$ 16,036,888	$ (2,134,874)	$ (77,922)	$ (2,634,979)	$ (1,284,993)	$ (96,997)	$ 9,798,303	$ 12,111,245

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

Table 3

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Post-GASB 54 implementation:										
General Fund										
Nonspendable	$ 7,081	$ 8,408	$ 11,916	$ 12,488	$ 23,986	$ 40,261	$ 4,299	$ 7,603	$ 10,942	$ 9,658
Restricted	476,780	486,062	495,790	457,025	444,950	359,898	180,235	161,576	150,594	335,969
Committed	1,300,000	1,218,750	1,926,988	1,811,912	1,678,662	816,327	758,966	802,452	1,629,059	1,568,721
Assigned	5,410,412	4,405,933	3,722,604	2,620,451	2,311,176	3,992,120	6,097,662	4,306,925	2,922,439	3,040,614
Unassigned	15,145,625	16,071,618	16,084,160	17,180,500	18,669,609	19,879,105	19,545,641	21,741,580	21,520,699	21,138,627
Total general fund	$ 22,339,898	$ 22,190,771	$ 22,241,458	$ 22,082,376	$ 23,128,383	$ 25,087,711	$ 26,586,803	$ 27,020,136	$ 26,233,733	$ 26,093,589
All Other Governmental Funds										
Nonspendable	$ 190,000	$ 182,500	$ 167,500	$ 152,500	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000
Restricted	-	-	4,013,360	138,891	2,107,704	7,962,437	3,653,335	685,317	3,260,108	7,430,820
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	3,172,645	2,316,213	1,493,250	4,134,658	2,319,870	1,316,253	880,491	1,467,063	983,346	972,105
Unassigned	-	-	-	-	-	-	(11,814)	(15,109)	(17,481)	(666,405)
Total all other governmental funds	$ 3,362,645	$ 2,498,713	$ 5,674,110	$ 4,426,049	$ 4,467,574	$ 9,318,690	$ 4,562,012	$ 2,177,271	$ 4,265,973	$ 7,776,520

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

Table 4

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
General property taxes	$ 34,607,227	$ 36,115,435	$ 37,746,991	$ 38,656,808	$ 39,043,098	$ 40,096,166	$ 42,004,425	$ 43,326,891	$ 45,189,753	$ 45,850,960
Sales taxes	8,485,685	8,718,682	8,119,431	8,859,376	9,086,187	9,431,564	9,749,245	10,008,106	9,724,767	10,834,790
Other local taxes	17,270,042	18,346,602	19,374,122	21,481,775	21,939,070	22,632,506	23,099,752	23,582,217	22,427,329	22,851,182
Permits, privilege fees, and regulatory licenses	252,950	285,746	300,089	409,230	359,045	406,597	374,275	366,388	294,552	345,145
Fines and forfeitures	274,147	161,403	149,170	135,749	103,149	80,424	151,034	124,210	93,011	62,821
Revenues from use of money and property	292,403	219,226	194,025	212,093	309,350	275,080	331,454	530,560	491,370	139,194
Charges for services	1,963,310	1,951,951	2,011,886	2,465,271	2,572,507	2,788,014	2,589,743	2,582,744	2,316,443	2,095,129
Miscellaneous	1,157,315	1,044,782	1,132,586	1,127,260	1,077,661	1,125,757	1,084,921	1,032,841	1,147,040	900,172
Recovered costs	930,667	726,062	612,575	632,710	1,700,831	1,068,531	1,484,328	1,143,333	2,134,030	1,841,979
Intergovernmental	17,742,776	15,888,838	15,711,958	17,139,226	19,412,471	18,121,076	19,009,080	18,933,779	22,224,664	26,491,960
Total revenues	82,976,522	83,458,727	85,352,833	91,119,498	95,603,369	96,025,715	99,878,257	101,631,069	106,042,959	111,413,332
Expenditures										
General government administration	4,304,202	4,607,388	5,046,842	5,489,981	5,314,055	5,278,350	5,761,070	6,102,281	6,605,455	7,165,856
Judicial administration	2,838,387	3,099,072	3,201,762	3,288,665	5,460,743	3,673,845	3,904,672	4,004,740	4,309,282	4,271,818
Public safety	18,028,989	19,021,960	19,944,482	21,462,926	24,408,681	21,452,314	22,486,874	23,247,842	23,290,742	24,948,434
Public works	9,708,681	10,215,038	14,011,949	12,450,392	14,757,732	8,776,740	8,676,462	9,409,177	9,455,255	9,608,918
Health and welfare	7,697,084	7,256,023	6,880,143	7,522,062	7,972,355	8,964,354	10,189,623	10,068,857	10,839,383	11,617,879
Education	25,383,157	26,706,238	45,697,366	27,576,745	29,707,234	29,222,718	30,208,188	30,516,542	40,872,759	41,906,085
Parks, recreation, and culture	3,364,141	3,696,943	3,455,932	3,707,994	3,924,291	3,037,578	3,063,164	3,195,797	2,966,816	3,135,134
Community development	2,109,601	3,554,065	1,808,990	2,529,929	1,708,508	2,414,416	1,783,419	1,930,713	1,867,775	3,066,179
Capital outlay	-	-	-	-	-	5,480,740	8,556,040	6,960,346	11,712,403	9,039,041
Debt service:										
Principal retirement	5,519,489	6,064,266	6,047,562	6,202,770	6,127,933	6,885,730	6,720,569	7,488,901	8,041,602	8,174,980
Interest and fiscal charges	3,435,326	3,183,954	3,672,839	3,923,059	3,885,011	3,818,856	3,327,472	3,269,128	3,156,366	3,490,794
Bond issuance costs	235,527	216,634	183,567	179,468	75,256	55,800	254,708	23,720	284,345	525,696
Total expenditures	82,624,584	87,621,581	109,951,434	94,333,991	103,341,799	99,061,441	104,932,261	106,218,044	123,402,183	126,950,814
Excess of revenues over (under) expenditures	351,938	(4,162,854)	(24,598,601)	(3,214,493)	(7,738,430)	(3,035,726)	(5,054,004)	(4,586,975)	(17,359,224)	(15,537,482)

