

Annual Comprehensive Financial Report



Fiscal Year Ending June 30, 2022

CITY OF WINCHESTER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

Prepared by:
City of Winchester, Virginia
Finance Department

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**CITY OF WINCHESTER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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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

Madelyn Rodriguez
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
Amy L. Simmons
Mary M. Blowe

Patrick S. Elwell
Paula A. Nofsinger
Celeste R. Broadstreet

Jonathan D. Henschel
Tyler B. Schenck

Christopher A. Konyar
Timothy A. Youmans
Alfredo Gutierrez Velasq
John R. Piper
Perry A. Eisenach
Amber D. Dopkowski
Dr. Jason Van Heukelum
Justin R. Kerns

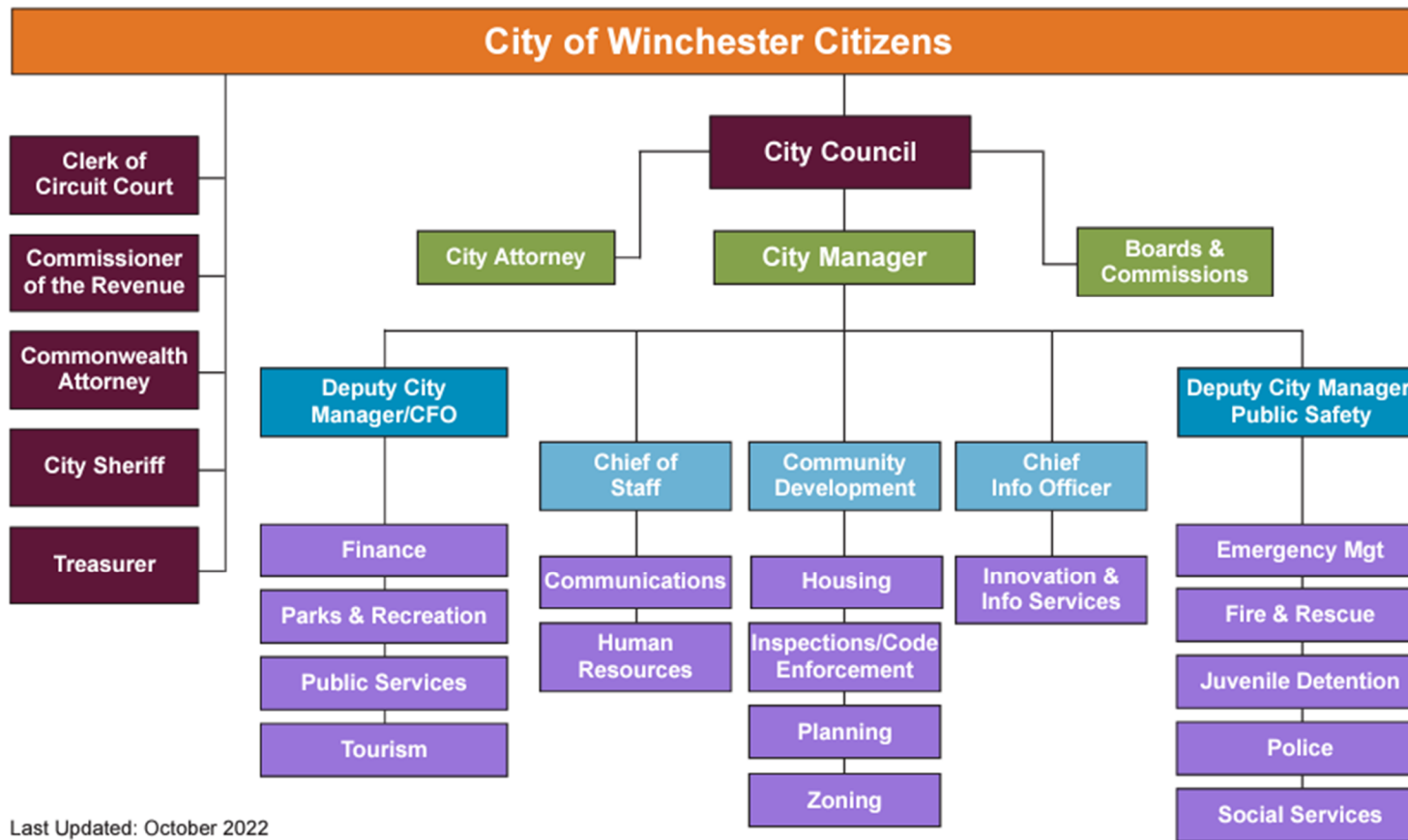
David W. Parker
Elizabeth W. Martin

City Attorney
Communications Director
Acting, Economic Development
Director
Acting, Development Services Director
Director of Human Resources
Finance Director/Real
Estate Administrator
Fire and Rescue Chief
Innovation and Information
Services Director
Parks & Recreation Director
Planning Director
Zoning Administrator
Police Chief
Public Services Director
Social Services Director
Superintendent of Schools
Executive Director, Win-Fred Co.
Convention & Visitor's Bureau
Building Official
Voter Registrar

City of Winchester
Organizational Chart



ORGANIZATIONAL CHART



Last Updated: October 2022

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Winchester, VA 22601

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December 1, 2022

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, 2022, 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, 2022. 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.

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.

Local Economy (Continued)

The City's commercial tax base accounts for 32.2% 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. 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.

Winchester Development Services and the Winchester Economic Development Authority (EDA) work closely together to facilitate economic development and growth within our community. A brief update on the major projects in FY 2022 authenticates the size, diversity and positive impact on Winchester's business and financial strength. The Winchester Towers property is in development as Lynx Ventures LLC leads the redevelopment to a mixed-use project with 175 residential units, structured parking facility, and commercial opportunities. The Kent and Piccadilly Streets property is proposed to be developed into 16 for sale townhomes by the Aikens Group. The EDA utilized the Enterprise Zone incentive to initiate an \$11.0 million expansion of Continental AG, adding 67 new manufacturing jobs; a new apple pressing facility investment valued at over \$1 million and creating 4 new jobs; secured 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 actively promotes development and attraction of new businesses. Trex Corporation's new Corporate Headquarters has completed relocate nearly 200 employees into the City of Winchester and result in a roughly \$15.0 million investment.

Winchester City Council is reviewing a Text Amendment to permit solar energy systems in all districts. This "environmental catalyst" may bring new energy resources throughout the city. Central to our Comprehensive Plan are two focus points: Winchester New Urbanism to redevelop blight, vacant properties; and Building Winchester projects increased with merged parcels, in-fill development, medium to large multi-family and Residential Assisted Living options in the community. Council approved many projects this year in support of the City's goals and to grow our community and provide a wide array of housing options. Several approved conditional use permits include 426 units in the downtown Winchester area, an assisted living facility, a 246-unit mixed use project, 79 single family lots with 74 age restricted units, 10.6 acres mixed use development and 172 townhomes and 440 apartments around the City. Also approved was a parcel merger of 10.9 acres with high density multi-family units with special conditions and regulations on the aesthetics of the exterior of the units.

In addition, the City continues to successfully market the City's downtown. As of 2022, Winchester's EDA 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 Main Street Program is directly overseen by the EDA's Main Street Committee, a volunteer board made up of local stakeholders. A new Strategic Plan is in development; an opportunity to take direct feedback from community surveys and stakeholder opinions and use it to guide all future plans and outcomes for the Main Street program.

Long-term Financial Planning

Unassigned fund balance in the general fund (27.4% 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. Near term, the City school district capital improvement projects include the replacement of the John Handley High School track (\$1,000,000); HVAC, lighting, and sprinkler renovations at Frederick Douglass Elementary School (\$6,000,000); and the completion of the renovation/addition to the Douglas School (approximately \$15,000,000). These projects are funded through various revenue streams, including carryover funds from previous fiscal years, general obligation bonds, federal Elementary and Secondary School Relief (ESSER) COVID funds, and private donations. Winchester Public Schools projects that enrollment will remain flat throughout 2023 at approximately 4,100. Current educational facilities are adequately sized at the elementary level and high school level, 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 \$10 million project was successfully completed and the new roadway was opened in June 2022. Approximately one-half of the costs of this project were paid for using VDOT Revenue Sharing funds. The project consisted of extending Hope Drive east over the railroad tracks, realigning Papermill Road, and terminating Tevis Street west of the railroad tracks with a cul-de-sac.

B. Green Circle Trail

The City continues to work towards completing the Green Circle Trail. City Council selected the route for the section of the trail along Jubal Early between Plaza Drive and Millwood Avenue and engineering design is underway. Construction on this section of the trail is expected to begin in 2024.

Major Initiatives (Continued)

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. Construction on \$3 million of sidewalk replacements is currently in progress and work will continue in 2023.

D. Valley Avenue Drainage and Sidewalk Improvements

Construction on this \$8.9 million project also started in January 2021 and construction is ongoing. The completion of the project has been delayed primarily by the volume of rock that has been encountered and the project is currently expected to be completed in the spring of 2023. 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.

E. Street Repaving

Maintaining the City's streets has always been a high priority, as evidenced by the \$2 million in street repaving on streets throughout the City that is nearing completion.

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 multiple properties 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 construction is expected to begin in 2023.

G. Utility Infrastructure Improvements

Work is ongoing 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. Washington Street between W. Boscawen and W. Piccadilly, and work is nearing completion on Morgan Street and on W. Piccadilly between Morgan and N. Washington.
2. The City's new in-house construction crew has started work on completing water and sewer utility replacements on S. Loudoun Street between Cork and Gerrard.
3. Sewer pump station replacements. Construction is in progress on two different pump stations that should be completed by the spring of 2023.
4. New maintenance facility at City Yards. Construction is in progress and is approximately 98% complete.

H. Millwood Avenue Improvements

City Council has approved making roadway improvements on Millwood Avenue between Apple Blossom Drive and Mall Blvd. to improve traffic flow on this congested corridor. The engineering design of these improvements is underway, and construction will occur at the same time as a new bridge over Interstate-81 is constructed by VDOT.

Major Initiatives (Continued)

I. New South End Fire Station

The City recently purchased the property where the existing South End Fire Station is located. The existing station is in poor condition and does not meet the needs of the Fire and Rescue Department. In early 2023, the City will begin work with a design consultant to plan for and design a new fire station on this property. This will be the first fire station that will be owned and operated by the City.

J. Preston Field Improvements

City Council recently approved an agreement with Blue Ridge Youth Soccer Association (BRYSA) for two artificial turf soccer fields that will be constructed where the existing Preston Fields are in Jim Barnett Park. BRYSA is making a \$500,000 contribution for this project and construction will begin in 2023.

Awards and Acknowledgment

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winchester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. This was the thirtieth consecutive year that the City of Winchester has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual 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.

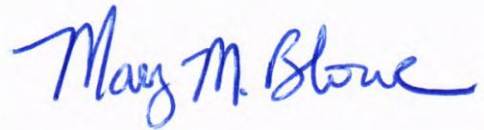
The preparation of this report was made possible by the dedicated and effective efforts of City and Schools Finance staff, and staff in other departments throughout the City who assisted in gathering the information for this report. Many hours of hard work are represented herein, and we extend our sincere 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Notes 6, 8, and 9 to the financial statements, in 2022, the City adopted new accounting guidance, *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management, and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022 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
December 1, 2022

City of Winchester, Virginia
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022

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 2022 by \$133.7 million (net position).
- The City's total net position increased approximately \$29.4 million over the course of this year's operations. Net position of governmental activities increased \$23.4 million, and net position of business-type activities increased \$6.0 million from the prior year.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$41.3 million, an increase of \$7.4 million over the prior year. Approximately 60.3% of this amount, \$24.9 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 \$24.9 million. This amount represents 27.4% of total general fund expenditures.
- The City's total debt increased by \$2.4 million, or 1.0%. The City's general obligation bond debt increased \$2.1 million, revenue bond debt increased \$2.4 million, and obligations payable and leases decreased \$2.0 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).

Overview of the Financial Statements (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 - 96 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 97 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 \$133.7 million at the close of fiscal year 2022.

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 increased from \$27.1 million at the end of FY 2021 to \$50.5 million (\$23.4 million increase) at the end of FY 2022. This increase is attributed to the increase in capital assets, including road improvements, improvements to the Jim Barnett Park and a building acquisition; and a decrease in net pension liabilities, see Note 11 for detailed information.

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 53.

Government-wide Financial Analysis (Continued)

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 68. In addition, in FY 2022 the City began complying with GASB Statement No. 87, *Leases*. This standard requires for the first time the City as a lessee to report a lease liability and an intangible right-to-use lease asset, and as a lessor to report a lease receivable and a deferred inflow of resources. 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, 2022

(in millions)								
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2022	2021	2022	2021	2022	2021	2022	2021
Assets								
Current and other assets	\$ 67.3	\$ 53.5	\$ 25.7	\$ 34.3	\$ 93.0	\$ 87.8	\$ 23.6	\$ 25.9
Capital assets	121.2	104.5	221.5	210.0	342.7	314.5	134.7	129.0
Total Assets	188.5	158.0	247.2	244.3	435.7	402.3	158.3	154.9
Deferred Outflows of Resources								
Deferred charge on refunding	1.7	2.3	1.5	1.7	3.2	4.0	-	-
Pension related deferred outflows	6.2	7.6	0.7	0.7	6.9	8.3	10.4	13.0
Other postemployment benefit related deferred outflows	4.2	3.8	0.3	0.2	4.5	4.0	1.1	1.1
Total Deferred outflows of resources	12.1	13.7	2.5	2.6	14.6	16.3	11.5	14.1
Liabilities								
Current and other liabilities	16.1	12.3	4.9	7.3	21.0	19.6	9.1	8.3
Long-term liabilities	114.7	128.9	159.8	162.3	274.5	291.2	36.7	61.9
Total Liabilities	130.8	141.2	164.7	169.6	295.5	310.8	45.8	70.2
Deferred Inflows of Resources								
Leases	1.1	-	-	-	1.1	-	-	-
Property taxes collected in advance	1.3	1.2	-	-	1.3	1.2	-	-
Pension related deferred inflows	13.2	0.1	1.5	-	14.7	0.1	22.3	4.7
Other postemployment benefit related deferred inflows	3.7	2.1	0.3	0.1	4.0	2.2	1.1	0.4
Total Deferred inflows of resources	19.3	3.4	1.8	0.1	21.1	3.5	23.4	5.1
Net Position								
Net investment in capital assets	87.3	79.6	71.9	73.1	159.2	152.7	134.3	129.0
Restricted	0.2	0.3	-	-	0.2	0.3	2.2	6.4
Unrestricted	(37.0)	(52.8)	11.3	4.1	(25.7)	(48.7)	(35.9)	(41.7)
Total Net Position	\$ 50.5	\$ 27.1	\$ 83.2	\$ 77.2	\$ 133.7	\$ 104.3	\$ 100.6	\$ 93.7

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 (\$56.4 million) were not presented in Table 2, the net position for the governmental activities would be \$106.9 million and the total net position for the primary government would be \$190.1 million.

Table 2
Changes in the City of Winchester's Net Position
Fiscal Year ended June 30, 2022
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues								
Program Revenues								
Charges for services	\$ 6.1	\$ 4.1	\$ 36.2	\$ 31.1	\$ 42.3	\$ 35.2	\$ 1.1	\$ 0.6
Operating grants and contributions	26.0	22.8	0.1	0.4	26.1	23.3	40.8	36.8
Capital grants and contributions	4.8	1.6	0.3	0.4	5.1	2.0	1.0	1.0
General Revenues								
Property taxes	49.8	47.0	-	-	49.8	47.0	-	-
Sales taxes	12.1	10.8	-	-	12.1	10.8	-	-
Other taxes	26.3	22.9	-	-	26.3	22.8	-	-
Grants and contributions not restricted to specific programs	3.2	3.1	-	-	3.2	3.1	-	-
Unrestricted investment earnings	-	-	-	0.1	-	0.1	0.1	0.1
Other	-	-	-	-	-	-	31.8	42.0
Total revenues	\$ 128.3	\$ 112.3	\$ 36.6	\$ 32.0	\$ 164.9	\$ 144.3	\$ 74.8	\$ 80.5
Expenses								
General government administration	8.1	7.7	-	-	8.1	7.7	-	-
Judicial administration	4.6	5.0	-	-	4.6	5.0	-	-
Public safety	26.7	27.6	-	-	26.7	27.6	-	-
Public works	13.0	12.7	-	-	13.0	12.7	-	-
Health and welfare	12.6	11.8	-	-	12.6	11.8	-	-
Education	31.9	41.9	-	-	31.9	41.9	67.9	68.4
Parks, recreation and culture	4.2	6.2	-	-	4.2	6.2	-	-
Community development	2.6	3.1	-	-	2.6	3.1	-	-
Interest on long-term debt	2.4	2.8	-	-	2.4	2.8	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Water and sewer	-	-	29.4	30.5	29.4	30.5	-	-
Total expenses	106.1	118.8	29.4	30.5	135.5	149.3	67.9	68.4
Increase (decrease) in net position								
before transfers	22.2	(6.5)	7.2	1.5	29.4	(5.0)	6.9	12.1
Transfers	1.2	1.5	(1.2)	(1.5)	-	-	-	-
Increase (decrease) in net position	23.4	(5.0)	6.0	-	29.4	(5.0)	6.9	12.1
Net position - beginning	27.1	32.1	77.2	77.2	104.3	109.3	93.7	81.6
Net position - ending	\$ 50.5	\$ 27.1	\$ 83.2	\$ 77.2	\$ 133.7	\$ 104.3	\$ 100.6	\$ 93.7

Government-wide Financial Analysis (Continued)

As shown in Table 2, the City's revenues from governmental activities totaled \$128.3 million for FY 2022, an increase of \$16.0 million from FY 2021. The largest increases were in operating grants and contributions totaling \$3.2 million from the prior year due to the Federal American Rescue Plan (ARPA) Act grant to help mitigate and respond to the COVID-19 pandemic; and Capital grants and contributions increased \$3.2 million due to the completion of several public works road projects including Hope Drive and Valley Avenue road improvements and a new signal light. Charges for Services increased \$2.0 million from the prior year, mainly due to an increase of the City's sanitation fee.

Winchester's general revenues increased by \$7.6 million from the prior year, including \$3.4 million increase in Other taxes (business licenses, communications, hotel and meals taxes) due to the economic recovery from the easing of COVID-19 restrictions. In addition, Property taxes increased by \$2.8 million from the prior year due to market conditions which significantly increased the assessment value of personal property and Sales taxes increased \$1.3 million due to the City's economic base which has remained strong.

The City's expenses from governmental activities totaled \$106.1 million (Table 2) for the fiscal year ended June 30, 2022, a decrease of \$12.7 million from the prior year. Education was the largest decrease at 10.0 million which returns the expense to normal levels from the high amount in FY 2021 due to the issuance of bonds for school capital projects. Judicial administration decreased by \$0.4 million, Public safety decreased by \$0.9 million, parks, recreation and culture decreased by \$2.0 million and Community development decreased by \$0.5 million mainly from the CARES Act funding used in FY 2021 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. General government administration increased by \$0.4 million and Health and welfare increased by \$0.8 million for local social service programs.

As shown in Figure A, the City received 68.8% of its revenue from taxes. The major source of revenue for the City was property taxes (\$49.8 million or 38.8%), composed of real estate, personal property taxes, and machinery and tools taxes. 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. Other tax revenues (sales and other taxes) increased \$4.8 million from the prior year, due to recovering economic conditions from the pandemic.

As shown in Figure B, education was the largest expense at \$31.9 million or 30.0% of total governmental expenses. Public safety was the second largest expense at \$26.7 million or 25.2% of total governmental expenses. Public works has the largest amount of program revenue at \$13.8 million or 37.4% of total program revenues. Health and welfare has the second highest program revenue at \$9.1 million or 24.8% of total program revenues.

Government-wide Financial Analysis (Continued)

Figure A
Revenues by Source – Governmental Activities

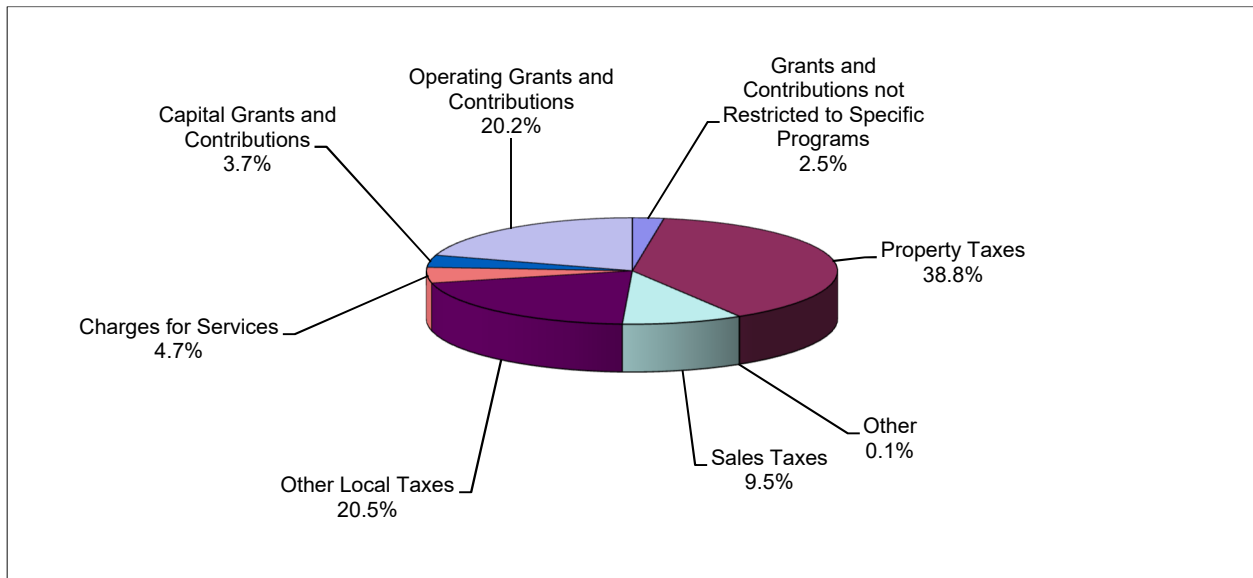
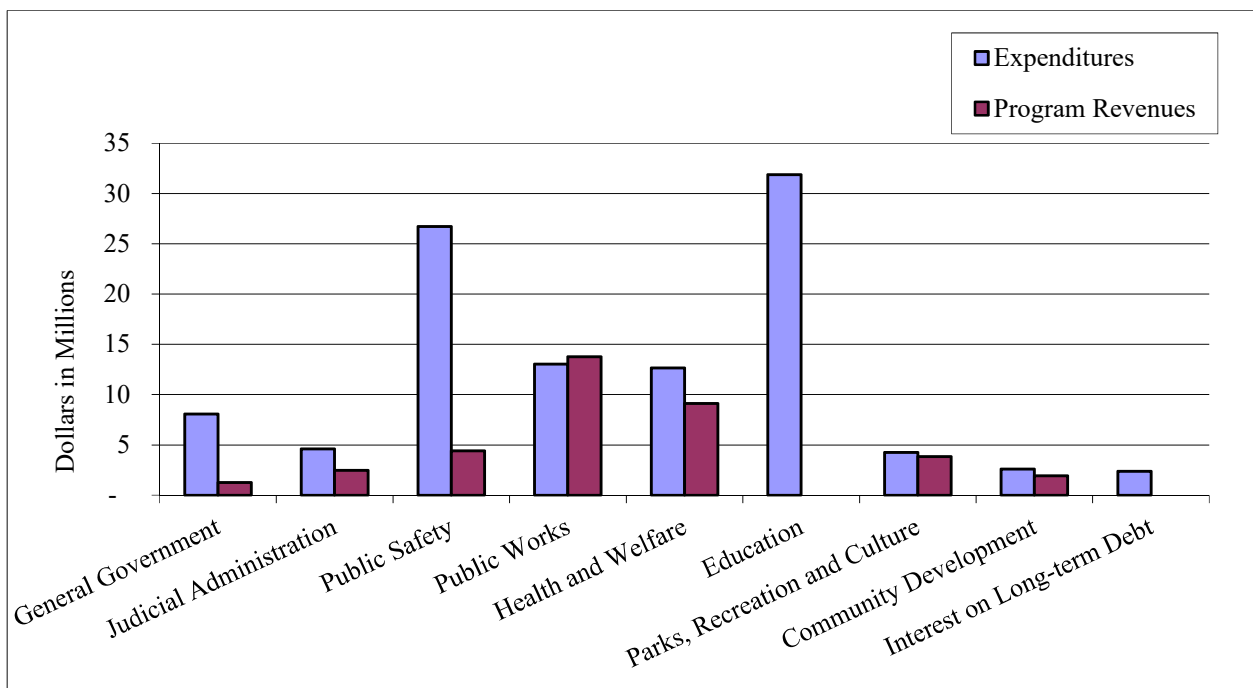


Figure B
Expenses and Program Revenues – Governmental Activities



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 \$83.2 million (Table 2) an increase of \$6.0 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility fees, which totaled \$36.2 million or 98.7% of the total revenues for business-type activities, which is \$5.1 million higher than the prior year due to a rate increase effective July 1, 2021. Expenses of the business-type activities totaled \$29.4 million (Table 2) a decrease from the prior year of \$1.1 million. This decrease in expenses is mainly due to the reduction in scheduled interest payments on debt to support the upgrades to the City's aging water and sewer infrastructure.

Figure C
Revenues by Source – Business-type Activities

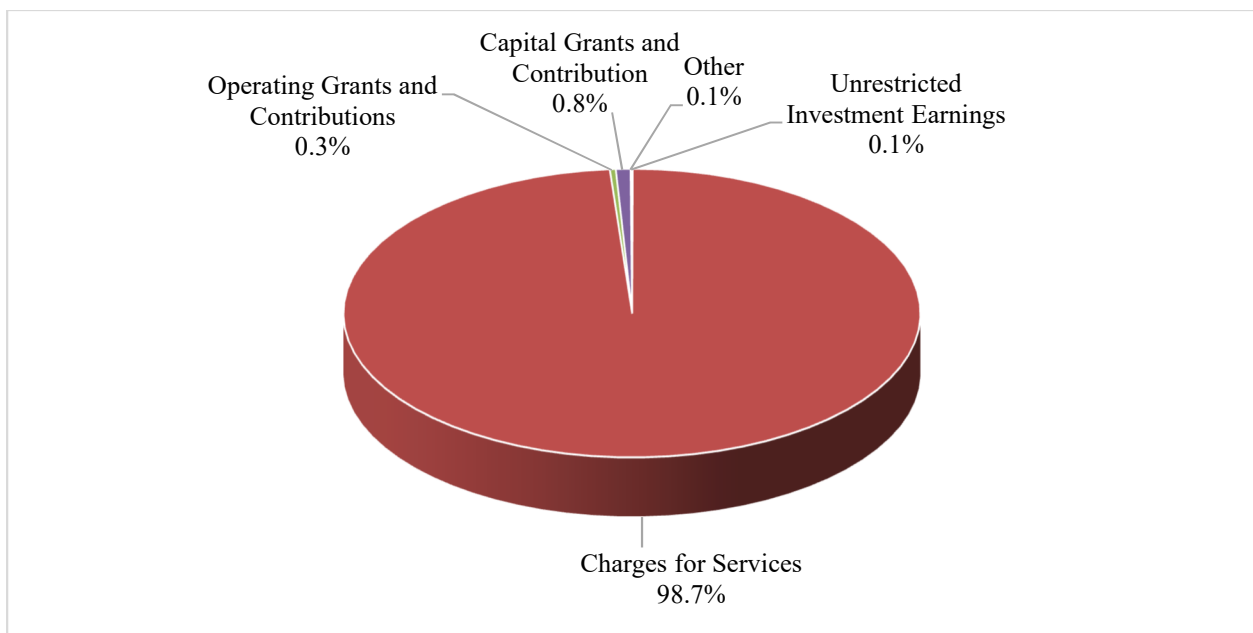
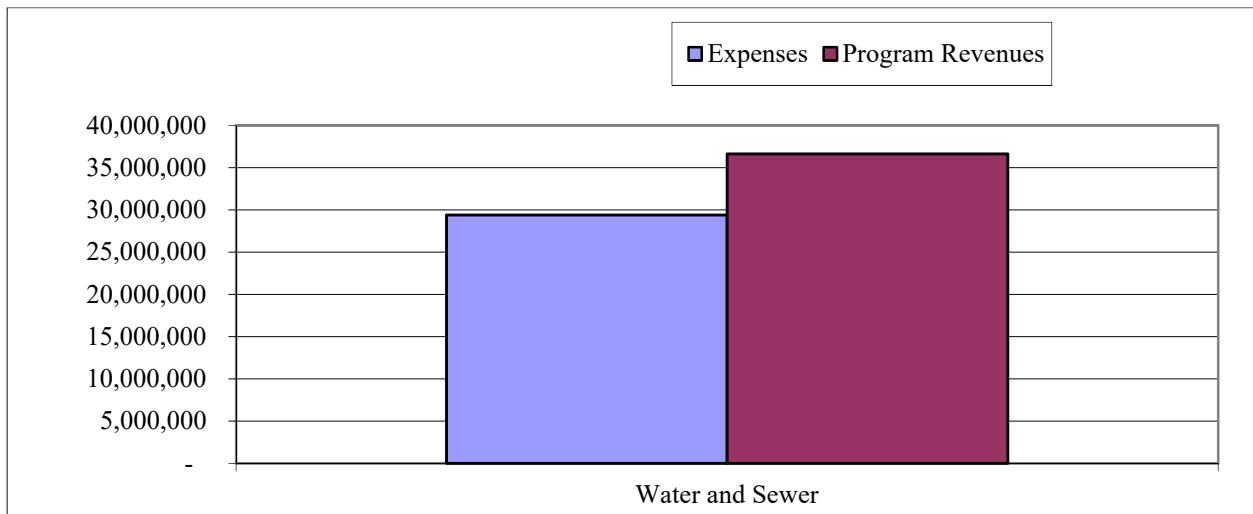


Figure D
Expenses and Program Revenues – Business-type Activities



Government-wide Financial Analysis (Continued)

School Board activities. The net position of the School Board totaled \$100.6 million (Table 1). School Board revenues (Table 2) decreased by \$5.7 million (7.1%), mainly due to a \$10.2 million decrease (24.3%) in the transfer of bond proceeds from the General Fund. Overall, School Board expenses decreased \$0.5 million (0.7%) from the prior year.

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, 2022, the City's governmental funds reported combined fund balances of \$41.3 million, an increase of \$7.5 million in comparison with the prior year. Approximately \$24.9 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, 2022, the unassigned fund balance of the general fund was \$24.9 million, while total fund balance reached \$30.7 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 27.4% (23.5% in the prior year) of total general fund expenditures, the increase is due to higher than anticipated collections in local revenues, including personal property, sales, business license, meals and lodging taxes. Total fund balance represents 33.8% (29.1% in the prior year) of general fund expenditures.

Financial Analysis of the City's Funds (Continued)

Total fund balance in the general fund increased by \$4.6 million during the current fiscal year due to the higher than projected local taxes, such as sales and personal property taxes. Total revenues increased \$5.6 million or 6.0% over the prior year. Real property taxes increased \$1.2 million (3.8%) over the prior year. Personal Property taxes increased \$1.4 million (9.9%), due to an increase in the personal property assessment values. Other local taxes increased by \$4.8 million (14.2%) from the prior year, including sales, meals and hotel taxes. Sales and use taxes increased \$1.3 million (11.9%), hotel taxes increased by \$0.4 million (57.5%) and meals taxes increased \$1.4 million (16.3%) while business license taxes increased \$1.4 million (19.5%) compared to the prior year. In addition, charges for services increased \$0.6 million (72%) from the prior year primarily due to the increase in park and recreation activities and a sanitation fee rate increase. Federal revenue decreased \$3.7 million (80.8%) due to the reduction in CARES funding.

Total expenditures increased \$1.3 million or 1.5% as compared to the prior year, mainly due to increased salaries and inflationary operating increases. General government and Judicial administration expenditures remained comparable to the prior year. Public safety expenditures decreased by \$0.1 million or 0.6% compared to the prior year. Public works expenditures increased by \$0.4 million or 8.7% compared to the prior year. Education increased by \$1.9 million or 6.5% compared to the prior year. Parks, recreation, and culture increased by \$0.4 million or 14.4% compared to the prior year. Community development decreased by \$0.8 million or 33.5% over the prior year due to the reduction in CARES funding for business relief. Debt service payments increased by \$0.2 million (1.9%) due to the scheduled debt repayment.

Capital Improvements Fund. The Capital Improvements Fund has a total fund balance of \$9.5 million, of which the entire amount is either restricted or committed for various projects. Revenue totaled \$5.1 million from intergovernmental revenue. Intergovernmental revenue included \$5.0 million in funding from the state for road improvement projects, and \$0.1 million in federal funding for road improvement projects. Other financing sources included a \$1.5 million transfer from the general fund and \$11.9 million in bond proceeds. Expenditures totaled \$16.9 million, of which the most significant included \$11.2 million for road improvement projects, \$5.0 million for the acquisition of a building, and \$0.5 million for 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, 2022, amounted to \$11.5 million, an increase of \$7.1 million from the prior year, mainly due to an increase in capital assets.

General Fund Budgetary Highlights

City Council revised the City budget three 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 \$4.7 million, mainly due to the City's carry over capital projects and the carry-over of school excess funds for capital improvement from FY 2021.

General Fund Budgetary Highlights (Continued)

Actual revenues were more than final budget amounts by \$3.0 million, and actual expenditures were \$1.5 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 improving economic conditions from the COVID-19 pandemic.
- Revenues from general property taxes were \$1.3 million more than budgeted amounts mainly due to an increase in assessment values for personal property taxes.
- Actual combined general government administration, judicial administration, public works, parks, recreation, and cultural, and community development were \$0.3 million more than budgeted amounts resulting primarily from inflationary costs due to current economic conditions.
- Public Safety expenditures were \$0.2 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed positions.
- Education expenditures were \$1.6 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, 2022, amounts to \$342.6 million net of depreciation, which represents an increase of \$28.0 million, or 8.9% 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 6 to the financial statements.

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

- Hope Drive road improvements totaled \$11.2 million
- Purchase of office building for Social Services for \$5.0 million.
- Jim Barnett Park athletic fields and equipment improvements totaled \$3.0 million.
- Green Circle Trail additions totaled \$1.1 million.
- Sidewalks and curb additions totaled \$1.0 million.
- Replacement of public safety and public works equipment totaled \$1.4 million.
- Water and sewer infrastructure improvements totaled \$10.3 million
- Replacement of water meters totaled \$3.7 million

Capital Assets and Debt Administration (Continued)

Table 3 summarizes the City's capital assets as of June 30, 2021 and 2022.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2022

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 8,663,997	\$ 7,480,583	\$ 1,201,485	\$ 1,201,485	\$ 9,865,482	\$ 8,682,068
Construction in progress	7,732,304	9,728,911	29,045,565	25,555,511	36,777,869	35,284,422
Buildings	35,269,231	31,302,339	-	-	35,269,231	31,302,339
Treatment plants	-	-	39,645,212	40,631,414	39,645,212	40,631,414
Improvements other than buildings	14,466,149	10,239,773	436	891	14,466,585	10,240,664
Infrastructure	45,165,572	35,884,452	104,380,496	96,213,413	149,546,068	132,097,865
Equipment – leases	69,105	121,529	5,779	-	74,884	121,529
Equipment	9,826,463	9,896,653	21,368,768	18,193,334	31,195,231	28,089,987
FWSA purchased capacity	-	-	25,805,373	28,221,071	25,805,373	28,221,071
Total Capital Assets	\$ 121,192,821	\$ 104,654,240	\$221,453,114	\$210,017,119	\$ 342,645,935	\$ 314,971,359

Long-term debt. As shown in Table 4, the City of Winchester had total debt outstanding of \$243.3 million for the fiscal year ended June 30, 2022, an increase of \$2.4 million from the fiscal year ended June 30, 2021. This entire amount is backed by the full faith and credit of the City, with \$149.2 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2022, the City's outstanding general bond obligation increased by \$2.1 million, including the new issuance of \$11.9 million in general obligation bonds and the retirement of \$9.8 million general bond obligations due to the scheduled retirement of principal and bond refunding. The business-type activities obligations payable amount decreased by \$1.6 million. The revenue bonds payable amount increased by \$2.4 million, including the new issuance of \$6.9 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, and a new Maintenance Facility. More detailed information regarding the City's long-term debt can be found in Note 8 to the financial statements.

Table 4
City of Winchester's Outstanding Debt
Fiscal Year ended June 30, 2022

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 94,035,914	\$ 90,544,678	\$ 3,964,086	\$ 5,360,322	\$ 98,000,000	\$ 95,905,000
Revenue Bonds	-	-	113,067,805	110,668,679	113,067,805	110,668,679
Leases	67,894	121,529	5,756	-	73,650	121,529
Obligations payable	-	400,000	32,210,673	33,808,488	32,210,673	34,208,488
Total Outstanding Debt	\$ 94,103,808	\$ 91,066,207	\$ 149,248,320	\$ 149,837,489	\$ 243,352,128	\$ 240,903,696

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 \$349.2 million. As of June 30, 2022, the City of Winchester's total debt applicable to the limitation totaled \$98.0 million, leaving a legal debt margin of \$251.2 million.

Economic Factors and Next Year's Budgets and Rates

- While the COVID-19 outbreak and measures implemented to contain its spread have altered, and continue to alter, business operations and citizens' behavior, City staff will continue to monitor the financial and operating effects of the pandemic and if revenues are not meeting the FY 2023 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 \$12.4 million of funding under the American Rescue Plan Act (ARPA), \$6.2 million in fiscal year 2021 and \$6.2 million in fiscal year 2022. The Common Council has appropriated the funding for a range of purposes including revenue replacement, COVID-19-related facility improvements, water quality and sanitation, digital services improvements and homeowner assistance. Of the total ARPA funding received the City spent approximately \$3.4 million in fiscal year 2022.
- 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 Strategic Plan was adopted by Council on September 28, 2021 and served as the guidebook to develop the FY 2023 budget. The FY 2023 budget is based on the City's five main strategic plan goals: 1) Working Winchester - Encourage economic opportunity for all residents through small business supports and workforce development; 2) Building Winchester - Establish the foundations for a vibrant community by stimulating development of affordable housing, revitalizing catalyst sites, and building smart infrastructure; 3) Strengthening Winchester - Foster a safe, healthy, and diverse community with ample opportunities for recreation and wellness; 4) Moving Winchester - Facilitate the movement of people and goods around the city in all modes with comfortable sidewalks and trails, reliable transit, and safe streets; 5) Supporting Winchester - Support the City's high-performing operations with effective communication, innovation, and sound fiscal policies. City Council and staff embrace the plan and work together to achieve these goals.