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

Table 4 (Continued)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Other Financing Sources (Uses)										
Sale of property	$ 386,296	$ -	$ -	$ -	$ 11,250	$ 795,000	$ 3,443	$ 5,117	$ 62,000	$ 1,928
Insurance recoveries	31,860	47,216	33,437	16,349	139,712	51,170	32,996	106,450	22,672	41,085
Bonds issued	27,217,364	27,963,072	24,265,000	11,255,180	7,075,000	7,400,000	16,660,000	1,000,000	15,000,000	41,593,535
Proceeds from premium on bond issuance	3,995,350	-	1,926,248	1,309,592	-	-	2,751,878	-	2,176,851	4,781,523
Payment to refunded bond escrow agent	(30,975,567)	(26,730,493)	-	(12,373,771)	-	-	(19,151,899)	-	-	(29,010,186)
Transfers in	5,243,455	5,694,575	6,312,546	7,592,391	6,231,504	5,451,618	5,895,255	6,915,933	8,267,520	7,305,998
Transfers out	(3,643,455)	(3,824,575)	(4,712,546)	(5,992,391)	(4,631,504)	(3,851,618)	(4,395,255)	(5,391,933)	(6,867,520)	(5,805,998)
Total other financing sources and uses	2,255,303	3,149,795	27,824,685	1,807,350	8,825,962	9,846,170	1,796,418	2,635,567	18,661,523	18,907,885
Net change in fund balances	$ 2,607,241	$ (1,013,059)	$ 3,226,084	$ (1,407,143)	$ 1,087,532	$ 6,810,444	$ (3,257,586)	$ (1,951,408)	$ 1,302,299	$ 3,370,403
Debt service as a percentage of noncapital expenditures	11.3%	11.3%	9.5%	11.6%	11.0%	11.4%	10.4%	10.8%	10.0%	9.9%