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

- The approved \$100,675,000 FY 2023 General Fund budget is \$7.6 million more than the adopted FY 2022 budget. The FY 2023 budget projects a \$6.7 million increase in local tax revenues due to the improving economy trends, including personal property, sales, meals, motel and business license taxes. The FY 2023 budget includes \$1.1 million increase in personnel to support a 4% cost of living adjustment and a 1% to 2% merit increase for City employees; \$0.6 million increase for seven (7) new positions; \$0.8 million increase in equipment replacement and information technology enhancements; \$1.0 million increase in public safety expenses; \$0.9 million increase in debt service payments; and \$1.0 million increase in the contribution to the Winchester Public Schools.
- The FY 2022 budget included an increase in the solid waste fee from the previous 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). These rates increased to \$7.00, \$9.00, and \$11.00, respectively, on July 1, 2022. The new container program has modernized and partially automated our solid waste collection system, enhanced employee safety, and reduced employee injuries.
- The City is not planning to issue any new general obligation debt in FY 2023.
- In order to meet increasingly stringent stormwater regulations primarily related to the cleanup of the Chesapeake Bay, and construct capital improvements that are needed to improve stormwater infrastructure throughout the City, City Council approved a stormwater utility earlier this year. Additional discussions will take place with City Council in early 2023 regarding establishing a rate for the stormwater fee that would be based on the amount of impervious surface area on each property in the City.
- 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 \$75 million of capital improvements have been completed and there are additional improvements that are planned or in progress. The City has also implemented an in-house construction crew that focuses 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.
- For the month of June 2022, the City's unemployment rate was 2.5%, compared to the State's 2.8% and the Federal rate of 3.6%.

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash and cash equivalents	\$ 25,916,781	\$ 12,640,843	\$ 38,557,624	\$ 16,933,267	\$ 820,217
Investments	887,708	432,978	1,320,686	552,497	28,094
Receivables, net:					
Taxes, including penalties	7,082,122	-	7,082,122	-	-
Accounts	2,003,302	4,637,919	6,641,221	94,101	15,988
Promises to give	-	-	-	2,381	-
Leases	1,073,515	-	1,073,515	-	-
Due from other governments	11,671,383	-	11,671,383	3,390,978	-
Internal balances	233,538	(233,538)	-	-	-
Inventories	142,555	155,455	298,010	100,159	-
Cash and cash equivalents - restricted	9,001,397	-	9,001,397	-	-
Investments - restricted	9,326,615	8,147,784	17,474,399	1,124,913	-
Net pension asset	-	-	-	1,386,621	-
Capital assets:					
Nondepreciable	16,396,301	30,247,050	46,643,351	12,052,704	11,685
Depreciable, net	104,796,520	191,206,064	296,002,584	122,611,725	6,879,265
Total assets	<u>188,531,737</u>	<u>247,234,555</u>	<u>435,766,292</u>	<u>158,249,346</u>	<u>7,755,249</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	1,656,515	1,517,433	3,173,948	-	-
Pension related deferred outflows	6,195,058	710,592	6,905,650	10,463,293	65,349
Other postemployment benefit related deferred outflows	4,252,630	280,503	4,533,133	1,067,820	31,983
Total deferred outflows of resources	<u>12,104,203</u>	<u>2,508,528</u>	<u>14,612,731</u>	<u>11,531,113</u>	<u>97,332</u>
LIABILITIES					
Accounts payable and other current liabilities	6,038,435	3,526,884	9,565,319	9,128,097	23,885
Accrued interest	1,141,460	1,386,279	2,527,739	-	58,597
Unearned revenue	8,912,759	-	8,912,759	-	-
Noncurrent liabilities due in more than one year:					
Net pension liability due in more than one year	27,147	3,114	30,261	27,138,040	286
Net other postemployment benefit liability due in more than one year	7,464,569	399,067	7,863,636	6,447,115	44,256
Due within one year	12,051,312	8,429,818	20,481,130	326,379	354,317
Due in more than one year	95,212,395	150,995,913	246,208,308	2,744,095	5,971,982
Total liabilities	<u>130,848,077</u>	<u>164,741,075</u>	<u>295,589,152</u>	<u>45,783,726</u>	<u>6,453,323</u>
DEFERRED INFLOWS OF RESOURCES					
Leases	1,062,170	-	1,062,170	-	-
Deferred charges on refunding	-	-	-	-	77,093
Property taxes collected in advance	1,297,547	-	1,297,547	-	-
Pension related deferred inflows	13,204,458	1,514,592	14,719,050	22,265,791	139,283
Other postemployment benefit related deferred inflows	3,700,904	279,269	3,980,173	1,150,923	31,408
Total deferred inflows of resources	<u>19,265,079</u>	<u>1,793,861</u>	<u>21,058,940</u>	<u>23,416,714</u>	<u>247,784</u>
NET POSITION					
Net investment in capital assets	87,323,524	71,939,919	159,263,443	134,263,208	528,857
Restricted for:					
Net pension asset	-	-	-	1,386,621	-
Unspent bond proceeds	-	-	-	868,518	-
Revenue for public safety programs	213,733	-	213,733	-	-
Unrestricted	(37,014,473)	11,268,228	(25,746,245)	(35,938,328)	622,617
Total net position	<u>\$ 50,522,784</u>	<u>\$ 83,208,147</u>	<u>\$ 133,730,931</u>	<u>\$ 100,580,019</u>	<u>\$ 1,151,474</u>

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, 2022

Exhibit 2

					Net (Expenses) Revenues and Changes in Net Position				
Program Revenues					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	\$ 8,066,864	\$ 189,525	\$ 1,062,598	\$ -	\$ (6,814,741)		\$ (6,814,741)		
Judicial administration	4,593,264	697,127	1,771,221	-	(2,124,916)		(2,124,916)		
Public safety	26,732,161	1,701,058	2,716,819	8,813	(22,305,471)		(22,305,471)		
Public works	13,033,839	2,095,569	9,935,276	1,743,670	740,676		740,676		
Health and welfare	12,651,515	125,250	9,002,695	-	(3,523,570)		(3,523,570)		
Education	31,894,879	-	-	-	(31,894,879)		(31,894,879)		
Parks, recreation, and culture	4,243,367	682,153	156,934	3,002,801	(401,479)		(401,479)		
Community development	2,593,936	589,024	1,339,637	-	(665,275)		(665,275)		
Interest on long-term debt	2,381,752	-	-	-	(2,381,752)		(2,381,752)		
Total governmental activities	106,191,577	6,079,706	25,985,180	4,755,284	(69,371,407)		(69,371,407)		
Business-type activities:									
Water and sewer	29,414,553	36,195,859	120,975	300,400	-	\$ 7,202,681	7,202,681		
Total business-type activities	29,414,553	36,195,859	120,975	300,400	-	7,202,681	7,202,681		
Total primary government	\$ 135,606,130	\$ 42,275,565	\$ 26,106,155	\$ 5,055,684	(69,371,407)	7,202,681	(62,168,726)		
Component units:									
School board	\$ 67,967,043	\$ 1,096,932	\$ 40,817,156	\$ 980,336				\$ (25,072,619)	\$ -
Parking authority	1,171,584	1,451,804	-	-				-	280,220
Total component unit	\$ 69,138,627	\$ 2,548,736	\$ 40,817,156	\$ 980,336				(25,072,619)	280,220
General revenues:									
Taxes:									
Property taxes					49,817,931	-	49,817,931	-	-
Sales taxes					12,129,457	-	12,129,457	-	-
Utility taxes					1,925,536	-	1,925,536	-	-
Business license taxes					8,638,935	-	8,638,935	-	-
Franchise taxes					546,449	-	546,449	-	-
Hotel and meals taxes					11,387,014	-	11,387,014	-	-
Communication taxes					1,526,944	-	1,526,944	-	-
Other local taxes					2,323,744	-	2,323,744	-	-
Miscellaneous					47,670	31,473	79,143	120,613	27,064
Payments from City					-	-	-	31,834,141	-
Grants and contributions not restricted to specific programs					3,161,850	-	3,161,850	-	-
Unrestricted investment earnings					1,212	12,777	13,989	27,965	-
Transfers					1,246,010	(1,246,010)	-	-	-
Total revenues and transfers					92,752,752	(1,201,760)	91,550,992	31,982,719	27,064
Change in net position					23,381,345	6,000,921	29,382,266	6,910,100	307,284
Net position - beginning					27,141,439	77,207,226	104,348,665	93,669,919	844,190
Net position - ending					\$ 50,522,784	\$ 83,208,147	\$ 133,730,931	\$ 100,580,019	\$ 1,151,474

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, 2022

Exhibit 3

	General	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 23,317,840	\$ -	\$ 1,523,076	\$ 24,840,916
Investments	798,690	-	52,168	850,858
Receivables, net:				
Taxes, including penalties	7,082,122	-	-	7,082,122
Accounts	1,602,873	-	389,514	1,992,387
Leases	2,610,011	-	-	2,610,011
Prepays	-	-	-	-
Inventories	4,974	-	-	4,974
Due from other funds	4,328,780	-	-	4,328,780
Due from other governments	4,246,064	5,123,503	2,301,816	11,671,383
Cash and cash equivalents - restricted	-	-	8,707,021	8,707,021
Investments - restricted	-	9,028,379	298,236	9,326,615
Total assets	<u>\$ 43,991,354</u>	<u>\$ 14,151,882</u>	<u>\$ 13,271,831</u>	<u>\$ 71,415,067</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 915,210	\$ 1,200,574	\$ 1,755,021	\$ 3,870,805
Deposits payable	27,692	-	-	27,692
Accrued payroll	1,042,457	-	294,184	1,336,641
Unearned revenue	-	-	8,912,759	8,912,759
Due to other funds	-	3,480,280	848,500	4,328,780
Total liabilities	<u>1,985,359</u>	<u>4,680,854</u>	<u>11,810,464</u>	<u>18,476,677</u>
DEFERRED INFLOWS OF RESOURCES				
Leases	2,593,820	-	-	2,593,820
Property taxes collected in advance	1,297,547	-	-	1,297,547
Unavailable revenue	7,370,625	-	329,353	7,699,978
Total deferred inflows of resources	<u>11,261,992</u>	<u>-</u>	<u>329,353</u>	<u>11,591,345</u>
FUND BALANCES				
Nonspendable	4,974	-	-	4,974
Restricted	213,733	9,028,279	-	9,242,012
Committed	2,288,502	426,435	-	2,714,937
Assigned	3,284,955	16,314	1,132,014	4,433,283
Unassigned	24,951,839	-	-	24,951,839
Total fund balances	<u>30,744,003</u>	<u>9,471,028</u>	<u>1,132,014</u>	<u>41,347,045</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,991,354</u>	<u>\$ 14,151,882</u>	<u>\$ 13,271,831</u>	
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.				121,136,597
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				7,699,978
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.				817,653
Inter-fund lease activity is reported in the funds but eliminated from the Statement of Net Position				(4,846)
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.				1,656,515
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Pension related deferred outflows				6,108,167
Pension related deferred inflows				(13,019,255)
Net pension liability				(26,766)
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				4,212,344
Other postemployment benefit related deferred inflows				(3,661,311)
Net other postemployment benefit liability				(7,408,737)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				
Bonds, leases and obligations payable				(94,103,808)
Issuance premiums				(10,512,459)
Accrued interest				(1,141,460)
Compensated absences				(2,576,873)
Net position of governmental activities				<u>\$ 50,522,784</u>

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, 2022

Exhibit 4

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 48,478,205	\$ -	\$ -	\$ 48,478,205
Other local taxes	38,478,078	-	-	38,478,078
Permits, privilege fees, and regulatory licenses	655,791	-	-	655,791
Fines and forfeitures	81,641	-	-	81,641
Revenues from use of money and property	262,600	27,315	345	290,260
Charges for services	1,474,888	-	1,360,593	2,835,481
Miscellaneous	876,917	-	71,663	948,580
Recovered costs	1,328,664	-	-	1,328,664
Intergovernmental:				
Frederick County	-	-	567,063	567,063
Commonwealth	6,877,092	4,963,917	8,350,167	20,191,176
Federal	872,685	111,857	8,683,021	9,667,563
Total revenues	<u>99,386,561</u>	<u>5,103,089</u>	<u>19,032,852</u>	<u>123,522,502</u>
EXPENDITURES				
Current:				
General government administration	7,137,271	-	714,750	7,852,021
Judicial administration	4,338,124	-	113,530	4,451,654
Public safety	23,671,886	-	2,185,397	25,857,283
Public works	5,390,317	-	5,002,169	10,392,486
Health and welfare	843,412	-	11,969,720	12,813,132
Education	31,894,879	-	-	31,894,879
Parks, recreation, and culture	3,585,733	-	156,934	3,742,667
Community development	1,700,174	-	926,710	2,626,884
Capital outlay	607,775	16,715,511	1,258,752	18,582,038
Debt service:				
Principal retirement	8,918,321	-	36,588	8,954,909
Interest and fiscal charges	2,973,173	-	13,892	2,987,065
Bond issuance costs	-	232,681	-	232,681
Total expenditures	<u>91,061,065</u>	<u>16,948,192</u>	<u>22,378,442</u>	<u>130,387,699</u>
Excess (deficiency) of revenues over expenditures	<u>8,325,496</u>	<u>(11,845,103)</u>	<u>(3,345,590)</u>	<u>(6,865,197)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	5,218	-	-	5,218
Insurance recoveries	47,670	-	-	47,670
Issuance of bonds	-	11,960,000	-	11,960,000
Proceeds from premium on bond issuance	-	1,083,235	-	1,083,235
Transfers in	1,246,010	1,491,000	3,522,980	6,259,990
Transfers out	(4,973,980)	-	(40,000)	(5,013,980)
Total other financing sources (uses)	<u>(3,675,082)</u>	<u>14,534,235</u>	<u>3,482,980</u>	<u>14,342,133</u>
Net change in fund balances	4,650,414	2,689,132	137,390	7,476,936
Fund balance - beginning	<u>26,093,589</u>	<u>6,781,896</u>	<u>994,624</u>	<u>33,870,109</u>
Fund balance - ending	<u>\$ 30,744,003</u>	<u>\$ 9,471,028</u>	<u>\$ 1,132,014</u>	<u>\$ 41,347,045</u>

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, 2022**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 7,476,936
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 or lease terms and reported as depreciation or amortization expense. This is the amount by which capital outlays, \$18,582,045, exceeded depreciation and amortization, \$5,453,037, in the current period.	13,129,008
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	3,444,964
In the Statement of Activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.	(25,389)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,362,915
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	\$ 2,247,466
Pension expense	<u>(779,992)</u>
	1,467,474
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	264,625
Other postemployment benefit expense	<u>(463,548)</u>
	(198,923)
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	8,922,399
Issuance of bonds	(11,960,000)
Proceeds from premium on bond issuance	(1,083,235)
Amortization of issuance premium	1,235,595
Amortization of deferred charge on refunding	(605,073)
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	175,806
Accrued interest	(38,992)
Inter-fund lease activity is eliminated from the Statement of Activities	(4,846)
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 activities in the Statement of Activities.	
Net revenue (expense) of internal service funds	96,986
Allocation of net revenue (expense) to business-type activities	<u>(14,280)</u>
Change in net position of governmental activities	<u>\$ 23,381,345</u>

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, 2022

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General property taxes	\$ 46,746,900	\$ 47,191,900	\$ 48,478,205	\$ 1,286,305
Other local taxes	32,256,600	36,734,154	38,478,078	1,743,924
Permits, privilege fees, and regulatory licenses	441,200	441,200	655,791	214,591
Fines and forfeitures	125,000	125,000	81,641	(43,359)
Revenues from use of money and property	257,000	257,000	262,600	5,600
Charges for services	1,629,900	1,629,900	1,474,888	(155,012)
Miscellaneous	954,300	883,800	876,917	(6,883)
Recovered costs	883,600	1,204,090	1,328,664	124,574
Intergovernmental:				
Commonwealth	6,603,750	6,632,011	6,877,092	245,081
Federal	1,059,550	1,259,550	872,685	(386,865)
Total revenues	90,957,800	96,358,605	99,386,561	3,027,956
EXPENDITURES				
Current:				
General government administration:				
Legislative	267,200	267,200	261,625	5,575
General and financial administration	6,471,773	6,501,773	6,696,109	(194,336)
Board of elections	278,700	297,700	297,537	163
Total general government administration	7,017,673	7,066,673	7,255,271	(188,598)
Judicial administration:				
Courts	2,774,275	2,779,625	2,755,314	24,311
Commonwealth attorney	1,617,700	1,625,400	1,617,515	7,885
Total judicial administration	4,391,975	4,405,025	4,372,829	32,196
Public safety:				
Law enforcement and traffic control	8,561,700	8,732,100	8,732,084	16
Fire and rescue services	6,848,605	7,136,155	7,014,541	121,614
Correction and detention	5,564,437	5,534,437	5,495,433	39,004
Inspections	572,700	572,700	563,073	9,627
Other protection	2,916,600	2,309,300	2,275,990	33,310
Total public safety	24,464,042	24,284,692	24,081,121	203,571
Public Works:				
Maintenance of highways, streets, bridges				
and sidewalks	425,400	485,000	465,508	19,492
Sanitation and waste removal	2,091,600	2,484,261	2,472,438	11,823
Maintenance of buildings and grounds	2,537,800	2,582,100	2,587,750	(5,650)
Total public works	5,054,800	5,551,361	5,525,696	25,665
Health and welfare:				
Health	349,802	349,802	349,802	-
Chapter X board	251,219	251,219	251,219	-
Welfare/Social Services	225,000	242,400	242,391	9
Total health and welfare	826,021	843,421	843,412	9
Education:				
Contributions to community college	60,738	60,738	60,738	-
Contributions to School Board	31,039,102	33,443,203	31,834,141	1,609,062
Total education	31,099,840	33,503,941	31,894,879	1,609,062
Parks, recreation, and cultural:				
Parks and recreation	2,790,800	2,903,300	3,068,148	(164,848)
Contribution to Regional Library	428,041	428,041	428,041	-
Total parks, recreation, and cultural	3,218,841	3,331,341	3,496,189	(164,848)

(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, 2022

Exhibit 6 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
EXPENDITURES (continued)				
Current: (continued)				
Community development:				
Planning and community development	\$ 1,741,368	\$ 1,722,168	\$ 1,700,174	\$ 21,994
Total community development	1,741,368	1,722,168	1,700,174	21,994
Debt service:				
Principal retirement	8,741,700	8,868,900	8,918,321	(49,421)
Interest and fiscal charges	2,881,200	2,973,200	2,973,173	27
Total debt service	11,622,900	11,842,100	11,891,494	(49,394)
Total expenditures	89,437,460	92,550,722	91,061,065	1,489,657
Excess of revenues over expenditures	1,520,340	3,807,883	8,325,496	4,517,613
OTHER FINANCING SOURCES (USES)				
Sale of property	-	5,300	5,218	(82)
Insurance recoveries	-	48,000	47,670	(330)
Transfers in	1,500,000	1,246,010	1,246,010	-
Transfers out	(3,537,540)	(5,107,193)	(4,973,980)	133,213
Appropriation of fund balance	517,200	-	-	-
Total other financing sources (uses)	(1,520,340)	(3,807,883)	(3,675,082)	132,801
Net change in fund balances	\$ -	\$ -	\$ 4,650,414	\$ 4,650,414

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

Exhibit 7

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	12,640,843	\$ 1,075,865
Investments	432,978	36,850
Accounts receivable, net	4,637,919	10,915
Inventories	155,455	137,581
Cash and cash equivalents - restricted	-	294,376
Investments - restricted	8,147,784	-
Total current assets	<u>26,014,979</u>	<u>1,555,587</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	30,247,050	-
Depreciable, net	191,206,064	56,224
Total capital assets, net	<u>221,453,114</u>	<u>56,224</u>
Total noncurrent assets	<u>221,453,114</u>	<u>56,224</u>
Total assets	<u>247,468,093</u>	<u>1,611,811</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,517,433	-
Pension related deferred outflows	710,592	86,891
Other postemployment benefit related deferred outflows	280,503	40,286
Total deferred outflows of resources	<u>2,508,528</u>	<u>127,177</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,764,650	755,102
Customer deposits	558,632	-
Accrued payroll	203,602	48,195
Accrued interest	1,386,279	-
Compensated absences - current	114,276	32,606
Bonds payable and other obligations - current	8,315,542	-
Total current liabilities	<u>13,342,981</u>	<u>835,903</u>
Noncurrent liabilities:		
Compensated absences	133,043	37,961
Net pension liability	3,114	381
Net other postemployment benefit liability	399,067	55,832
Bonds payable and other obligations	150,862,870	-
Total noncurrent liabilities	<u>151,398,094</u>	<u>94,174</u>
Total liabilities	<u>164,741,075</u>	<u>930,077</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	1,514,592	185,203
Other postemployment benefit related deferred inflows	279,269	39,593
Total deferred inflows of resources	<u>1,793,861</u>	<u>224,796</u>
NET POSITION		
Net investment in capital assets	71,939,919	56,224
Unrestricted	11,501,766	527,891
Total net position	<u>83,441,685</u>	<u>\$ 584,115</u>
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.	<u>(233,538)</u>	
Net position of business-type activities	<u>\$ 83,208,147</u>	

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, 2022

Exhibit 8

	Business-type Activities- Enterprise Funds	Governmental Activities
	Major Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 29,837,783	\$ 3,164,363
Miscellaneous	31,473	-
Recovered costs	6,358,076	-
Total operating revenues	<u>36,227,332</u>	<u>3,164,363</u>
OPERATING EXPENSES		
Personal services	5,776,232	907,493
Contractual services	6,801,112	299,945
Other supplies and expenses	5,335,884	1,260,394
Insurance claims and expenses	-	589,569
Depreciation	6,566,696	10,001
Total operating expenses	<u>24,479,924</u>	<u>3,067,402</u>
Operating income	<u>11,747,408</u>	<u>96,961</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental:		
Federal	120,975	-
Investment earnings	12,777	25
Interest and fiscal charges	(4,938,520)	-
Loss on disposal of capital assets	(10,389)	-
Total nonoperating revenues (expenses)	<u>(4,815,157)</u>	<u>25</u>
Income (loss) before contributions and transfers	<u>6,932,251</u>	<u>96,986</u>
CAPITAL CONTRIBUTIONS	300,400	-
TRANSFERS OUT	<u>(1,246,010)</u>	<u>-</u>
Change in net position	5,986,641	96,986
Total net position - beginning	<u>77,455,044</u>	<u>487,129</u>
Total net position - ending	<u>\$ 83,441,685</u>	<u>\$ 584,115</u>
Change in net position	\$ 5,986,641	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>14,280</u>	
Change in net position of business-type activities	<u>\$ 6,000,921</u>	

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, 2022

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	\$ 29,319,622	\$ -
Cash received from internal services provided	-	3,157,782
Cash paid to suppliers	(14,270,421)	(1,674,380)
Cash received from internal services reimbursements	(355,634)	-
Cash paid to employees	(5,563,732)	(844,278)
Premiums paid	-	(16,184)
Recovered costs and other receipts	6,396,175	688
Net cash provided by operating activities	<u>15,526,010</u>	<u>623,628</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from federal grants	120,975	-
Transfer to other funds	(1,246,010)	-
Net cash used in noncapital financing activities	<u>(1,125,035)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(17,760,772)	-
Principal paid on capital debt	(7,580,440)	-
Interest paid on capital debt	(5,655,153)	-
Proceeds from debt issuances	7,487,689	-
Proceeds from sale of capital assets	54,363	-
Net cash used in capital and related financing activities	<u>(23,454,313)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchases) of investments, net	13,366,700	(9,891)
Investment income	12,777	25
Net cash provided by (used in) investing activities	<u>13,379,477</u>	<u>(9,866)</u>
Net increase in cash and cash equivalents	4,326,139	613,762
Cash and cash equivalents - beginning of year	<u>8,314,704</u>	<u>756,479</u>
Cash and cash equivalents - end of year	<u><u>\$ 12,640,843</u></u>	<u><u>\$ 1,370,241</u></u>
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:		
Cash and cash equivalents	\$ 12,640,843	\$ 1,075,865
Restricted cash	-	294,376
Total	<u><u>\$ 12,640,843</u></u>	<u><u>\$ 1,370,241</u></u>

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, 2022

Exhibit 9 (Continued)

	Busines-type Activities- Enterprise Funds	Governmental Activities
	Major	
	Water and Sewer Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 11,747,408	\$ 96,961
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,566,696	10,001
Pension expense, net of employer contributions	2,221	(5,126)
Other postemployment benefit expense, net of employer contributions	39,488	1,778
(Increase) decrease in:		
Accounts receivable	(518,593)	(6,581)
Prepays	-	505,885
Due from other governments	6,626	688
Inventories	(19,991)	(20,708)
Increase (decrease) in:		
Accounts payable	(2,368,300)	(25,833)
Customer deposits	432	30,546
Accrued payroll	42,727	36,017
Compensated absences	27,296	-
Total adjustments	3,778,602	526,667
Net cash provided by operating activities	\$ 15,526,010	\$ 623,628
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions of water and sewer lines from developers	\$ 300,400	\$ -

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, 2022

Exhibit 10

	Other Postemployment Benefits Trust Fund	Total Custodial Funds
ASSETS		
Cash and cash equivalents - restricted	\$ -	\$ 1,773,369
Investments:		
Money markets	381,466	1,408,407
Domestic equity securities	1,892,474	-
Domestic fixed income securities	1,881,032	-
International equity securities	1,383,681	-
Total investments	<u>5,538,653</u>	<u>1,408,407</u>
Accounts receivable	-	29,509
Total assets	<u>\$ 5,538,653</u>	<u>\$ 3,211,285</u>
LIABILITIES		
Accounts payable	\$ -	\$ 7,769
Accrued payroll	-	95,939
Total liabilities	<u>\$ -</u>	<u>\$ 103,708</u>
NET POSITION		
Restricted for postemployment benefits other than pensions	\$ 5,538,653	\$ -
Restricted for individuals, organizations, and other governments	-	3,107,577
Total net position	<u>\$ 5,538,653</u>	<u>\$ 3,107,577</u>

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, 2022

Exhibit 11

	Other Postemployment Benefits Trust Fund	Custodial Funds
ADDITIONS		
Member contributions	\$ -	\$ 25,702
Payments collected from other local governments	-	3,313,697
Payments collected from Federal government	-	261,253
Grant proceeds	-	857,527
Miscellaneous	-	68,845
Investment income:		
Net decrease in fair value of investments	(977,004)	-
Interest and dividends	116,487	1,028
Less investment related expenses	(13,290)	-
Net investment income	(873,807)	1,028
Total additions	<u>\$ (873,807)</u>	<u>\$ 4,528,052</u>
DEDUCTIONS		
Payments made to welfare recipients	\$ -	\$ 29,217
Bond principal payments	-	850,000
Bond interest payments	-	383,925
Payroll	-	2,723,134
Administrative	-	391,058
Total deductions	<u>\$ -</u>	<u>\$ 4,377,334</u>
Increase (decrease) in fiduciary net position	(873,807)	150,718
Total net position - beginning	<u>6,412,460</u>	<u>2,956,859</u>
Total net position - ending	<u>\$ 5,538,653</u>	<u>\$ 3,107,577</u>

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

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 8. 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 2022, the City provided total support of \$123,561. Separate financial statements for this joint venture may be obtained at the entity’s administrative offices at 491 Airport Road, Winchester, Virginia 22602.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 2022, the City provided total support of \$470,635. 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 2022, the City provided total support of \$4,900,166. 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 \$428,041 to the Board for operating support for 2022. 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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022 consisted of the following:

General Fund (property taxes, penalties, and interest)	\$ 1,615,166
Emergency Medical Service Fund	320,970
Water and Sewer Fund	639,145
	<hr/>
	\$ 2,575,281

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, lease 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. Lease assets are recorded based on the present value of payments expected to be made during the lease term.

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.

Property, plant, and equipment, is depreciated using the straight line method over the following estimated useful lives:

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

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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)

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset. In leases where a purchase option is reasonably certain of being exercised the asset is amortized over the useful life, unless the underlying asset is nondepreciable, in which the leased asset is not amortized.

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)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 assets 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 assets 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)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.
- Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 \$4,682,915.

The City spent funds in excess of budgeted amounts in two 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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 3. Deposits and Investments (Continued)

Investments

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

<u>Type</u>	<u>Fair Value</u>	<u>S & P Credit Rating</u>	<u>Weighted Average Maturity*</u>
Investments – Level 1:			
U.S. Treasury notes	\$ 1,347,692	N/A	1.00
Mutual funds – equity	598,765	N/A	N/A
Mutual fund – fixed income	709,256	Unavailable	N/A
Investments – Level 2:			
Mutual funds – equity	2,837,729	Unavailable	N/A
Mutual funds – fixed income	2,743,238	Unavailable	3.34
Negotiable certificates of deposit	947,186	N/A	0.67
Money market	381,466	N/A	N/A
Investments reported at amortized cost:			
LGIP	339,755	AAAm	0.28
SNAP	17,995,712	AAAm	0.17
Total investments	<u>27,900,799</u>		
Cash and cash equivalents	67,208,290		
Nonnegotiable certificates of deposit	<u>51,929</u>		
Total deposits	<u>67,260,219</u>		
Total deposits and investments	<u>\$ 95,161,018</u>		

* - Average Maturity in Years

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

	<u>Component Units</u>			
	<u>Primary Government</u>	<u>School Board</u>	<u>Winchester Parking Authority</u>	<u>Total</u>
Statement of Net Position:				
Cash and cash equivalents	\$ 38,557,624	\$ 16,933,267	\$ 820,217	\$ 56,311,108
Investments	1,320,686	552,497	28,094	1,901,277
Cash and cash equivalents - restricted	9,001,397	-	-	9,001,397
Investments - restricted	17,474,399	1,124,913	-	18,599,312
Fiduciary:				
Cash and cash equivalents - restricted	1,773,369	122,416	-	1,895,785
Investments	5,538,653	-	-	5,538,653
Investments – restricted	<u>1,408,407</u>	<u>505,079</u>	<u>-</u>	<u>1,913,486</u>
Total	<u>\$ 75,074,535</u>	<u>\$ 19,238,172</u>	<u>\$ 848,311</u>	<u>\$ 95,161,018</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 4.90% 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 6.88% and 6.43% 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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 17,995,712
Unspent capitalized interest restricted for capital projects	305,364
Flexible spending accounts held for benefit of employees	294,376
Unspent Federal funding	9,005,257
Unspent funds held for benefit of outside parties	3,809,271

Note 4. Due from Other Governments

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

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Federal and Commonwealth of Virginia:		
State sales tax	\$ -	\$ 1,011,273
Title V-B	-	175,595
Title I	-	264,529
School lunch and breakfast	-	81,683
METRICS/TSL education grant	-	653,315
Elementary and Secondary School Emergency Relief	-	1,204,583
Local sales tax	2,068,056	-
Transit grants	931,874	-
Highway construction funds	5,123,503	-
Welfare grants	1,165,003	-
Communication tax	244,252	-
Other federal and state funds	485,440	-
Total due from federal and state sources	<u>10,018,128</u>	<u>3,390,978</u>
Frederick County:		
Joint Judicial Center – debt service	1,182,898	-
Joint Judicial Center – operating expenses	169,941	-
Tourism	147,063	-
Other receivables	139,727	-
Other local receivables	<u>13,626</u>	<u>-</u>
Total due from other governments	<u><u>\$ 11,671,383</u></u>	<u><u>\$ 3,390,978</u></u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5. 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	\$ 848,500
Capital improvements fund	3,480,280
	<u>\$ 4,328,780</u>

Component Unit – School Board

Due to school operating fund from:

Federal grants fund	<u>\$ 4,206,696</u>
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Due to school capital improvement fund from:

Construction fund	<u>\$ 2,000</u>
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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	<u>\$ 1,246,010</u>
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Transfers to capital improvements fund from:

General fund	\$ 1,451,000
Non-major governmental funds	40,000
	<u>\$ 1,491,000</u>

Transfers to non-major governmental funds from:

General fund	<u>\$ 3,522,980</u>
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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)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 6. 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	\$ 1,208,414	\$ (25,000)	\$ 8,663,997
Construction in progress	9,728,911	10,294,515	(12,291,122)	7,732,304
Total capital assets not being depreciated	<u>17,209,494</u>	<u>11,502,929</u>	<u>(12,316,122)</u>	<u>16,396,301</u>
Capital assets, being depreciated/ amortized:				
Buildings	46,500,558	5,374,202	(401,374)	51,473,386
Improvements other than buildings	17,420,314	5,038,388	(82,935)	22,375,767
Infrastructure	74,879,433	10,989,507	-	85,868,940
Equipment - leases	121,529	-	-	121,529
Equipment	25,084,963	1,923,761	(374,239)	26,634,485
Total capital assets being depreciated/amortized	<u>164,006,797</u>	<u>23,325,858</u>	<u>(858,548)</u>	<u>186,474,107</u>
Less accumulated depreciation/ amortization for:				
Buildings	(15,198,219)	(1,363,341)	357,404	(16,204,156)
Improvements other than buildings	(7,180,541)	(756,872)	27,796	(7,909,617)
Infrastructure	(38,994,981)	(1,708,387)	-	(40,703,368)
Equipment - leases	-	(52,424)	-	(52,424)
Equipment	(15,188,310)	(1,968,562)	348,850	(16,808,022)
Total accumulated depreciation/ amortization	<u>(76,562,051)</u>	<u>(5,849,586)</u>	<u>734,050</u>	<u>(81,677,587)</u>
Total capital assets being depreciated/amortized, net	<u>87,444,746</u>	<u>17,476,272</u>	<u>(124,498)</u>	<u>104,796,520</u>
Governmental activities capital assets, net	<u>\$ 104,654,240</u>	<u>\$ 28,979,201</u>	<u>\$ (12,440,620)</u>	<u>\$ 121,192,821</u>

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, *Leases*.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 6. Capital Assets (Continued)

Primary Government (Continued)

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

Governmental activities:	
General government	\$ 421,954
Judicial administration	280,289
Public safety	1,419,602
Public works	2,729,617
Health and welfare	18,876
Parks, recreation, and cultural	588,897
Community development	<u>5,151</u>
 Total depreciation and amortization expense	
– governmental activities	<u>\$ 5,464,386</u>

Increases include depreciation expense, amortization expense and transfers in from other funds.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 6. 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	25,555,511	17,237,712	(13,747,658)	29,045,565
Total capital assets not being depreciated	<u>26,756,996</u>	<u>17,237,712</u>	<u>(13,747,658)</u>	<u>30,247,050</u>
Capital assets, being depreciated/ amortized:				
Treatment plants	51,212,990	-	-	51,212,990
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	134,098,044	10,289,746	(130,131)	144,257,659
Equipment	21,916,974	4,281,373	(26,955)	26,171,392
Equipment - leases	-	6,271	-	6,271
FWSA purchased capacity	52,496,047	-	-	52,496,047
Total capital assets being depreciated/ amortized	<u>259,842,892</u>	<u>14,577,390</u>	<u>(157,086)</u>	<u>274,263,196</u>
Less accumulated depreciation/ amortization for:				
Treatment plants	(10,581,576)	(986,202)	-	(11,567,778)
Improvements other than buildings	(117,946)	(455)	-	(118,401)
Infrastructure	(37,884,631)	(2,068,300)	75,768	(39,877,163)
Equipment	(3,723,640)	(1,095,549)	16,565	(4,802,624)
Equipment - leases	-	(492)	-	(492)
FWSA purchased capacity	(24,274,976)	(2,415,698)	-	(26,690,674)
Total accumulated depreciation/ amortization	<u>(76,582,769)</u>	<u>(6,566,696)</u>	<u>92,333</u>	<u>(83,057,132)</u>
Total capital assets being depreciated/amortized, net	<u>183,260,123</u>	<u>8,010,694</u>	<u>(64,753)</u>	<u>191,206,064</u>
Business-type activities capital assets, net	<u>\$ 210,017,119</u>	<u>\$ 25,248,406</u>	<u>\$ (13,812,411)</u>	<u>\$ 221,453,114</u>

Increases include depreciation expense, amortization expense and transfers in from other funds.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 6. 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:

	<u>Total Contracts</u>	<u>Total Payments</u>	<u>Future Amounts to be Expended</u>
Primary Government			
Valley Avenue Drainage and Sidewalks	\$ 8,994,982	\$ 7,289,750	\$ 1,705,142
Utilities			
City Yards Maintenance Facility	\$ 13,475,225	\$ 11,583,564	\$ 1,891,661
Sewer Pump Station Replacements	2,491,000	2,014,906	473,094
Central Downtown Infrastructure Improvements	16,642,325	6,152,047	10,490,278
Total Utilities	<u>\$ 32,608,550</u>	<u>\$ 19,750,517</u>	<u>\$ 12,858,033</u>
School Board			
Douglas Community Learning Center	<u>\$ 13,340,228</u>	<u>\$ 6,972,998</u>	<u>\$ 6,367,230</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 6. 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	\$ -	\$ (25,000)	\$ 3,733,028
Construction in progress	17,317,124	8,207,375	(17,204,823)	8,319,676
Total capital assets not being depreciated	<u>21,075,152</u>	<u>8,207,375</u>	<u>(17,229,823)</u>	<u>12,052,704</u>
Capital assets, being depreciated/ amortized:				
Buildings	148,702,951	16,125,078	(401,374)	164,426,655
Buildings - leases	85,929	-	-	85,929
Improvements other than buildings	6,138,264	902,486	(105,596)	6,935,154
Equipment	9,473,547	1,353,006	(59,070)	10,767,483
Equipment – leases	374,939	231,481	-	606,420
Total capital assets being depreciated/ amortization	<u>164,775,630</u>	<u>18,612,051</u>	<u>(566,040)</u>	<u>182,821,641</u>
Less accumulated depreciation/ amortization for:				
Buildings	(46,265,133)	(3,184,971)	356,019	(49,094,085)
Buildings – leases	-	(79,319)	-	(79,319)
Improvements other than buildings	(3,239,105)	(263,637)	46,942	(3,455,800)
Equipment	(6,871,871)	(560,250)	59,070	(7,373,051)
Equipment – leases	-	(207,661)	-	(207,661)
Total accumulated depreciation/ amortization	<u>(56,376,109)</u>	<u>(4,295,838)</u>	<u>462,031</u>	<u>(60,209,916)</u>
Total capital assets being depreciated/amortized, net	<u>108,399,521</u>	<u>14,316,213</u>	<u>(104,009)</u>	<u>122,611,725</u>
School board capital assets, net	<u>\$ 129,474,673</u>	<u>\$ 22,523,588</u>	<u>\$ (17,333,832)</u>	<u>\$ 134,664,429</u>

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, *Leases*.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 6. Capital Assets (Continued)

Component Unit – Parking Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Total capital assets not being depreciated	<u>11,685</u>	<u>-</u>	<u>-</u>	<u>11,685</u>
Capital assets, being depreciated:				
Buildings	9,751,399	-	-	9,751,399
Improvements other than buildings	56,179	-	-	56,179
Equipment	738,787	80,893	(49,238)	770,442
Total capital assets being depreciated	<u>10,546,365</u>	<u>80,893</u>	<u>(49,238)</u>	<u>10,578,020</u>
Less accumulated depreciation for:				
Buildings	(3,229,447)	(194,849)	-	(3,424,296)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	(155,593)	(111,925)	49,238	(218,280)
Total accumulated depreciation	<u>(3,441,219)</u>	<u>(306,774)</u>	<u>49,238</u>	<u>(3,698,755)</u>
Total capital assets being depreciated, net	<u>7,105,146</u>	<u>(225,881)</u>	<u>-</u>	<u>6,879,265</u>
Parking Authority capital assets, net	<u>\$ 7,116,831</u>	<u>\$ (225,881)</u>	<u>\$ -</u>	<u>\$ 6,890,950</u>

Increases include depreciation expense, amortization expense and transfers in from other funds.