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) (4)										
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**
2012	$ 1,603,736,800	$ 1,139,679,400	$ 0.95	$ 72,272,617	$ 0.95	$ 211,721,208	$ 4.50	$ 5,494	$ 4.50	$ 120,805,964	$ 1.30	$ 158,888	$ 0.95	$ 3,148,380,371	$ 1.20
2013 (2)	1,618,898,500	1,142,293,500	0.95	64,839,333	0.95	253,205,986	4.50	5,936	4.50	152,329,260	1.30	163,048	0.95	3,231,735,563	1.24
2014	1,629,108,700	1,137,899,900	0.95	67,540,972	0.95	269,630,162	4.50	5,936	4.50	144,655,883	1.30	159,988	0.95	3,249,001,541	1.26
2015 (2)	1,744,437,672	1,170,855,700	0.91	66,459,087	0.91	269,176,193	4.50	32,033	4.50	136,394,356	1.30	218,148	0.91	3,387,573,189	1.21
2016	1,749,683,800	1,177,102,900	0.91	68,938,755	0.91	281,484,105	4.50	25,661	4.50	158,636,967	1.30	238,845	0.91	3,436,111,033	1.22
2017 (2)	1,895,930,700	1,219,641,300	0.91	68,267,350	0.91	284,408,731	4.50	20,377	4.50	143,653,774	1.30	217,381	0.91	3,612,139,613	1.23
2018	1,895,930,700	1,219,641,300	0.91	87,307,664	0.91	303,831,699	4.80	46,895	4.80	135,968,993	1.30	182,061	0.91	3,642,909,312	1.25
2019 (2)	1,986,440,800	1,215,715,500	0.93	89,076,531	0.93	333,421,362	4.80	43,778	4.80	133,782,120	1.30	173,327	0.93	3,758,653,418	1.28
2020	2,006,756,600	1,214,191,000	0.93	88,459,324	0.93	494,764,225	4.80	42,866	4.80	132,975,414	1.30	159,690	0.93	3,937,349,119	1.39
2021	2,197,744,400	1,197,398,500	0.93	84,348,848	0.93	547,641,690	4.80	40,650	4.80	124,779,994	1.30	251,490	0.93	4,152,205,572	1.45

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 2009, 2011, 2013, 2015, 2017 and 2019 tax years.

(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.

(4) Starting in 2020 Personal property billing began to transition from monthly in arrears to semi-annual current year causing the large increase, this increase should level out after several years and return to the prior historical trend.

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**
2012	0.83	0.02	0.30	0.05	1.20
2013	0.81	0.02	0.35	0.06	1.24
2014	0.81	0.02	0.37	0.06	1.26
2015	0.78	0.02	0.36	0.05	1.21
2016	0.78	0.02	0.37	0.06	1.23
2017	0.78	0.02	0.35	0.05	1.23
2018	0.78	0.02	0.40	0.05	1.25
2019	0.79	0.02	0.43	0.05	1.28
2020	0.76	0.02	0.60	0.04	1.42
2021	0.76	0.02	0.63	0.04	1.45

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, 2020			December 31, 2011		
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	49,411,400	1	1.53%	45,217,100	1	1.66%
TSO Winchester Station LP	24,010,600	2	0.74%			
Denstock Meadow Branch LLC	22,867,900	3	0.71%			
PDK Winchester LC	20,989,400	4	0.65%	21,322,200	3	0.78%
Rubbermaid Commercial Prod Inc	20,389,000	5	0.63%	10,989,400	10	0.40%
Canterbury Hill LLC	20,180,700	6	0.62%			
Wal-Mart Realty Company	20,004,500	7	0.62%	23,733,000	2	0.87%
DDRM Apple Blossom Corners LLC	18,405,900	8	0.57%	16,440,400	5	0.60%
Jubal Square LLC	16,450,500	9	0.51%			
PV Associates LLC	14,688,300	10	0.45%			
National Fruit Prod Co Inc				14,589,400	6	0.53%
Lowe's Home Center Inc				12,665,400	7	0.46%
Pleasant Valley Market Place LLC				12,462,500	9	0.46%
G W Development LLC						
Winchester Medical Center						
Trout Segall & Doyle Winc Prop LLC						
Loveless Home X LLC J A				12,596,000	8	0.46%
Cole MT Winchester LC				21,257,500	4	0.78%
Total	$ 227,398,200		7.03%	$ 191,272,900		7.00%

Source:
City of Winchester, Commissioner of the Revenue

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

Table 8

Year	Taxes Levied for the Tax Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections (Refunds) in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2012	$ 34,956,380	$ (40,362)	$ 34,916,018	$ 33,776,010	96.62%	$ 1,061,481	$ 34,837,492	99.78%
2013	36,643,360	(37,243)	36,606,117	35,636,313	97.25%	891,044	36,527,357	99.78%
2014	37,341,756	81,659	37,423,415	36,358,575	97.37%	1,029,328	37,387,903	99.91%
2015	37,893,121	(19,322)	37,873,799	36,950,548	97.51%	724,988	37,675,536	99.48%
2016	38,356,367	143,904	38,500,271	37,485,391	97.73%	702,574	38,187,965	99.19%
2017	41,734,477	101,558	41,836,035	39,976,381	95.79%	743,192	40,719,573	97.33%
2018	42,684,157	98,518	42,782,675	40,093,397	93.93%	604,081	40,697,478	95.13%
2019	43,705,219	39,191	43,744,410	38,788,843	88.75%	472,153	39,260,996	89.75%
2020	42,869,123	1,481	42,870,604	39,819,199	92.89%	279,811	40,099,010	93.53%
2021	36,411,186	31,527	36,442,713	18,045,539	49.56%	(49,592)	17,995,947	49.38%