Depreciation and amortization 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	<u>\$ 4,295,838</u>
Business-type activities:	
Parking Authority	<u>\$ 306,774</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 7. Unavailable Revenue

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Property taxes not collected within 45 days after year-end	\$ 6,187,727	\$ -
Uncollected joint judicial commission debt service billings	1,182,898	-
EMS billings not collected within 45 days after year-end	<u>-</u>	<u>329,353</u>
Total general fund unavailable revenue	<u><u>\$ 7,370,625</u></u>	<u><u>\$ 329,353</u></u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. 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:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 90,544,678	\$ 11,960,000	\$ (8,468,764)	\$ 94,035,914	\$ 9,553,957
HUD obligation	400,000	-	(400,000)	-	-
Leases	121,529	-	(53,635)	67,894	38,482
Unamortized bond premium	10,664,819	1,083,235	(1,235,595)	10,512,459	1,235,600
Compensated absences	2,787,229	1,188,610	(1,328,399)	2,647,440	1,223,273
Governmental activities long-term liabilities	<u>\$ 104,518,255</u>	<u>\$ 14,231,845</u>	<u>\$ (11,486,393)</u>	<u>\$ 107,263,707</u>	<u>\$ 12,051,312</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities:					
General obligation bonds	\$ 5,360,322	\$ -	\$ (1,396,236)	\$ 3,964,086	\$ 1,036,042
Revenue bonds	110,668,679	6,985,000	(4,585,874)	113,067,805	4,812,123
Obligations payable FWSA	33,808,488	-	(1,597,815)	32,210,673	1,657,668
Leases	-	6,271	(515)	5,756	1,535
Unamortized bond premium	10,300,789	502,689	(873,386)	9,930,092	808,174
Compensated absences	220,023	132,159	(104,863)	247,319	114,276
Business-type activities long-term liabilities	<u>\$ 160,358,301</u>	<u>\$ 7,626,119</u>	<u>\$ (8,558,689)</u>	<u>\$ 159,425,731</u>	<u>\$ 8,429,818</u>

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, *Leases*.

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, \$70,567 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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness</u>		
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	\$ 4,008,819	\$ 726,181
\$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	2,263,560	356,440
\$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	1,165,000	-
\$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	2,885,000	-
\$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	14,035,000	-

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
\$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.	\$ 9,940,000	\$ -
\$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.	14,150,000	-
\$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
\$6,825,000 General Obligation Bonds, Series 2021B, issued November 9, 2021, maturing annually beginning August 1, 2022 through August 1, 2041, interest payable semi-annually at rate of 3.00-5.00%. Purpose: General Capital Projects.	6,825,000	-
\$5,135,000 General Obligation Bonds, Series 2021C, issued November 9, 2021, maturing annually beginning August 1, 2022 through August 1, 2041, interest payable semi-annually at rate of 1.05-2.625%. Purpose: General Capital Projects.	<u>5,135,000</u>	<u>-</u>
Total General Obligation Bonds	<u>\$ 94,035,914</u>	<u>\$ 3,964,086</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
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	\$ -	\$ 6,290,000
\$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	-	1,172,805
\$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	-	11,610,000
\$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	-	12,975,000
\$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	-	35,345,000

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
Revenue Bonds (Continued):		
\$6,555,000 Virginia Resources Authority Revenue Bond, Series 2019, issued November 20, 2019, maturing annually beginning October 1, 2022 through October 1, 2030, interest payable semi-annually at a rate of 5.125%. Purpose: Utilities capital projects and refunding of outstanding bonds	-	6,035,000
\$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
\$6,985,000 Virginia Resources Authority Revenue Bond, Series 2022A, issued May 2022, maturing annually beginning October 1, 2023 through October 1, 2042, interest payable semi-annually at rates of 4.323-5.125%. Purpose: Utilities capital projects	-	6,985,000
Total Revenue Bonds	<u>\$ -</u>	<u>\$ 113,067,805</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
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**	\$ -	\$ 9,120,673
\$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**	-	23,090,000
Total Obligations Payable	<u>\$ -</u>	<u>\$ 32,210,673</u>

**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%.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. 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		Leases	
	Principal	Interest	Principal	Interest
2023	\$ 9,553,957	\$ 2,895,690	\$ 38,482	\$ 347
2024	9,813,415	2,617,127	17,745	172
2025	9,405,442	2,428,727	9,391	65
2026	8,342,975	2,222,504	2,276	10
2027	5,605,125	2,011,380	-	-
2028-2032	21,865,000	7,088,966	-	-
2033-2037	18,915,000	2,748,456	-	-
2038-2042	10,535,000	608,709	-	-
2043-2047	-	-	-	-
2048-2052	-	-	-	-
	<u>\$ 94,035,914</u>	<u>\$ 22,621,559</u>	<u>\$ 67,894</u>	<u>\$ 594</u>

Business-type Activities						
	General Obligation Bonds		Revenue Bonds		Obligations Payable FWSA	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,036,042	\$ 38,987	\$ 4,812,123	\$ 4,443,304	\$ 1,657,668	\$ 938,715
2024	971,587	17,511	5,253,396	4,209,471	1,716,083	876,544
2025	874,557	11,847	6,229,708	3,917,615	1,782,535	811,207
2026	772,025	6,379	6,546,059	3,589,896	1,850,500	740,351
2027	309,875	1,549	6,872,451	3,242,851	1,910,396	681,760
2028-2032	-	-	31,784,656	11,334,149	9,836,366	2,662,861
2033-2037	-	-	20,466,340	6,145,858	9,330,840	1,332,528
2038-2042	-	-	16,944,718	2,691,253	4,126,285	129,031
2043-2047	-	-	7,788,354	1,112,919	-	-
2048-2052	-	-	6,370,000	284,169	-	-
	<u>\$ 3,964,086</u>	<u>\$ 76,273</u>	<u>\$ 113,067,805</u>	<u>\$ 40,971,485</u>	<u>\$ 32,210,673</u>	<u>\$ 8,172,997</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

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

		<u>Business-type Activities</u>	
		<u>Leases</u>	
		<u>Principal</u>	<u>Interest</u>
2023	\$	1,535	\$ 85
2024		1,561	59
2025		1,587	33
2026		1,073	7
	\$	<u>5,756</u>	<u>\$ 184</u>

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.

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

At June 30, 2022, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds				
PIB Series 2007	\$ 3,225,000	\$ -	\$ (405,000)	\$ 2,820,000
PIB Series 2013	16,650,000	-	-	16,650,000
Series 2012	18,240,000	-	-	18,240,000
Revenue bonds				
VRA VPFP 2008B	5,740,000	-	(700,000)	5,040,000
VRA VPFP 2011B	12,955,000	-	-	12,955,000
VRA VPFP 2010 C	6,940,000	-	(665,000)	6,275,000
	<u>\$ 63,750,000</u>	<u>\$ -</u>	<u>\$ (1,770,000)</u>	<u>\$ 61,980,000</u>

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	\$ 2,639,079	\$ 156,121	\$ (125,947)	\$ 2,669,253	\$ 155,881
Leases	<u>460,868</u>	<u>231,481</u>	<u>(291,128)</u>	<u>401,221</u>	<u>170,498</u>
School board					
Long-term liabilities	<u>\$ 3,099,947</u>	<u>\$ 387,602</u>	<u>\$ (417,075)</u>	<u>\$ 3,070,474</u>	<u>\$ 326,379</u>

* - Amounts have been restated to include items related to the implementation of GASB Statement 87, *Leases*.

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

	<u>School Board</u>	
	<u>Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 170,498	\$ 2,398
2024	124,288	1,378
2025	101,755	418
2026	<u>4,680</u>	<u>3</u>
	<u>\$ 401,221</u>	<u>\$ 4,197</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Parking Authority

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities – Parking Authority					
Revenue bond	\$ 6,528,400	\$ 6,285,000	\$ (6,528,400)	\$ 6,285,000	\$ 335,234
Compensated absences	33,416	23,809	(15,926)	41,299	19,083
Parking authority Long-term liabilities	<u>\$ 6,561,816</u>	<u>\$ 6,308,809</u>	<u>\$ (6,544,326)</u>	<u>\$ 6,326,299</u>	<u>\$ 354,317</u>

Details of Long-Term Indebtedness

\$6,285,000 Revenue Refunding Bonds, Series 2021, issued August 3, 2021, maturing annually beginning August 1, 2022 through August 1, 2037, interest payable semi-annually at a rate of 2.25%. Purpose: Refund certain outstanding bonds

\$ 6,285,000

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

	<u>Parking Authority Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 335,234	\$ 137,641
2024	338,418	130,063
2025	346,793	122,354
2026	354,721	114,462
2027	362,001	106,399
2028-2032	1,932,380	404,851
2033-2037	2,157,113	174,998
2038-2042	<u>458,340</u>	<u>5,156</u>
	<u>\$ 6,285,000</u>	<u>\$ 1,195,924</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8. Long-Term Debt (Continued)

Parking Authority (Continued)

Current Year Refunding of Debt

In August 2021, the Parking Authority issued a Revenue Refunding Bond totaling \$6,285,000 for the purpose of refunding series 2018 bonds for \$6,243,000. 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 Parking Authority's long-term debt. This refunding was undertaken to reduce total debt service payments by \$798,535, resulting in an economic gain of \$664,008.

At June 30, 2022, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue Bond Series 2021	\$ -	\$ 6,243,000	\$ -	\$ 6,243,000

Note 9. Leases

City as Lessor

In 2022, the City, implemented the guidance of GASB No. 87, *Leases*, which for lessors requires recognizing a lease receivable and deferred inflows of resources in the financial statements.

A summary of significant City leases as the lessor is as follows:

In January 2022 the City entered into a lease as lessor with the Winchester Department of Social Services for the use of building space at 401 N. Cameron Street and 24 Baker Street expiring in December 2042. An initial lease receivable was recorded in the amount of \$1,569,007. As of June 30, 2022, the value of the lease receivable is \$1,536,496. The lessee is required to make monthly fixed payments of \$7,715 and the lease has an interest rate of 2.132%. The value of the deferred inflow of resources as of June 30, 2022 was \$1,531,650 and the City recognized lease revenue of \$37,357 during the fiscal year.

Since this lease is between funds, the activity is eliminated on the government wide statements (Exhibits 1 and 2). However, lessor terms above are presented in the General Fund (Exhibit 3) and the lessee principal and interest payments in the Social Services Fund (Exhibit 19).

The City also has a lease as lessor with the Virginia Health Department expiring in January 2026. An initial lease receivable was recorded in the amount of \$1,163,792. As of June 30, 2022, the value of the lease receivable is \$921,609. The lessee is required to make monthly fixed payments of \$14,461 and additional monthly payments of \$7,255. The lease has an interest rate of 2.1320%. The value of the deferred inflow of resources as of June 30, 2022 was \$909,874, and the City recognized lease revenue of \$253,918 during the fiscal year. The lessee has four extension options, each for 12 months. The lessee had a termination period of 9 months as of the lease commencement.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9. Leases (Continued)

City as Lessor (Continued)

In addition to the significant lessor leases above the City also leases buildings and infrastructure to various entities for periods expiring September 2022 through June 2044. As of June 30, 2022, the value of these lease receivables is \$151,906 and the value of the deferred inflows of resources related to these leases as of June 30, 2022 was \$152,296.

Total lease and interest revenue in the general fund was \$305,917 and \$35,614 respectively, for 2022.

City and School Board as Lessee

In 2022, the City and School Board implemented the guidance of GASB No. 87, *Leases*, which for lessees requires reporting an intangible right to use asset and a lease liability for leases that had previously been reported as operating and capital leases.

The City has leases for various equipment such as copiers and postage machines for periods expiring October 2022 through May 2026. The City uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right to use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 6. The related debt as well as principal and interest requirements to maturity are disclosed in Note 8.

The School Board has leases for various equipment primarily copiers and building space for periods expiring July 2022 through August 2025. The School Board uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right to use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 6. The related debt as well as principal and interest requirements to maturity are disclosed in Note 8.

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>WPA</u>	<u>School Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	<u>304</u>	<u>3</u>	<u>52</u>
Inactive members:			
Vested inactive members	89	1	10
Non-vested inactive members	187	2	25
Inactive members active elsewhere in VRS	<u>204</u>	<u>2</u>	<u>10</u>
Total inactive members	480	5	45
Active members	<u>479</u>	<u>5</u>	<u>88</u>
Total covered employees	<u>1,263</u>	<u>13</u>	<u>185</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022 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, 2022 was 6.37% 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 \$2,540,900 and \$2,358,765 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the pension plan from the WPA were \$24,044 and \$18,699 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the pension plan from School Board Non-Professional Employee Plan were \$162,065 and \$144,444 for the years ended June 30, 2022 and June 30, 2021, 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; adjusted rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.39 %

- * The above allocation provides for a one-year return of 7.39%. 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 6.94%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2021, 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, 2021 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, 2020	\$ 109,429,996	\$ 91,902,768	\$ 17,527,228
Changes for the year:			
Service cost	2,656,291	-	2,656,291
Interest	7,331,253	-	7,331,253
Changes of assumptions	4,272,193	-	4,272,193
Differences between expected and actual experience	(2,900,886)	-	(2,900,886)
Contributions – employer	-	2,382,536	(2,382,536)
Contributions – employee	-	1,163,171	(1,163,171)
Net investment income	-	25,548,145	(25,548,145)
Benefit payments, including refunds of employee contributions	(4,874,073)	(4,874,073)	-
Administrative expenses	-	(63,158)	63,158
Other changes	-	(174,876)	174,876
Net changes	6,484,778	23,981,745	(17,496,967)
Balances at June 30, 2021	\$ 115,914,774	\$ 115,884,513	\$ 30,261

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020	\$ 1,097,171	\$ 958,221	\$ 138,950
Changes for the year:			
Service cost	25,136	-	25,136
Interest	69,374	-	69,374
Changes of assumptions	40,427	-	40,427
Differences between expected and actual experience	(27,450)	-	(27,450)
Contributions – employer	-	22,545	(22,545)
Contributions – employee	-	11,007	(11,007)
Net investment income	-	241,757	(241,757)
Benefit payments, including refunds of employee contributions	(46,122)	(46,122)	-
Administrative expenses	-	(598)	598
Other changes	-	(28,560)	28,560
Net changes	61,365	200,029	(138,664)
Balances at June 30, 2021	\$ 1,158,536	\$ 1,158,250	\$ 286

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020	\$ 8,771,739	\$ 8,418,206	\$ 353,533
Changes for the year:			
Service cost	273,865	-	273,865
Interest	577,687	-	577,687
Changes of assumptions	264,853	-	264,853
Differences between expected and actual experience	(310,362)	-	(310,362)
Contributions – employer	-	144,042	(144,042)
Contributions – employee	-	116,047	(116,047)
Net investment income	-	2,291,593	(2,291,593)
Benefit payments, including refunds of employee contributions	(426,816)	(426,816)	-
Administrative expenses	-	(5,701)	5,701
Other changes	-	216	(216)
Net changes	379,227	2,119,381	(1,740,154)
Balances at June 30, 2021	\$ 9,150,966	\$ 10,537,587	\$ (1,386,621)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability (asset) 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 (asset)	\$ 16,542,181	\$ 30,261	\$ (13,448,935)
WPA's net pension liability (asset)	156,535	286	(127,264)
School Board Non-Professional Employee Plan's net pension liability (asset)	(398,078)	(1,386,621)	(2,223,049)

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022, the City recognized pension expense of \$976,651. At June 30, 2022, 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	\$ 1,002,737	\$ 1,979,970
Changes of assumptions	3,362,013	-
Net difference between projected and actual earnings on pension plan investments	-	12,739,080
Employer contributions subsequent to the measurement date	<u>2,540,900</u>	<u>-</u>
Total	<u><u>\$ 6,905,650</u></u>	<u><u>\$ 14,719,050</u></u>

The \$2,540,900 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 fiscal year ending June 30, 2023. 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,	Decrease to Pension Expense
2023	\$ (1,352,843)
2024	(2,239,369)
2025	(2,903,226)
2026	(3,858,862)
2027	-
Thereafter	-

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022, the WPA recognized pension expense of \$9,242. At June 30, 2022, 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	\$ 9,489	\$ 18,736
Changes of assumptions	31,816	-
Net difference between projected and actual earnings on pension plan investments	-	120,547
Employer contributions subsequent to the measurement date	24,044	-
Total	<u>\$ 65,349</u>	<u>\$ 139,283</u>

The \$24,044 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 fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	Decrease to Pension Expense
2023	\$ (12,802)
2024	(21,191)
2025	(27,473)
2026	(36,512)
2027	-
Thereafter	-

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022, the School Board Non-Professional Employee Plan recognized pension expense of \$(95,123). At June 30, 2022, 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	\$ -	\$ 240,774
Changes of assumptions	176,862	-
Net difference between projected and actual earnings on pension plan investments	-	1,137,172
Employer contributions subsequent to the measurement date	<u>162,065</u>	<u>-</u>
Total	<u><u>\$ 338,927</u></u>	<u><u>\$ 1,377,946</u></u>

The \$162,065 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 fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	Decrease to Pension Expense
2023	\$ (315,017)
2024	(275,145)
2025	(265,086)
2026	(345,836)
2027	-
Thereafter	-

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 2021 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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, 2022, approximately \$392,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2022 payroll.

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

General Information about the Teacher Cost Sharing 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 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, 2022 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 \$5,273,804 and \$4,951,480 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2022, the school division reported a liability of \$27,138,040 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.349% as compared to 0.354% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$(247,024). 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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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)

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,311,405
Changes of assumptions	4,754,413	-
Net difference between projected and actual earnings on pension plan investments	-	17,101,316
Changes in proportion and differences between employer contributions and proportionate share of contributions	96,149	1,475,124
Employer contributions subsequent to the measurement date	<u>5,273,804</u>	<u>-</u>
Total	<u><u>\$ 10,124,366</u></u>	<u><u>\$ 20,887,845</u></u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 \$5,273,804 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 fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Increase (Decrease) to Pension Expense</u>
2023	\$ (4,017,416)
2024	(3,463,110)
2025	(3,638,092)
2026	(4,922,054)
2027	3,389
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, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	<u>45,617,878</u>
Employers' Net Pension Liability (Asset)	<u><u>\$ 7,763,263</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 85.46%

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 52,373,827	\$ 27,138,040	\$ 6,377,176

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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, 2022, approximately \$776,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2022 payroll for the Teacher Cost Sharing Plan and School Board Non-Professional Employee Plan combined.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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. 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, 2022 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	36
Active plan members	<u>547</u>
Total	<u><u>583</u></u>

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 \$-0- for the year ended June 30, 2022.

Net OPEB Liability

At June 30, 2022, the City and WPA reported liabilities of \$2,600,661 and \$28,884, respectively for their proportionate shares of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the City's and WPA's proportion was 94.40%.

	<u>City and WPA</u>	<u>Other Employers</u>	<u>Total</u>
Total OPEB liability	\$ 7,858,034	\$ 466,154	\$ 8,324,188
Plan fiduciary net position	5,228,489	310,164	5,538,653
Employers' net OPEB liability	<u>\$ 2,629,545</u>	<u>\$ 155,990</u>	<u>\$ 2,785,535</u>
Plan fiduciary net position as a percentage of total OPEB liability	66.54%	66.54%	66.54%

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Changes in Net Pension Liability – Entire Plan

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2021	\$ 9,333,739	\$ 6,412,460	\$ 2,921,279
Changes for the year:			
Service cost	253,318	-	253,318
Interest	592,600	-	592,600
Experience losses (gains)	820,242	-	820,242
Contributions – employer	-	466,582	(466,582)
Net investment income	-	(873,807)	873,807
Changes in assumptions	(2,209,129)	-	(2,209,129)
Benefit payments	(466,582)	(466,582)	-
Net changes	(1,009,551)	(873,807)	(135,744)
Balances at June 30, 2022	\$ 8,324,188	\$ 5,538,653	\$ 2,785,535

Actuarial Assumptions and Other Inputs

In the January 1, 2022 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.

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Actuarial Assumptions and Other Inputs (Continued)

Economic Assumptions – The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in 2021. 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 %	7.60 %	5.10 %
International Developed Equity	15.00	7.30	4.80
International Emerging Markets Equity	6.00	7.70	5.20
Core Fixed	20.00	3.90	1.40
Investment Grade Corporate Debt	10.00	3.90	1.40
Emerging Markets Debt	5.00	4.90	2.40
High Yield	5.00	5.00	2.50
Total	100.00 %		
	Inflation		2.50 %

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 3,314,389	\$ 2,600,661	\$ 1,956,492
Net OPEB liability – WPA	36,811	28,884	21,729
Net OPEB liability – Other Employers	198,800	155,990	117,353
Total	<u>\$ 3,550,000</u>	<u>\$ 2,785,535</u>	<u>\$ 2,095,574</u>

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 (2.94%) or one percentage point higher (4.94%) than the current healthcare cost trend rates:

	1.00% Decrease (2.94%)	Current Healthcare Cost Trend Rates (3.94%)	1.00% Increase (4.94%)
Net OPEB liability – City	\$ 1,802,630	\$ 2,600,661	\$ 3,532,960
Net OPEB liability – WPA	20,021	28,884	39,238
Net OPEB liability – Other Employers	108,123	155,990	211,911
Total	<u>\$ 1,930,774</u>	<u>\$ 2,785,535</u>	<u>\$ 3,784,109</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022, the City, WPA, and other participating employers recognized OPEB expenses of \$569,934, \$6,330, and \$38,556, respectively. At June 30, 2022, 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	\$ 1,980,963	\$ 5,987	\$ 22,001	\$ 66
Net difference between projected and actual earnings on OPEB plan investments	438,878	-	4,874	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	19,894	-	221
Changes of assumptions	-	2,089,768	-	23,210
Total	<u>\$ 2,419,841</u>	<u>\$ 2,115,649</u>	<u>\$ 26,875</u>	<u>\$ 23,497</u>

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

Year Ended June 30,	Increase (Decrease) to OPEB Expense	
	City	WPA
2023	\$ 149,356	\$ 1,659
2024	151,642	1,684
2025	140,357	1,559
2026	238,866	2,653
2027	(188,530)	(2,094)
Thereafter	(187,499)	(2,083)

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>City</u>	<u>WPA</u>	<u>Schools Non- Professional Employees</u>
Inactive members or their beneficiaries currently receiving benefits	48	1	13
Inactive members:			
Vested inactive members	5	-	2
Total inactive members	53	1	15
Active members	367	5	88
Total covered employees	420	6	103

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/>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020 (General Employee HIC Program) and June 30, 2019 (GLI, Teacher HIC, and LODA Programs). 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:	<i>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.</i>
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, 2022 Contribution	\$143,173	\$1,550	\$195,138
June 30, 2021 Contribution	\$132,667	\$1,240	\$182,368

Teacher Health Insurance Credit Program

Governed by:	<i>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.</i>
Total rate:	1.21% of covered employee compensation.
June 30, 2022 Contribution	\$403,319
June 30, 2021 Contribution	\$377,877

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1402(E)</i> 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, 2022 Contribution	\$19,639	\$287	\$8,659
June 30, 2021 Contribution	\$18,764	\$230	\$7,620

Line of Duty Act Program

Governed by:	<i>Code of Virginia 9-1-400.1</i> and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$722.55 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2022 Contribution	\$122,301
June 30, 2021 Contribution	\$120,149

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

The net OPEB liabilities were measured as of June 30, 2021 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Group Life Insurance Program

	City	WPA	Schools
June 30, 2022 proportionate share of liability	\$1,400,294	\$15,165	\$1,902,070
June 30, 2021 proportion	0.13%	0.01%	0.12%
June 30, 2020 proportion	0.13%	0.01%	0.16%
June 30, 2022 expense	\$53,573	\$580	\$53,791

Teacher Health Insurance Credit Program

June 30, 2022 proportionate share of liability	\$4,526,250
June 30, 2021 proportion	0.35%
June 30, 2020 proportion	0.35%
June 30, 2022 expense	\$319,558

Line of Duty Act Program

June 30, 2022 proportionate share of liability	\$3,848,534
June 30, 2021 proportion	0.87%
June 30, 2020 proportion	0.96%
June 30, 2022 expense	\$327,157

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020	\$ 474,699	\$ 395,826	\$ 78,873
Changes for the year:			
Service cost	13,602	-	13,602
Interest	31,579	-	31,579
Benefit changes	-	-	-
Differences between expected and actual experience	6,430	-	6,430
Changes of assumptions	5,488	-	5,488
Contributions – employer	-	18,888	(18,888)
Net investment income	-	104,662	(104,662)
Benefit payments	(32,638)	(32,638)	-
Administrative expenses	-	(1,206)	1206
Other changes	-	(519)	519
Net changes	24,461	89,187	(64,726)
Balances at June 30, 2021	\$ 499,160	\$ 485,013	\$ 14,147

In addition, for the year ended June 30, 2022, the City recognized OPEB expense of \$(5,136) related to the General Employee Health Insurance Credit Program.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020	\$ 5,546	4,579	\$ 967
Changes for the year:			
Service cost	199	-	199
Interest	462	-	462
Benefit changes	-	-	-
Differences between expected and actual experience	94	-	94
Changes of assumptions	80	-	80
Contributions – employer	-	276	(276)
Net investment income	-	1,530	(1,530)
Benefit payments	(477)	(477)	-
Administrative expenses	-	(18)	18
Other changes	-	(193)	193
Net changes	358	1,118	(760)
Balances at June 30, 2021	\$ 5,904	5,697	\$ 207

In addition, for the year ended June 30, 2022, the WPA recognized OPEB expense of \$(75) related to the General Employee Health Insurance Credit Program.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2020	\$ 129,515	\$ 88,020	\$ 41,495
Changes for the year:			
Service cost	4,582	-	4,582
Interest	8,481	-	8,481
Benefit changes	-	-	-
Differences between expected and actual experience	(9,106)	-	(9,106)
Changes of assumptions	3,752	-	3,752
Contributions – employer	-	7,621	(7,621)
Net investment income	-	23,063	(23,063)
Benefit payments	(7,738)	(7,738)	-
Administrative expenses	-	(275)	275
Other changes	-	-	-
Net changes	(29)	22,671	(22,700)
Balances at June 30, 2021	\$ 129,486	\$ 110,691	\$ 18,795

In addition, for the year ended June 30, 2022, the Schools recognized OPEB expense of \$3,005 related to the General Employee Health Insurance Credit Program.

At June 30, 2022, 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	\$ 159,708	\$ 10,669
Changes of assumptions	77,197	191,590
Net difference between projected and actual earnings on OPEB plan investments	-	334,220
Changes in proportion	39,955	45,283
Employer contributions subsequent to the measurement date	143,173	-
Total	\$ 420,033	\$ 581,762

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 1,730	\$ 116
Changes of assumptions	836	2,075
Net difference between projected and actual earnings on OPEB plan investments	-	3,619
Changes in proportion	433	490
Employer contributions subsequent to the measurement date	1,550	-
Total	<u>\$ 4,549</u>	<u>\$ 6,300</u>

Group Life Insurance Program – Schools (Teachers and Non-professional)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 216,838	\$ 14,492
Changes of assumptions	104,860	260,244
Net difference between projected and actual earnings on OPEB plan investments	-	453,983
Changes in proportion	3,987	66,193
Employer contributions subsequent to the measurement date	195,138	-
Total	<u>\$ 520,923</u>	<u>\$ 794,912</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 78,983
Change in assumptions	122,353	18,191
Net difference between projected and actual earnings on OPEB plan investments	-	59,624
Changes in proportion	4,721	175,826
Employer contributions subsequent to the measurement date	403,319	-
Total	<u>\$ 530,393</u>	<u>\$ 332,624</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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	\$ 5,578	\$ 53,272
Changes of assumptions	12,977	6,671
Net difference between projected and actual earnings on OPEB plan investments	-	50,209
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	19,639	-
Total	<u>\$ 38,194</u>	<u>\$ 110,152</u>

General Employee Health Insurance Credit Program - WPA

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82	\$ 779
Changes of assumptions	190	98
Net difference between projected and actual earnings on OPEB plan investments	-	734
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	287	-
Total	<u>\$ 559</u>	<u>\$ 1,611</u>

General Employee Health Insurance Credit Program - Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,722	\$ 12,187
Changes of assumptions	4,123	130
Net difference between projected and actual earnings on OPEB plan investments	-	11,070
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	8,659	-
Total	<u>\$ 16,504</u>	<u>\$ 23,387</u>

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

<u>Line of Duty Act Program</u>			
		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	320,864	\$ 582,702
Changes of assumptions		1,065,016	184,093
Net difference between projected and actual earnings on OPEB plan investments		-	22,286
Changes in proportion		146,884	383,529
Employer contributions subsequent to the measurement date		122,301	-
Total	\$	<u>1,655,065</u>	<u>\$ 1,172,610</u>

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 fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

<u>Group Life Insurance Program - City</u>		
Year Ended June 30,		(Decrease) to OPEB Expense
2023	\$	(72,779)
2024		(54,132)
2025		(48,931)
2026		(105,182)
2027		(23,878)
Thereafter		-

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Group Life Insurance Program - WPA

Year Ended June 30,	(Decrease) to OPEB Expense
2023	\$ (788)
2024	(586)
2025	(530)
2026	(1,139)
2027	(258)
Thereafter	-

Group Life Insurance Program – Schools (Teachers and Non-professional)

Year Ended June 30,	(Decrease) to OPEB Expense
2023	\$ (117,837)
2024	(94,009)
2025	(86,352)
2026	(143,862)
2027	(27,067)
Thereafter	-

Teacher Health Insurance Credit Program

Year Ended June 30,	(Decrease) to OPEB Expense
2023	\$ (54,606)
2024	(55,283)
2025	(48,286)
2026	(35,851)
2027	(8,469)
Thereafter	(3,055)

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

General Employee Health Insurance Credit Program - City

Year Ended June 30,	Increase (Decrease) to OPEB Expense
2023	\$ (21,763)
2024	(21,643)
2025	(21,836)
2026	(23,257)
2027	(3,795)
Thereafter	697

General Employee Health Insurance Credit Program - WPA

Year Ended June 30,	Increase (Decrease) to OPEB Expense
2023	\$ (318)
2024	(316)
2025	(319)
2026	(340)
2027	(55)
Thereafter	9

General Employee Health Insurance Credit Program - Schools

Year Ended June 30,	(Decrease) to OPEB Expense
2023	\$ (3,064)
2024	(2,920)
2025	(4,805)
2026	(4,434)
2027	(319)
Thereafter	-

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Line of Duty Act Program

Year Ended June 30,	Increase to OPEB Expense
2023	\$ 61,177
2024	62,201
2025	62,503
2026	62,823
2027	69,879
Thereafter	41,571

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50%
Salary increases, including inflation:	
• Locality- general employees	3.50 – 5.35%
• Locality – hazardous duty employees	
• Teachers	3.50 – 4.75%
	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 2.16%
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* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2021, 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	\$ 3,577,346	\$ 1,477,874	\$ 448,542
Plan fiduciary net position	2,413,074	194,305	7,553
Employers' net OPEB liability (asset)	\$ 1,164,272	\$ 1,283,569	\$ 440,989
Plan fiduciary net position as a percentage of total OPEB liability	67.45%	13.15%	1.68%

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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
	Inflation		2.50 %
			7.39 %

*Expected arithmetic nominal return

- * The above allocation provides for a one-year return of 7.39%. 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 at that time, providing a median return of 7.11, including inflation of 2.50%.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 2.16% 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 2.16% 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, 2021.

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 2.16%. 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.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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/1.16% LODA) or one percentage point higher (7.75% HIC; GLI/3.16% LODA) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – City	\$ 2,045,880	\$ 1,400,294	\$ 878,954
GLI Net OPEB liability – WPA	22,156	15,165	9,519
GLI Net OPEB liability – Schools	2,778,993	1,902,070	1,193,915
Teacher HIC Net OPEB liability	\$ 5,095,303	\$ 4,526,250	\$ 4,044,695
General Employee HIC Net OPEB liability (asset) – City	\$ 78,358	\$ 14,147	\$ (39,469)
General Employee HIC Net OPEB liability (asset) – WPA	1,146	207	(577)
General Employee HIC Net OPEB liability – Schools	32,542	18,795	7,011
	(1.16 %)	(2.16 %)	(3.16 %)
LODA Net OPEB liability	\$ 4,427,225	\$ 3,848,534	\$ 3,388,716

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	\$ 3,157,820	\$ 3,848,534	\$ 4,734,172

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 2021 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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	\$ 2,419,841	\$ 2,600,661	\$ 2,115,649	\$ 569,934
City – GLI	420,033	1,400,294	581,762	53,573
City – HIC	38,194	14,147	110,152	(5,136)
City – LODA	1,655,065	3,848,534	1,172,610	627,157
	<u>\$ 4,533,133</u>	<u>\$ 7,863,636</u>	<u>\$ 3,980,173</u>	<u>\$ 1,245,528</u>
WPA – Local Plan	26,875	28,884	23,497	6,330
WPA – GLI	4,549	15,165	6,300	580
WPA – HIC	559	207	1,611	(75)
	<u>\$ 31,983</u>	<u>\$ 44,256</u>	<u>\$ 31,408</u>	<u>\$ 6,835</u>
Schools Non				
Professional – HIC	16,504	18,795	23,387	3,005
Teachers – HIC	530,393	4,526,250	332,624	319,558
Schools Non				
Professional – GLI	42,630	138,897	56,792	6,386
Teachers – GLI	478,293	1,763,173	738,120	47,405
	<u>\$ 1,067,820</u>	<u>\$ 6,447,115</u>	<u>\$ 1,150,923</u>	<u>\$ 376,354</u>

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.

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CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 had a 15 year lease for property that commenced during 2009 for which the City paid \$266,903 in 2022 for rent. During the year, the City purchased the building from the related party for approximately \$4,942,300. The City now leases this building back to the Winchester Department of Social Services. See additional details about the intra-entity lease in Note 9.

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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:			
Prepays	\$ -	\$ -	\$ -
Inventories	4,974	-	-
Total nonspendable	4,974	-	-
Restricted for:			
Revenue for public safety programs	213,733	-	-
Revenue for community development programs	-	-	-
Debt proceeds not yet spent for projects	-	9,028,279	-
Total restricted	213,733	9,028,279	-
Committed to:			
Public works	-	426,435	-
Public safety	84,905	-	-
Parks, recreation and cultural	203,597	-	-
Other capital projects	2,000,000	-	-
Total committed	2,288,502	426,435	-
Assigned to:			
Judicial administration	17,638	-	44,866
Public safety	115,355	-	449,996
Public works	-	16,314	259,716
Health and welfare	-	-	47,099
Education	1,609,062	-	-
Parks, recreation and cultural	-	-	330,337
Subsequent year appropriation	1,542,900	-	-
Total assigned	3,284,955	16,314	1,132,014
Unassigned	24,951,839	-	-
Total fund balance	\$ 30,744,003	\$ 9,471,028	\$ 1,132,014

(Continued)

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 19. Subsequent Events

Management has evaluated subsequent events through December 1, 2022, the date the financial statements were available to be issued.

Note 20. 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 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.

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 April 2022, the GASB issued **Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 20. New Accounting Standards (Continued)

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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, 2022

	Primary Government and Winchester Parking Authority Plan Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 2,681,427	\$ 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	7,400,627	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	(4,920,195)	(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	(2,928,336)	2,176,590	811,802	(556,820)	(573,149)	(249,368)	(2,623,418)	-
Changes of assumptions	4,312,620	-	3,228,192	-	(692,576)	-	-	-
Net change in total pension liability	6,546,143	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	110,527,167	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	\$ 117,073,310	\$ 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	\$ 2,405,081	\$ 2,118,242	\$ 2,112,247	\$ 2,087,412	\$ 2,054,193	\$ 2,551,366	\$ 2,496,346	\$ 2,480,335
Contributions - employee	1,174,178	1,233,064	1,292,059	1,084,938	1,107,449	1,102,156	1,063,902	1,010,980
Net investment income	25,789,902	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	(4,920,195)	(4,616,328)	(4,498,689)	(4,051,306)	(3,747,622)	(3,717,526)	(3,463,806)	(3,782,051)
Administrative expenses	(63,756)	(60,203)	(58,925)	(52,294)	(51,704)	(44,712)	(43,206)	(50,971)
Other changes	(203,436)	198,071	(169,802)	(10,114)	(22,965)	63,874	(47,957)	502
Net change in plan fiduciary net position	24,181,774	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	92,860,989	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	\$ 117,042,763	\$ 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	\$ 30,547	\$ 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	100%	84%	89%	93%	91%	85%	88%	86%
Covered payroll	\$ 24,694,829	\$ 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	0.12%	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, 2022

	Schools - Nonprofessional Employees Plan Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 273,865	\$ 260,986	\$ 242,727	\$ 239,752	\$ 229,749	\$ 239,831	\$ 232,607	\$ 234,274
Interest on total pension liability	577,687	557,813	527,051	508,391	503,177	487,897	460,720	432,031
Benefit payments, including refunds of employee contributions	(426,816)	(407,534)	(423,662)	(378,664)	(336,811)	(317,220)	(291,762)	(221,176)
Difference between actual and expected experience	(310,362)	(107,196)	167,672	(80,413)	(160,784)	(182,415)	(597)	-
Changes of assumptions	264,853	-	212,756	-	(139,925)	-	-	-
Net change in total pension liability	379,227	304,069	726,544	289,066	95,406	228,093	400,968	445,129
Total pension liability - beginning	<u>8,771,739</u>	<u>8,467,670</u>	<u>7,741,126</u>	<u>7,452,060</u>	<u>7,356,654</u>	<u>7,128,561</u>	<u>6,727,593</u>	<u>6,282,464</u>
Total pension liability - ending	<u>\$ 9,150,966</u>	<u>\$ 8,771,739</u>	<u>\$ 8,467,670</u>	<u>\$ 7,741,126</u>	<u>\$ 7,452,060</u>	<u>\$ 7,356,654</u>	<u>\$ 7,128,561</u>	<u>\$ 6,727,593</u>
Plan Fiduciary Net Position								
Contributions - employer	\$ 144,042	\$ 133,747	\$ 127,371	\$ 140,978	\$ 142,642	\$ 182,973	\$ 182,430	\$ 202,866
Contributions - employee	116,047	118,764	111,012	108,249	109,305	104,368	104,329	100,009
Net investment income	2,291,593	158,448	534,183	562,499	839,313	118,191	298,135	884,655
Benefit payments, including refunds of employee contributions	(426,816)	(407,534)	(423,662)	(378,664)	(336,811)	(317,220)	(291,762)	(221,176)
Administrative expenses	(5,701)	(5,476)	(5,338)	(4,863)	(4,829)	(4,204)	(4,031)	(4,659)
Other changes	216	(190)	(336)	(501)	(748)	(51)	(62)	46
Net change in plan fiduciary net position	2,119,381	(2,241)	343,230	427,698	748,872	84,057	289,039	961,741
Plan fiduciary net position - beginning	<u>8,418,206</u>	<u>8,420,447</u>	<u>8,077,217</u>	<u>7,649,519</u>	<u>6,900,647</u>	<u>6,816,590</u>	<u>6,527,551</u>	<u>5,565,810</u>
Plan fiduciary net position - ending	<u>\$ 10,537,587</u>	<u>\$ 8,418,206</u>	<u>\$ 8,420,447</u>	<u>\$ 8,077,217</u>	<u>\$ 7,649,519</u>	<u>\$ 6,900,647</u>	<u>\$ 6,816,590</u>	<u>\$ 6,527,551</u>
Net pension liability (asset) - ending	<u>\$ (1,386,621)</u>	<u>\$ 353,533</u>	<u>\$ 47,223</u>	<u>\$ (336,091)</u>	<u>\$ (197,459)</u>	<u>\$ 456,007</u>	<u>\$ 311,971</u>	<u>\$ 200,042</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	115%	96%	99%	104%	103%	94%	96%	97%
Covered payroll	\$ 2,467,380	\$ 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	-56%	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.