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 (2)**	**Obligations Payable**	**General Obligation Bonds (2)**	**Revenue Bonds (2)**	**Obligations Payable**	**Total Primary Government**	**Percentage of Personal Income (1)**	**Per Capita (1)**
2012	$ 84,848,790	$ -	$ 22,058,855	$ 66,589,030	$ 19,080,302	$ 192,576,977	20.34%	$ 6,934
2013	85,909,809	900,000	21,557,534	69,725,303	17,709,408	195,802,054	21.45%	7,242
2014	105,525,330	600,000	19,806,474	66,997,071	16,202,542	209,131,417	20.78%	7,283
2015	99,712,411	400,000	17,963,960	65,703,296	14,597,808	198,377,475	20.79%	7,684
2016	100,191,106	200,000	16,131,797	62,598,576	38,040,155	217,161,634	18.96%	7,202
2017	99,842,184	-	14,021,066	59,832,770	37,505,134	211,201,154	19.49%	7,884
2018	93,457,246	-	11,780,883	97,467,969	36,474,141	239,180,239	19.48%	8,541
2019	85,101,955	900,000	9,449,051	93,778,788	35,358,843	224,588,637	17.36%	7,990
2020	93,467,155	600,000	7,409,640	90,026,942	33,967,211	225,470,948	16.30%	7,855
2021	101,209,497	400,000	5,804,724	120,525,066	33,808,488	261,747,775	18.37%	9,119

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)
2012	$ 106,907,645	$ -	$ 106,907,645	3.40%	$ 4,021
2013	107,467,343	-	107,467,343	3.33%	3,998
2014	125,331,804	-	125,331,804	3.86%	4,605
2015	117,676,371	-	117,676,371	3.47%	4,272
2016	116,322,903	-	116,322,903	3.39%	4,223
2017	113,863,250	-	113,863,250	3.32%	4,104
2018	105,238,129	-	105,238,129	2.89%	3,758
2019	94,551,006	-	94,551,006	2.52%	3,364
2020	100,876,795	-	100,876,795	2.56%	3,514
2021	107,014,221	-	107,014,221	2.58%	3,728

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
As of June 30, 2021

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	$ 101,609,497	100%	$ 101,609,497

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	$ 281,568,882	$ 282,603,133	$ 283,454,957	$ 298,175,246	$ 299,572,546	$ 300,004,355	$ 320,287,966	$ 321,224,942	$ 330,940,692	$ 347,949,175
Total net debt applicable to limit	106,907,645	107,467,343	114,224,636	106,210,407	105,885,838	104,449,458	95,354,720	85,790,000	91,165,000	95,905,000
Legal debt margin	$ 174,661,237	$ 175,135,790	$ 169,230,321	$ 191,964,839	$ 193,686,708	$ 195,554,897	$ 224,933,246	$ 235,434,942	$ 239,775,692	$ 252,044,175
Total net debt applicable to the limit as a percentage of debt limit	37.97%	38.03%	40.30%	35.62%	35.35%	34.82%	29.77%	26.71%	27.55%	27.56%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Value of Real Property	$ 3,479,491,748
Debt Limit - 10%	347,949,175
Amount of Debt Applicable to Debt Limit	
General obligation bonds	95,905,000
Legal Debt Margin	$ 252,044,175

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 Ten 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**
2012	$ 20,226,377	$ 12,299,426	$ 7,926,951	$ 1,245,000	$ 2,383,018	2.18
2013	22,417,068	12,860,026	9,557,042	1,715,000	3,247,700	1.93
2014	24,821,441	12,413,786	12,407,655	2,436,879	3,204,543	2.20
2015	25,689,559	13,326,754	12,362,805	2,538,184	3,102,309	2.19
2016	26,812,496	14,285,299	12,527,197	2,724,187	2,884,045	2.23
2017	28,903,369	13,199,892	15,703,477	2,795,220	3,311,743	2.57
2018	28,811,681	14,221,898	14,589,783	2,981,285	3,191,748	2.36
2019	31,132,450	16,570,222	14,562,228	3,092,381	4,612,341	1.89
2020	31,162,324	16,152,665	15,009,659	3,208,511	4,251,191	2.01
2021	31,108,368	18,006,732	13,101,636	4,489,675	3,649,471	1.61

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.