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CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 VRS TEACHER RETIREMENT PLAN
 June 30, 2022

School Division Fiscal 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
2022	0.35%	\$ 27,138,040	\$ 31,839,788	85.23%	85.46%
2021	0.35%	51,555,588	31,549,305	163.41%	71.47%
2018	0.35%	46,466,019	29,750,334	156.19%	73.51%
2017	0.36%	42,860,000	29,604,640	144.77%	74.81%
2016	0.37%	45,450,000	29,329,091	154.97%	72.92%
2015	0.38%	53,014,000	28,839,427	183.82%	68.28%
2014	0.38%	47,549,000	28,107,384	169.17%	70.68%
2015	0.37%	44,422,000	27,264,162	162.93%	70.88%

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CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2022

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
Primary Government and Winchester Parking Authority					
2022	\$ 2,564,944	\$ 2,564,944	-	\$ 26,743,991	9.59%
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					
2022	\$ 162,065	\$ 162,065	-	\$ 2,842,683	5.70%
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					
2022	\$ 5,273,804	\$ 5,273,804	-	\$ 33,769,087	15.62%
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.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 June 30, 2022

	Plan Year Ended				
	2021	2020	2019	2018	2017
VRS Health Insurance Credit - City and WPA					
Total OPEB Liability					
Service cost	\$ 13,801	\$ 14,218	\$ 14,221	\$ 13,397	\$ 14,030
Interest on total OPEB liability	32,041	32,014	34,748	33,879	32,993
Difference between expected and actual experience	6,524	(17,299)	(46,940)	(25,089)	-
Changes of assumptions	5,568	-	13,750	-	(17,997)
Benefit payments, including refunds of employee contributions	(33,115)	(32,656)	(22,827)	(25,595)	(11,878)
Net change in total OPEB liability	24,819	(3,723)	(7,048)	(3,408)	17,148
Total OPEB liability - beginning	480,245	483,968	491,016	494,424	477,276
Total OPEB liability - ending	505,064	480,245	483,968	491,016	494,424
Plan Fiduciary Net Position					
Contributions - employer	19,164	23,214	22,855	21,761	22,286
Net investment income	106,192	8,184	25,415	25,719	36,848
Benefit payments	(33,115)	(32,656)	(22,827)	(25,595)	(11,878)
Administrative expenses	(1,224)	(777)	(557)	(606)	(615)
Other	(712)	1,687	(3,306)	(2,466)	1,819
Net change in plan fiduciary net position	90,305	(348)	21,580	18,813	48,460
Plan fiduciary net position - beginning	400,405	400,753	379,173	360,360	311,900
Plan fiduciary net position - ending	490,710	400,405	400,753	379,173	360,360
Net OPEB liability - ending	\$ 14,354	\$ 79,840	\$ 83,215	\$ 111,843	\$ 134,064
Plan fiduciary net position as a percentage of total OPEB liability	97%	83%	83%	77%	73%
Covered payroll	\$ 19,021,853	\$ 19,818,132	\$ 18,532,932	\$ 17,312,179	\$ 17,226,470
Net OPEB liability as a percentage of covered payroll	0.08%	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.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 June 30, 2022

	Plan Year Ended				
	2021	2020	2019	2018	2017
VRS Health Insurance Credit - Schools Nonprofessional Employees					
Total OPEB Liability					
Service cost	\$ 4,582	\$ 4,460	\$ 3,547	\$ 3,227	\$ 3,096
Interest on total OPEB liability	8,481	8,314	7,414	7,425	7,360
Changes in benefit terms	-	4,016	-	-	-
Difference between expected and actual experience	(9,106)	(6,898)	10,142	(3,657)	-
Changes of assumptions	3,752	-	2,930	-	(4,270)
Benefit payments, including refunds of employee contributions	(7,738)	(7,090)	(6,477)	(7,819)	(2,701)
Net change in total OPEB liability	(29)	2,802	17,556	(824)	3,485
Total OPEB liability - beginning	129,515	126,713	109,157	109,981	106,496
Total OPEB liability - ending	129,486	129,515	126,713	109,157	109,981
Plan Fiduciary Net Position					
Contributions - employer	7,621	6,016	5,607	5,669	5,614
Net investment income	23,063	1,739	5,329	5,875	8,159
Benefit payments	(7,738)	(7,090)	(6,477)	(7,819)	(2,701)
Administrative expenses	(275)	(167)	(116)	132	(135)
Other	-	(1)	(6)	(914)	401
Net change in plan fiduciary net position	22,671	497	4,337	2,943	11,338
Plan fiduciary net position - beginning	88,020	87,523	83,186	80,243	68,905
Plan fiduciary net position - ending	110,691	88,020	87,523	83,186	80,243
Net OPEB liability - ending	\$ 18,795	\$ 41,495	\$ 39,190	\$ 25,971	\$ 29,738
Plan fiduciary net position as a percentage of total OPEB liability	85%	68%	69%	76%	73%
Covered payroll	\$ 2,464,994	\$ 2,509,199	\$ 2,336,297	\$ 2,267,717	\$ 2,245,349
Net OPEB liability as a percentage of covered payroll	1%	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.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 June 30, 2022

	Plan Year Ended				
	2022	2021	2020	2019	2018
Local Plan - Totals for all employers					
Total OPEB Liability					
Service cost	\$ 253,318	\$ 243,481	\$ 235,248	\$ 222,257	\$ 214,120
Interest on total OPEB liability	592,600	566,667	456,740	395,825	374,376
Difference between expected and actual experience	820,242	(7,634)	2,007,314	633,920	(3,365)
Changes of assumptions	(2,209,129)	-	(603,377)	-	-
Benefit payments, including refunds of employee contributions	(466,582)	(381,094)	(360,870)	(294,359)	(253,650)
Net change in total OPEB liability	(1,009,551)	421,420	1,735,055	957,643	331,481
Total OPEB liability - beginning	9,333,739	8,912,319	7,177,264	6,219,621	5,888,140
Total OPEB liability - ending	8,324,188	9,333,739	8,912,319	7,177,264	6,219,621
Plan Fiduciary Net Position					
Contributions - employer	466,582	799,094	677,870	688,359	3,763,727
Net investment income	(873,807)	1,294,260	218,216	253,647	7,260
Benefit payments	(466,582)	(381,094)	(360,870)	(294,359)	(253,650)
Net change in plan fiduciary net position	(873,807)	1,712,260	535,216	647,647	3,517,337
Plan fiduciary net position - beginning	6,412,460	4,700,200	4,164,984	3,517,337	-
Plan fiduciary net position - ending	5,538,653	6,412,460	4,700,200	4,164,984	3,517,337
Net OPEB liability - ending	\$ 2,785,535	\$ 2,921,279	\$ 4,212,119	\$ 3,012,280	\$ 2,702,284
Plan fiduciary net position as a percentage of total OPEB liability	67%	69%	53%	58%	57%
Covered payroll	\$ 29,203,858	\$ 26,954,995	\$ 25,706,956	\$ 24,341,867	\$ 23,926,081
Net OPEB liability as a percentage of covered payroll	10%	11%	16%	12%	11%
Schedule of Investment Returns					
Annual money-weighted rate of return, net of investment expense	-13.29%	26.22%	5.08%	6.78%	0.59%

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CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
 June 30, 2022

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					
2022	94.40%	\$ 2,629,545	\$ 29,203,858	9.00%	66.54%
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					
2021	0.13%	\$ 1,415,459	\$ 24,824,551	5.70%	67.45%
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					
2021	0.87%	\$ 3,848,534	\$ 10,060,931	38.25%	1.68%
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)					
2021	0.16%	\$ 1,902,070	\$ 34,387,933	5.53%	67.45%
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					
2021	0.35%	\$ 4,526,250	\$ 31,838,038	14.22%	13.15%
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.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - CITY

June 30, 2022

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					
2022	\$ 19,926	\$ 19,926	-	\$ 20,436,216	0.10%
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					
2022	\$ 144,723	\$ 144,723	-	\$ 26,829,324	0.54%
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					
2022	\$ 122,301	\$ 122,301	-	\$ 10,685,910	1.14%
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					
2022	\$ -	\$ -	-	\$ 29,203,858	0.00%
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.

CITY OF WINCHESTER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPEB CONTRIBUTIONS - SCHOOLS
 June 30, 2022

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					
2022	\$ 8,659	\$ 8,659	-	\$ 2,842,683	0.30%
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)					
2022	\$ 195,138	\$ 195,138	-	\$ 36,585,755	0.53%
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					
2022	\$ 403,319	\$ 403,319	-	\$ 33,731,893	1.20%
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.

CITY OF WINCHESTER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

CITY OF WINCHESTER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 78 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

**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, 2022

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	\$ 329,814	\$ 315,402	\$ 595,811	\$ 248,725	\$ 32,850	\$ 474	\$ -	\$ 1,523,076
Investments	11,297	10,803	20,408	8,519	1,125	16	-	52,168
Accounts receivable, net	-	-	380,202	-	1,072	8,240	-	389,514
Cash and cash equivalents - restricted	-	-	-	-	-	-	8,707,021	8,707,021
Investments - restricted	-	-	-	-	-	-	298,236	298,236
Due from other governments	1,166,802	-	-	147,063	11,296	931,874	44,781	2,301,816
Total assets	<u>\$ 1,507,913</u>	<u>\$ 326,205</u>	<u>996,421</u>	<u>\$ 404,307</u>	<u>\$ 46,343</u>	<u>\$ 940,604</u>	<u>\$ 9,050,038</u>	<u>\$ 13,271,831</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,299,906	\$ 63,825	191,156	\$ 64,595	\$ 1,477	\$ 4,306	129,756	\$ 1,755,021
Accrued payroll	160,911	49,136	25,915	9,375	-	41,324	7,523	294,184
Due to other funds	-	-	-	-	-	848,500	-	848,500
Unearned revenue	-	-	-	-	-	-	8,912,759	8,912,759
Total liabilities	<u>1,460,817</u>	<u>112,961</u>	<u>217,071</u>	<u>73,970</u>	<u>1,477</u>	<u>894,130</u>	<u>9,050,038</u>	<u>11,810,464</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	329,353	-	-	-	-	329,353
Fund balances:								
Assigned	47,096	213,244	449,997	330,337	44,866	46,474	-	1,132,014
Total fund balances	<u>47,096</u>	<u>213,244</u>	<u>449,997</u>	<u>330,337</u>	<u>44,866</u>	<u>46,474</u>	<u>-</u>	<u>1,132,014</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,507,913</u>	<u>\$ 326,205</u>	<u>\$ 996,421</u>	<u>\$ 404,307</u>	<u>\$ 46,343</u>	<u>\$ 940,604</u>	<u>\$ 9,050,038</u>	<u>\$ 13,271,831</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2022

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	\$ -	\$ 6	\$ 339	\$ -	\$ -	\$ -	\$ -	\$ 345
Charges for services	-	-	1,301,474	-	22,449	36,670	-	1,360,593
Miscellaneous	-	7,913	-	63,123	-	627	-	71,663
Intergovernmental:								
Frederick County	-	-	-	567,063	-	-	-	567,063
Commonwealth	4,496,034	3,458,311	-	-	-	395,822	-	8,350,167
Federal	3,691,045	5,900	-	-	-	931,874	4,054,202	8,683,021
Total revenues	<u>8,187,079</u>	<u>3,472,130</u>	<u>1,301,813</u>	<u>630,186</u>	<u>22,449</u>	<u>1,364,993</u>	<u>4,054,202</u>	<u>19,032,852</u>
EXPENDITURES								
Current:								
General administration	-	-	-	-	-	-	714,750	714,750
Judicial administration	-	-	-	-	58,204	-	55,326	113,530
Public safety	-	-	1,301,813	-	-	-	883,584	2,185,397
Public works	-	3,469,985	-	-	-	1,360,824	171,360	5,002,169
Health and welfare	11,412,330	-	-	-	-	-	557,390	11,969,720
Parks, recreation and culture	-	-	-	-	-	-	156,934	156,934
Community development	-	-	-	610,315	-	-	316,395	926,710
Capital outlay	33,664	26,625	-	-	-	-	1,198,463	1,258,752
Debt service:								
Principal	35,105	1,483	-	-	-	-	-	36,588
Interest and fiscal charges	13,883	9	-	-	-	-	-	13,892
Total expenditures	<u>11,494,982</u>	<u>3,498,102</u>	<u>1,301,813</u>	<u>610,315</u>	<u>58,204</u>	<u>1,360,824</u>	<u>4,054,202</u>	<u>22,378,442</u>
Excess (deficiency) of revenues over expenditures	<u>(3,307,903)</u>	<u>(25,972)</u>	<u>-</u>	<u>19,871</u>	<u>(35,755)</u>	<u>4,169</u>	<u>-</u>	<u>(3,345,590)</u>
OTHER FINANCING SOURCES								
Transfers in	3,372,480	-	-	150,500	-	-	-	3,522,980
Transfers out	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Total other financing sources	<u>3,332,480</u>	<u>-</u>	<u>-</u>	<u>150,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,482,980</u>
Net change in fund balances	24,577	(25,972)	-	170,371	(35,755)	4,169	-	137,390
Fund balance - beginning	<u>22,519</u>	<u>239,216</u>	<u>449,997</u>	<u>159,966</u>	<u>80,621</u>	<u>42,305</u>	<u>-</u>	<u>994,624</u>
Fund balance - ending	<u>\$ 47,096</u>	<u>\$ 213,244</u>	<u>\$ 449,997</u>	<u>\$ 330,337</u>	<u>\$ 44,866</u>	<u>\$ 46,474</u>	<u>\$ -</u>	<u>\$ 1,132,014</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2022

	Social Services Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	3,889,082	4,274,590	4,496,034	221,444
Federal	3,512,878	3,757,472	3,691,045	(66,427)
Total revenues	<u>7,401,960</u>	<u>8,032,062</u>	<u>8,187,079</u>	<u>155,017</u>
EXPENDITURES				
Current:				
General	-	-	-	-
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	10,764,000	11,355,364	11,412,330	(56,966)
Parks, recreation and culture	-	-	-	-
Community development	-	-	-	-
Capital Outlay	25,000	32,650	33,664	(1,014)
Debt service:				
Principal	-	-	35,105	(35,105)
Interest and fiscal charges	-	-	13,883	(13,883)
Total expenditures	<u>10,789,000</u>	<u>11,388,014</u>	<u>11,494,982</u>	<u>(106,968)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,387,040)</u>	<u>(3,355,952)</u>	<u>(3,307,903)</u>	<u>48,049</u>
OTHER FINANCING SOURCES				
Transfers in	3,387,040	3,395,952	3,372,480	(23,472)
Transfers out	-	(40,000)	(40,000)	-
Appropriation of fund balance	-	-	-	-
Total other financing sources	<u>3,387,040</u>	<u>3,355,952</u>	<u>3,332,480</u>	<u>(23,472)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,577</u>	<u>\$ 24,577</u>

	Win-Fred Convention and Visitors Bureau Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	50,000	50,000	63,123	13,123
Intergovernmental:				
Frederick County	368,500	368,500	567,063	198,563
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>418,500</u>	<u>418,500</u>	<u>630,186</u>	<u>211,686</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public works	-	-	-	-
Community development	569,000	629,000	610,315	18,685
Capital Outlay	-	-	-	-
Total expenditures	<u>569,000</u>	<u>629,000</u>	<u>610,315</u>	<u>18,685</u>
Excess (deficiency) of revenues over expenditures	<u>(150,500)</u>	<u>(210,500)</u>	<u>19,871</u>	<u>230,371</u>
OTHER FINANCING SOURCES				
Transfers in	150,500	150,500	150,500	-
Appropriation of fund balance	-	60,000	-	(60,000)
Total other financing sources	<u>150,500</u>	<u>210,500</u>	<u>150,500</u>	<u>(60,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,371</u>	<u>\$ 170,371</u>