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

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4) High School Graduate or higher	Educational attainment (4) Bachelor's Degree or higher	School enrollment(5)	Unemployment rate (3)
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%
2014	27,216	1,005,767	36,955	35.6	81.9%	29.5%	4,147	5.10%
2015	27,543	1,046,056	37,979	35.3	83.8%	28.6%	4,135	4.80%
2016	27,543	1,114,280	40,456	35.7	83.3%	28.1%	4,227	3.80%
2017	27,743	1,177,302	42,436	36.8	84.2%	28.3%	4,255	3.80%
2018	28,005	1,227,627	43,836	37.6	83.5%	31.3%	4,170	2.80%
2019	28,108	1,293,980	46,036	37.6	83.6%	32.5%	4,163	2.70%
2020	28,705	1,382,835	48,174	37.3	83.1%	33.9%	4,194	2.30%
2021	28,705	1,425,002	49,643	38.1	84.1%	35.1%	4,160	5.80%

Sources:
(1) U.S. Census Bureau
(2) Bureau of Economic Analysis
(3) Virginia Employment Commission
(4) U.S. Census Bureau
(5) City of Winchester School Board

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

Table 15

	December 31, 2020			December 31, 2011		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Valley Health System	1,000 and over	1	6.82%	1,000 and over	1	7.34%
Winchester Public Schools	500 - 999	2	3.41%	500 - 999	3	3.67%
Shenandoah University	500 - 999	3	3.41%	500 - 999	2	3.67%
Wal Mart	500 - 999	4	3.41%	500 - 999	5	3.67%
Rubbermaid Commercial Products	500 - 999	5	3.41%	500 - 999	4	3.67%
U.S. Federal Bureau of Investigation	500 - 999	6	3.41%			
City of Winchester	500 - 999	7	3.41%	500 - 999	7	3.67%
American Woodmark	250 - 499	8	1.70%			
U.S. Department of Defense	250 - 499	9	1.70%	500 - 999	6	3.67%
O'Sullivan Films Inc	250 - 499	10	1.70%	250 - 499	8	1.83%
Grafton School Inc				250 - 499	9	1.83%
Axiom Staffing Group				250 - 499	10	1.83%
Total	4,750		32.38%	4,750		34.85%

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 Ten Fiscal Years

Table 16

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government administration	39	38	44	41	42	43	42	43	42	56
Judicial administration	46	44	45	48	50	50	49	47	51	47
Public safety	223	228	216	234	233	226	223	240	215	227
Public works	59	61	56	53	59	71	58	62	58	85
Health and welfare	44	40	43	46	45	46	39	45	49	53
Parks, recreation and culture	55	46	46	42	39	36	38	35	33	22
Community development	11	12	12	19	21	12	11	12	12	12
Water and sewer	66	67	61	65	70	63	58	59	78	79
Bus service	14	15	18	19	21	13	18	21	22	14
Parking authority	6	6	6	6	6	6	3	5	6	6
Schools	687	668	674	689	703	707	700	703	703	707
Total	1,250	1,225	1,221	1,262	1,289	1,273	1,239	1,272	1,269	1,308

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.

CITY OF WINCHESTER, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Table 17

	Fiscal Year									
Function	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
General Government										
Building permits issued	1,508	1,463	1,709	1,732	1,787	1,898	1,913	3,949*	4,286*	1,855
Building inspections conducted (commercial and residential)	6,987	6,025	7,408	8,150	8,858	8,829	8,902	11,645*	5,114	4,166
Police										
Physical arrests	4,090	3,018	3,802	2,838	4,113	2,653	2,796	2,325	1,976	1,207
Parking violations	5,977	4,526	4,226	3,542	3,013	3,634	3,941	10,107	8,316	4,055
Traffic violations	5,406	4,304	4,580	4,543	4,534	5,190	5,021	7,947	5,378	6,368
Fire										
Emergency responses	5,781	5,518	5,804	6,022	6,282	6,784	6,588	6,142	5,854	6,116
Structure fires	43	57	55	54	52	48	56	54	45	33
On-site fire inspections	360	377	486	333	918	809	457	881	666	275****
Fire suppression inspection tests	64	61	82	63	136	116	111	171	68	44****
Refuse Collection										
Refuse collected (tons per year -- residential and non-residential)	6,520	6,681	6,608	6,451	6,534	6,629	6,561	6,719	6,794	7,109
Recyclables collected (tons per year -- does not include cardboard or yard waste)	3,252	3,312	3,068	3,076	3,094	3,051	2,931	2,850	2,190	2,154
Recyclable scrap	18.00	21.00	13.00	10.00	8.00	19.37	34.00	3.39	16.50	20.51
Other Public Works										
Street resurfacing (miles)	1.82	5.60	5.10	21.38	7.00	11.98	10.00	9.59	10.23	1.39
Parks and Recreation										
Shelter permits issued	911	691	493	352	390	386	420	293	221**	239***
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	47,201	25,156	25,776	23,349	33,515	33,163	36,236	36,797	26,111**	4,109***
Racquetball court users (1)	2,324	2,506	2,445	2,711	1,980	1,824	2,550	2,402	1,340**	738***
Indoor fitness room users (1)	9,316	7,375	6,067	5,797	2,535	3,128	3,808	3,335	1,944**	7***
Water										
Average daily production	6.83 mgd	6.14mgd	5.95mgd	6.43 mgd	6.55mgd	7.09 mgd	6.17 mgd	6.10mgd	5.82mgd	5.76mgd
New connections	28	26	28	38	44	41	24	16	18	38
Total connections	11,021	11,047	11,075	11,113	11,157	11,198	11,222	11,238	11,256	11,294
Water main breaks	40	29	42	48	33	37	42	25	32	38
Average daily consumption	4.67 mgd	4.5mgd	5.09mgd	5.4 mgd	6.12 mgd	5.75 mgd	5.21 mgd	4.79mgd	3.83mgd	3.84mgd
Wastewater										
Average daily flow (12 month period)	4.52 mgd	4.96mgd	4.87mgd	4.70 mgd	4.96 mgd	4.97 mgd	5.09 mgd	4.72 mgd	4.11mgd	4.82mgd
Peak Flow (12 month period)	23.1 mgd	22.0mgd	25.9mgd	25.47 mgd	18.49 mgd	20.1 mgd	20.05 mgd	21.14mgd	20.04mgd	20.50mgd
Transit										
Passenger trips	136,501	130,190	120,758	126,122	138,961	143,208	139,998	134,832	110,844**	85,334***
Schools (2)										
Number of teachers, Elementary (K-4)	143	143	147	150	159	157	156	154	146	157
Number of teachers, Middle 5-8)	97	95	98	104	107	108	105	103	110	121
Number of teachers, Secondary (9-12)	96	98	99	101	102	104	102	102	101	111
Number of students, Elementary (K-4)	1684	1776	1,707	1,688	1,698	1,677	1,598	1,576	1,742	1,502
Number of students, Middle (5-8)	1178	1190	1,177	1,287	1,306	1,343	1,304	1,287	1,313	1,265
Number of students, Secondary (9-12)	1117	1119	1,263	1,190	1,259	1,269	1,297	1,258	1,297	1,315

Source: Various Departments in the City

Notes:

* Total FY Building permits and inspections increase is due to the Water Meter Replacement (Expansion Tank) Project.

** Decrease in participation reflects impact of COVID-19 pandemic March 17- June 30, 2020.

*** Decrease in participation reflects impacts of COVID-19 pandemic during FY21.

**** There was a vacancy for most of the year for a Fire Marshall and COVID restricted the ability to perform the normal inspections per JD Orndorff

CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Table 18

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	1	1
SubStations	2	1				2	1	1	1	-
Patrol cars	79	76	73	69	74	85	81	85	81	81
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection Trucks	7	7	7	8	8	8	8	8	8	8
Other Public Works										
Streets (miles)	221.00	221.00	221.00	221.00	221.00	221.00	219.34	219.34	223.66	222.72
Streetlights	63	63	63	63	126	121	121	121	121	121
Traffic signals	56	56	56	57	59	55	54	54	55	55
Parks and Recreation										
Number of parks	14	14	14	14	14	14	15	15	15	15
Acreage	248	248	247	247	247	247	248	271	271	271
Miles of Trails									6.1	*7.1
Playgrounds	9	9	9	9	9	9	9	9	9	9
Community centers	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	9	9	9	9	9	9	9	8	8	8
Soccer/football fields	9	9	9	9	9	9	9	10	10	10
Basketball courts	7	7	7	7	7	7	8	8	8	8
Tennis courts	8	8	8	8	8	8	8	8	8	8
Horseshoe courts	24	24	24	24	24	24	24	24	24	24
Water										
Miles of water mains	126	126	126	126	127	127	127	127	128	128
Fire hydrants	1,085	1,085	1,085	1,085	1,088	1,290	1,290	1,316	1,316	1,316
Water storage capacity	12 mg	12 mg	12 mg	12 mg	12 mg	12 mg	12 mg	12mg	10.3mg	10.1mg
Wastewater										
Miles of storm sewers	82	82	82	82	83	83	83	83	83	83
Miles of sanitary sewers	122	122	122	122	123	123	123	123	123	123
Opequon wastewater treatment capacity (1)	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1mgd	7.1mgd	7.1mgd
Transit										
Minibuses	7	7	7	6	6	6	6	5	5	5
Trolleys	2	2	2	1	1	1	1	1	1	1
Vans	2	2	1	2	2	4	4	4	4	4
Schools										
Attendance Centers, Elementary	4	4	4	4	4	4	4	4	4	4
Attendance Centers, Middle	1	1	1	1	1	1	1	1	1	1
Attendance Centers, Secondary	1	1	1	1	1	1	1	1	1	1
Number of classrooms, Elementary	127	127	127	127	127	168	168	168	168	168
Number of classrooms, Middle	90	90	90	90	90	90	90	90	90	90
Number of classrooms, Secondary	95	95	95	95	95	95	95	95	95	95

Source: Various Departments in the City

Notes:
(1) Operated by Frederick Winchester Service Authority
* Includes the ParCourse Trail

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* 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, 2021, 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 24, 2021.

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) as a basis for designing 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2021-001, that we consider to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.***

City's Response 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 24, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 (the "City") compliance with the types of compliance requirements described in the *OMB 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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2021.

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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 the Uniform Guidance, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 24, 2021

CITY OF WINCHESTER, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

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
Governor's Opportunity Funds
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements
Education
Social Services
Urban Highway Maintenance
Fire Programs Aid to Localities

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, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** 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 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 For Each Major Program and on Internal Control over Compliance Required By the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
Special Education Cluster – Grants to States	84.027
Federal Transit Cluster – Capital Investment Grants	20.500
Federal Transit Cluster – Formula Grants	20.507
Education Innovation and Research	84.411C
COVID-19 - CARES Act Coronavirus Relief Funds	21.019
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D

8. The **threshold for** distinguishing Type A and B programs was **$750,000**.
9. The City of Winchester was determined to be a **low-risk auditee**.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001 Audit Adjustments (Significant Deficiency) – City and Schools

Condition:

As part of our audit we proposed multiple significant adjustments to accounts receivable, revenue, accounts payable, expenditures, prepaids, and capital assets. We proposed one significant entry related to the City.

Criteria:

Transactions should be reviewed in detail to ensure proper accounting treatment.

Cause:

In relation to the School audit adjustments, transactions pertaining to year end were not adequately reviewed for proper inclusion or exclusion in the accounting records. For the City's significant audit adjustment, a refunding calculation was not properly reviewed for accuracy and was not properly posted.

Effect:

Multiple significant adjustments were made to various transaction classes.

Recommendation:

We suggest management implement procedures, such as review of transactions near year end, to ensure that transactions are appropriately accounted for and reflected. Additionally, all adjustments that were made as a result of our current year audit should be reviewed during the next year as a reminder of matters needing accounting attention in preparing for the 2022 audit.

Views of Responsible Officials and Planned Corrective Action:

Management approved and made all adjusting entries that were suggested as part of our audit. The staff have discussed the documented processes and are considering additional procedures to confirm year end transactions are appropriately accounted for and reflected.

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

None

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program	Federal AL Number	Passthrough Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Agriculture				
Pass-through payments:				
Department of Social Services:				
SNAP Cluster - State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010116/0040116		$ 718,529
Department of Forest Service:				
Cooperative Forestry Assistance	10.664	0000106723		1,950
Department of Corrections:				
National School Lunch Program	10.555	APE402540	15,566	
Commonwealth of Virginia Department of Agriculture and Consumer Services				
National School Lunch Program	10.555	APE402540	632,470	
National School Lunch Program - Commodities	10.555	APE402540	111,799	
COVID-19 - National School Lunch Program	10.555	APE402540	98,809	
School Breakfast Program	10.553	APE405880	191,657	
COVID-19 - School Breakfast Program	10.553	APE405880	52,231	
Total Child Nutrition Cluster:				1,102,532
Total U.S. Department of Agriculture				1,823,011
U.S. Department of Homeland Security				
Pass-through payments:				
Department of Emergency Management:				
Emergency Management Performance Grant	97.042	62744		8,905
State Homeland Security Grant Program	97.073	7760200		85,731
Total U.S. Department of Homeland Security				94,636
U.S. Department of Housing and Urban Development				
Direct payments:				
Community Development Block Grants:				
Entitlement Grants Cluster	14.218	N/A		222,915
Total U.S. Department of Housing and Urban Development				222,915
U.S. Department of Justice				
Direct payments:				
Bulletproof Vest Partnership Program	16.607	N/A		440
Equitable Sharing Program	16.922	N/A		6,586
Pass-through payments:				
Department of Criminal Justice Services				
Internet Crimes Against Children Task Force Program	16.800			9,849
Crime Victim Assistance	16.575	86015		119,029
Sexual Assault Services Grant	16.017	47915		9,491
Total U.S. Department of Justice				145,395
U.S. Department of Transportation				
Direct payments:				
COVID-19 - Federal Transit	20.507	N/A	649,036	
Federal Transit - Formula Grants	20.507	N/A	115,419	
Total Federal Transit Cluster:				
Pass-through payments:				764,455
Virginia Department of Motor Vehicles				
Highway Safety Cluster - Alcohol Traffic Safety and Drunk Driving Prevention	20.601	55383		10,238
Virginia Department of Transportation				
Highway Planning and Construction Cluster - Highway Planning and Construction	20.205	0000097834		697,086
Total U.S. Department of Transportation				1,471,779

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program	Federal AL Number	Passthrough Number	Cluster Expenditures	Federal Expenditures
National Endowment for the Arts				
Direct payments:				
Promotion of the Arts Partnership Agreement	45.025	N/A		2,875
U.S. Department of Education				
Direct payments:				
McKinney-Vento Education for Homeless Children & Youth	84.387	N/A		51,217
Education Innovation and Research	84.411C	N/A		923,455
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	APE42901		1,277,673
Special Education Cluster - Grants to States	84.027	APE43071		1,028,674
English Language Acquisition Grants	84.365	APE60512		69,424
Supporting Effective Instruction State Grants	84.367	APE61480		252,658
Vocational Education - Basic Grants to States	84.048	APE61095		93,255
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	N/A		1,114,127
COVID-19 - CARES Act Coronoavirus Relief Funds	21.019	N/A		749,595
Deparment of Behavioral Health and Developmental Services				
Early Intervention	84.181	N/A		213,493
Safe and Drug-Fee Schools and Communities	84.424			141,261
Total U.S. Department of Education				5,914,832
Department of Health and Human Services:				
Pass-through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950115		42,156
Temporary Assistance to Needy Families	93.558	0400116		264,801
Refugee and Entrant Assistance	93.566	0500116		458
Low Income Home Energy Assistance	93.568	0600416		38,633
CCDF Cluster - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116		59,411
Chafee Education and Training Vouchers Program	93.599	N/A		-
Adoption and Legal Guardianship Incentive Payments	93.603	9160114		4,882
Child Welfare Services	93.645	0900116		242
Foster Care - Title IV-E	93.658	1100116		464,079
Adoption Assistance	93.659	1120116		573,150
Social Service Block Grant	93.667	1000116		423,770
Chafee Foster Care Independence Program	93.674	9150116		7,828
State Children's Insurance Program	93.767	0540116		6,566
Medical Assistance Program	93.778	1200116		536,189
Total U.S. Department of Health and Human Services				2,422,165
Department of the Treasury:				
Pass-through Payments:				
Department of Accounts:				
COVID-19 - CARES Act Coronoavirus Relief Funds	21.019	N/A		4,219,388
Total Expenditures of Federal Awards				$ 16,316,996

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, AL Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity

Note 3: De Minimus Indirect Cost Rate

The City did not elect to use the 10% de minimus indirect cost rate.