Highway Maintenance Fund				Emergency Medical Services Fund				Federal Grants Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 6	\$ 6	\$ 2,000	\$ 2,000	\$ 339	\$ (1,661)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,148,000	1,148,000	1,301,474	153,474	-	-	-	-
-	-	7,913	7,913	-	-	-	-	-	-	-	-
3,441,000	3,441,000	3,458,311	17,311	-	-	-	-	-	-	-	-
4,000	4,000	5,900	1,900	-	-	-	-	-	6,168,841	4,054,202	(2,114,639)
3,445,000	3,445,000	3,472,130	27,130	1,150,000	1,150,000	1,301,813	151,813	-	6,168,841	4,054,202	(2,114,639)
-	-	-	-	-	-	-	-	-	731,400	714,750	16,650
-	-	-	-	-	-	-	-	-	55,400	55,326	74
-	-	-	-	1,150,000	1,150,000	1,301,813	(151,813)	-	1,412,495	883,584	528,911
3,445,000	3,618,350	3,469,985	148,365	-	-	-	-	-	209,200	171,360	37,840
-	-	-	-	-	-	-	-	-	818,500	557,390	261,110
-	-	-	-	-	-	-	-	-	157,000	156,934	66
-	-	-	-	-	-	-	-	-	896,415	316,395	580,020
-	26,650	26,625	25	-	-	-	-	-	1,888,431	1,198,463	689,968
-	-	1,483	(1,483)	-	-	-	-	-	-	-	-
-	-	9	(9)	-	-	-	-	-	-	-	-
3,445,000	3,645,000	3,498,102	146,898	1,150,000	1,150,000	1,301,813	(151,813)	-	6,168,841	4,054,202	2,114,639
-	(200,000)	(25,972)	174,028	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	200,000	-	(200,000)	-	-	-	-	-	-	-	-
-	200,000	-	(200,000)	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ (25,972)	\$ (25,972)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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)				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
33,000	33,000	22,449	(10,551)	30,000	30,000	36,670	6,670				
-	-	-	-	-	-	627	627				
-	-	-	-	-	-	-	-				
-	-	-	-	189,000	189,000	395,822	206,822				
-	-	-	-	1,046,000	1,152,000	931,874	(220,126)				
33,000	33,000	22,449	(10,551)	1,265,000	1,371,000	1,364,993	(6,007)				
50,000	50,000	58,204	(8,204)	-	-	-	-				
-	-	-	-	1,265,000	1,371,000	1,360,824	10,176				
-	-	-	-	-	-	-	-				
-	-	-	-	-	-	-	-				
50,000	50,000	58,204	(8,204)	1,265,000	1,371,000	1,360,824	10,176				
(17,000)	(17,000)	(35,755)	(18,755)	-	-	4,169	4,169				
-	-	-	-	-	-	-	-				
17,000	17,000	-	(17,000)	-	-	-	-				
17,000	17,000	-	(17,000)	-	-	-	-				
\$ -	\$ -	\$ (35,755)	\$ (35,755)	\$ -	\$ -	\$ 4,169	\$ 4,169				

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, 2022

Exhibit 21

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 27,315	\$ 27,315
Recovered costs	20,000	20,000	-	(20,000)
Intergovernmental:				
Commonwealth	2,820,000	9,315,110	4,963,917	(4,351,193)
Federal	162,000	162,000	111,857	(50,143)
Total revenues	<u>3,002,000</u>	<u>9,497,110</u>	<u>5,103,089</u>	<u>(4,394,021)</u>
EXPENDITURES				
Current:				
Public works	13,402,000	28,182,390	16,202,591	11,979,799
Parks, recreation and culture	2,400,000	2,753,523	512,920	2,240,603
Debt service:				
Bond issuance costs	300,000	300,000	232,681	67,319
Total expenditures	<u>16,102,000</u>	<u>31,235,913</u>	<u>16,948,192</u>	<u>14,287,721</u>
Excess (deficiency) of revenues over expenditures	<u>(13,100,000)</u>	<u>(21,738,803)</u>	<u>(11,845,103)</u>	<u>9,893,700</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	13,100,000	13,100,000	11,960,000	(1,140,000)
Proceeds from premium on bond issuance	-	-	1,083,235	1,083,235
Transfers in	-	1,833,119	1,491,000	(342,119)
Appropriation of fund balance	-	6,805,684	-	(6,805,684)
Total other financing sources	<u>13,100,000</u>	<u>21,738,803</u>	<u>14,534,235</u>	<u>(7,204,568)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,689,132</u>	<u>\$ 2,689,132</u>

INTERNAL SERVICE FUNDS

Employee Benefits Fund – to account for the receipt and payment of funds for City employee fringe benefits, including health insurance and 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, 2022

Exhibit 22

	Employee Benefits Fund	Equipment Operating Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 957,818	\$ 118,047	\$ 1,075,865
Investments	32,807	4,043	36,850
Accounts receivable, net	10,745	170	10,915
Due from other governments, net	-	-	-
Prepays	-	-	-
Inventories	-	137,581	137,581
Cash and cash equivalents - restricted	294,376	-	294,376
Total current assets	<u>1,295,746</u>	<u>259,841</u>	<u>1,555,587</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	56,224	56,224
Total assets	<u>1,295,746</u>	<u>316,065</u>	<u>1,611,811</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	-	86,891	86,891
Other postemployment benefit related deferred outflows	-	40,286	40,286
Total deferred outflows of resources	<u>-</u>	<u>127,177</u>	<u>127,177</u>
LIABILITIES			
Current liabilities:			
Accounts payable	718,271	36,831	755,102
Accrued payroll	-	48,195	48,195
Compensated absences - current	-	32,606	32,606
Total current liabilities	<u>718,271</u>	<u>117,632</u>	<u>835,903</u>
Noncurrent liabilities:			
Compensated absences	-	37,961	37,961
Net pension liability	-	381	381
Net other postemployment benefit liability	-	55,832	55,832
Total noncurrent liabilities	<u>-</u>	<u>94,174</u>	<u>94,174</u>
Total liabilities	<u>718,271</u>	<u>211,806</u>	<u>930,077</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	-	185,203	185,203
Other postemployment benefit related deferred inflows	-	39,593	39,593
Total deferred inflows of resources	<u>-</u>	<u>224,796</u>	<u>224,796</u>
NET POSITION			
Net investment in capital assets	-	56,224	56,224
Unrestricted	577,475	(49,584)	527,891
Total net position	<u>\$ 577,475</u>	<u>\$ 6,640</u>	<u>\$ 584,115</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2022

Exhibit 23

	Employee Benefits Fund	Equipment Operating Fund	Total
OPERATING REVENUES			
Charges for services	\$ 810,096	\$ 2,354,267	\$ 3,164,363
Total operating revenues	<u>810,096</u>	<u>2,354,267</u>	<u>3,164,363</u>
OPERATING EXPENSES			
Personal services	-	907,493	907,493
Contractual services	-	299,945	299,945
Other supplies and expenses	-	1,260,394	1,260,394
Insurance claims and expenses	589,569	-	589,569
Depreciation	-	10,001	10,001
Total operating expenses	<u>589,569</u>	<u>2,477,833</u>	<u>3,067,402</u>
Operating income (loss)	<u>220,527</u>	<u>(123,566)</u>	<u>96,961</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	<u>-</u>	<u>25</u>	<u>25</u>
Change in net position	220,527	(123,541)	96,986
Total net position - beginning	<u>356,948</u>	<u>130,181</u>	<u>487,129</u>
Total net position - ending	<u>\$ 577,475</u>	<u>\$ 6,640</u>	<u>\$ 584,115</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2022

Exhibit 24

	Employee Benefits Fund	Equipment Operating Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	\$ 803,530	\$ 2,354,252	\$ 3,157,782
Cash paid to suppliers	-	(1,674,380)	(1,674,380)
Cash paid to employees	-	(844,278)	(844,278)
Premiums paid	(16,184)	-	(16,184)
Other receipts	-	688	688
	<u>787,346</u>	<u>(163,718)</u>	<u>623,628</u>
Net cash (used in) provided by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds of investments, net	(20,862)	10,971	(9,891)
Investment income	-	25	25
	<u>(20,862)</u>	<u>10,996</u>	<u>(9,866)</u>
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	766,484	(152,722)	613,762
Cash and cash equivalents - beginning of year	<u>485,710</u>	<u>270,769</u>	<u>756,479</u>
Cash and cash equivalents - end of year	<u>\$ 1,252,194</u>	<u>\$ 118,047</u>	<u>\$ 1,370,241</u>
Cash and cash equivalents at end of year is comprised of the following:			
Cash and cash equivalents	\$ 957,818	\$ 118,047	\$ 1,075,865
Cash and cash equivalents - restricted	294,376	-	294,376
Total	<u>\$ 1,252,194</u>	<u>\$ 118,047</u>	<u>\$ 1,370,241</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 220,527	\$ (123,566)	\$ 96,961
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	10,001	10,001
Pension expense, net of employer contributions	-	(5,126)	(5,126)
Other postemployment benefit expense, net of employer contributions	-	1,778	1,778
(Increase) decrease in:			
Accounts receivable	(6,566)	(15)	(6,581)
Prepays	505,885	-	505,885
Due from other governments	-	688	688
Inventories	-	(20,708)	(20,708)
Increase (decrease) in:			
Accounts payable	67,500	(93,333)	(25,833)
Accrued payroll	-	30,546	30,546
Compensated absences	-	36,017	36,017
	<u>566,819</u>	<u>(40,152)</u>	<u>526,667</u>
Total adjustments			
Net cash (used in) provided by operating activities	<u>\$ 787,346</u>	<u>\$ (163,718)</u>	<u>\$ 623,628</u>

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, 2022

Exhibit 25

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS				
Cash and cash equivalents - restricted	\$ 781	\$ -	\$ 1,772,588	\$ 1,773,369
Investments - restricted	-	1,347,692	60,715	1,408,407
Accounts receivable	-	-	29,509	29,509
Total assets	<u>\$ 781</u>	<u>\$ 1,347,692</u>	<u>\$ 1,862,812</u>	<u>\$ 3,211,285</u>
LIABILITIES				
Accounts payable	-	-	7,769	7,769
Accrued payroll	-	-	95,939	95,939
Total liabilities	<u>-</u>	<u>-</u>	<u>103,708</u>	<u>103,708</u>
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	<u>\$ 781</u>	<u>\$ 1,347,692</u>	<u>\$ 1,759,104</u>	<u>\$ 3,107,577</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
For the Year Ended June 30, 2022

Exhibit 26

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ADDITIONS				
Member contributions	\$ 25,702	\$ -	\$ -	\$ 25,702
Payments collected from other local governments	-	1,233,925	2,079,772	3,313,697
Payments collected from Federal government	-	-	261,253	261,253
Grant proceeds	-	-	857,527	857,527
Miscellaneous	-	-	68,845	68,845
INVESTMENT INCOME:				
Interest and dividends	-	1,028	-	1,028
Net investment income (loss)	-	1,028	-	1,028
Total additions	<u>\$ 25,702</u>	<u>\$ 1,234,953</u>	<u>\$ 3,267,397</u>	<u>\$ 4,528,052</u>
DEDUCTIONS				
Payments made to welfare recipients	\$ 29,217	\$ -	\$ -	\$ 29,217
Bond principal payments	-	850,000	-	850,000
Bond interest payments	-	383,925	-	383,925
Payroll	-	-	2,723,134	2,723,134
Administrative	-	-	391,058	391,058
Total deductions	<u>\$ 29,217</u>	<u>\$ 1,233,925</u>	<u>\$ 3,114,192</u>	<u>\$ 4,377,334</u>
Change in fiduciary net position	(3,515)	1,028	153,205	150,718
Total net position - beginning	<u>4,296</u>	<u>1,346,664</u>	<u>1,605,899</u>	<u>2,956,859</u>
Total net position - ending	<u>\$ 781</u>	<u>\$ 1,347,692</u>	<u>\$ 1,759,104</u>	<u>\$ 3,107,577</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

CAPITAL PROJECTS FUNDS

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

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

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.

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
(Continued)

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, 2022

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	\$ 1,864,023	\$ 2,414,844	\$ 7,405,867	\$ 488,062	\$ 4,674,947	\$ 16,847,743
Investments	63,847	82,687	253,668	16,717	132,649	549,568
Receivables, net:						
Accounts	90,676	-	-	-	3,425	94,101
Promises to give	-	2,381	-	-	-	2,381
Due from other funds	4,206,696	-	2,000	-	-	4,208,696
Due from other governments	1,011,273	-	-	-	2,379,705	3,390,978
Inventories	-	-	-	-	100,159	100,159
Investments - restricted	-	-	-	1,124,913	-	1,124,913
	<u>7,236,515</u>	<u>2,499,912</u>	<u>7,661,535</u>	<u>1,629,692</u>	<u>7,290,885</u>	<u>26,318,539</u>
Total assets	<u>\$ 7,236,515</u>	<u>\$ 2,499,912</u>	<u>\$ 7,661,535</u>	<u>\$ 1,629,692</u>	<u>\$ 7,290,885</u>	<u>\$ 26,318,539</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 835,429	\$ -	\$ 1,216,071	\$ 256,395	\$ 140,266	\$ 2,448,161
Accrued payroll	6,060,371	-	-	-	603,071	6,663,442
Due to other funds	-	-	-	2,000	4,206,696	4,208,696
	<u>6,895,800</u>	<u>-</u>	<u>1,216,071</u>	<u>258,395</u>	<u>4,950,033</u>	<u>13,320,299</u>
Total liabilities	<u>6,895,800</u>	<u>-</u>	<u>1,216,071</u>	<u>258,395</u>	<u>4,950,033</u>	<u>13,320,299</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	10,690	2,381	-	-	-	13,071
	<u>10,690</u>	<u>2,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,071</u>
Total deferred inflows of resources	<u>10,690</u>	<u>2,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,071</u>
Fund balances:						
Nonspendable	-	-	-	-	100,159	100,159
Restricted:						
Debt proceeds not yet spent	-	-	-	868,518	-	868,518
Assigned	330,025	2,497,531	6,445,464	502,779	3,641,306	13,417,105
Unassigned	-	-	-	-	(1,400,613)	(1,400,613)
	<u>330,025</u>	<u>2,497,531</u>	<u>6,445,464</u>	<u>1,371,297</u>	<u>2,340,852</u>	<u>12,985,169</u>
Total fund balances	<u>330,025</u>	<u>2,497,531</u>	<u>6,445,464</u>	<u>1,371,297</u>	<u>2,340,852</u>	<u>12,985,169</u>
Total liabilities and fund balances	<u>\$ 7,236,515</u>	<u>\$ 2,499,912</u>	<u>\$ 7,661,535</u>	<u>\$ 1,629,692</u>	<u>\$ 7,290,885</u>	
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.						134,664,429
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						13,071
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.						71,959
Long-term liabilities, including debt and leases payable, are not due and payable in the current period and therefore are not reported in the funds.						
Leases						(401,221)
Compensated absences						(2,669,253)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.						
Pension related deferred outflows						10,463,293
Pension related deferred inflows						(22,265,791)
Net pension asset						1,386,621
Net pension liability						(27,138,040)
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						1,067,820
Other postemployment benefit related deferred inflows						(1,150,923)
Net other postemployment benefit liability						(6,447,115)
Net position of governmental activities						<u>\$ 100,580,019</u>

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, 2022

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	\$ 20,288	\$ (1,324)	\$ (3,132)	\$ 13,360	\$ (1,282)	\$ 27,910
Charges for services	280,744	-	-	-	816,188	1,096,932
Miscellaneous	337,061	640,078	-	-	35,894	1,013,033
Recovered costs	-	-	120,613	-	-	120,613
Intergovernmental revenues:						
Local	29,430,040	-	2,404,101	-	-	31,834,141
Commonwealth	31,281,563	-	-	-	25,159	31,306,722
Federal	-	-	-	-	9,510,434	9,510,434
Total revenues	<u>61,349,696</u>	<u>638,754</u>	<u>2,521,582</u>	<u>13,360</u>	<u>10,386,393</u>	<u>74,909,785</u>
EXPENDITURES						
Current:						
Education	59,232,886	40,051	101,302	-	10,139,329	69,513,568
Capital outlay	2,336,459	(195)	1,489,758	5,248,611	237,110	9,311,743
Debt service:						
Principal retirement	211,832	-	79,296	-	-	291,128
Interest and other fiscal charges	3,131	-	131	-	-	3,262
Total expenditures	<u>61,784,308</u>	<u>39,856</u>	<u>1,670,487</u>	<u>5,248,611</u>	<u>10,376,439</u>	<u>79,119,701</u>
Excess (deficiency) of revenues over expenditures	<u>(434,612)</u>	<u>598,898</u>	<u>851,095</u>	<u>(5,235,251)</u>	<u>9,954</u>	<u>(4,209,916)</u>
OTHER FINANCING SOURCES						
Issuance of leases	231,481	-	-	-	-	231,481
Total other financing sources	<u>231,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,481</u>
Net change in fund balances	(203,131)	598,898	851,095	(5,235,251)	9,954	(3,978,435)
Fund balances - beginning	<u>533,156</u>	<u>1,898,633</u>	<u>5,594,369</u>	<u>6,606,548</u>	<u>2,330,898</u>	
Fund balances - ending	<u>\$ 330,025</u>	<u>\$ 2,497,531</u>	<u>\$ 6,445,464</u>	<u>\$ 1,371,297</u>	<u>\$ 2,340,852</u>	

Amounts reported for governmental activities in the Statement of Activities 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 or lease terms and reported as depreciation or amortization expense. This is the amount by which capital outlays, \$9,614,603, exceeded depreciation and amortization, \$4,295,838, in the current period. 5,318,765

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. (129,009)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (32,697)

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. (520,037)

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 (30,174)

The issuance of long-term debt, including leases, provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Principal repayments 291,128
Issuance of leases (231,481)

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 5,435,870
Pension expense 555,088 5,990,958

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 607,116
OPEB expense (376,034) 231,082

Change in net position of governmental activities \$ 6,910,100

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, 2022

Exhibit 29

Exhibit 2

	School Operating Fund			Variance with Final Budget - Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 20,288	\$ (34,712)
Charges for services	202,400	202,400	280,744	78,344
Miscellaneous	284,999	397,531	337,061	(60,470)
Recovered costs	-	-	-	-
Intergovernmental:				
Local	31,600,406	31,602,995	29,430,040	(2,172,955)
Commonwealth	29,853,356	30,083,266	31,281,563	1,198,297
Total revenues	61,996,161	62,341,192	61,349,696	(991,496)
EXPENDITURES				
Current:				
Education	61,594,238	60,228,576	59,232,886	995,690
Capital outlay	401,923	2,112,616	2,336,459	(223,843)
Debt service:				
Principal	-	-	211,832	(211,832)
Interest and other fiscal charges	-	-	3,131	(3,131)
Total expenditures	61,996,161	62,341,192	61,784,308	556,884
Excess (deficiency) of revenues over expenditures	-	-	(434,612)	(434,612)
OTHER FINANCING SOURCES				
Issuance of leases	-	-	231,481	231,481
Total other financing sources	-	-	231,481	231,481
Net change in fund balances	\$ -	\$ -	\$ (203,131)	\$ (203,131)

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022**

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	\$ 1,761,539	\$ 1,059,756	\$ 1,052,266	\$ 801,386	\$ 4,674,947
Investments	60,307	36,299	36,043	-	132,649
Accounts receivable	-	-	3,425	-	3,425
Due from other governments	70,883	2,308,822	-	-	2,379,705
Inventories	100,159	-	-	-	100,159
Total assets	<u>\$ 1,992,888</u>	<u>\$ 3,404,877</u>	<u>\$ 1,091,734</u>	<u>\$ 801,386</u>	<u>\$ 7,290,885</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 570	\$ 139,696	\$ -	\$ -	\$ 140,266
Accrued payroll	143,973	459,098	-	-	603,071
Due to other funds	-	4,206,696	-	-	4,206,696
Total liabilities	<u>144,543</u>	<u>4,805,490</u>	<u>-</u>	<u>-</u>	<u>4,950,033</u>
Fund balances:					
Nonspendable	100,159	-	-	-	100,159
Assigned	1,748,186	-	1,091,734	801,386	3,641,306
Unassigned	-	(1,400,613)	-	-	(1,400,613)
Total fund balances	<u>1,848,345</u>	<u>(1,400,613)</u>	<u>1,091,734</u>	<u>801,386</u>	<u>2,340,852</u>
Total liabilities and fund balances	<u>\$ 1,992,888</u>	<u>\$ 3,404,877</u>	<u>\$ 1,091,734</u>	<u>\$ 801,386</u>	<u>\$ 7,290,885</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR FUNDS
For the Year Ended June 30, 2022

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	\$ (982)	\$ -	\$ (378)	\$ 78	\$ (1,282)
Charges for services	131,526	-	-	684,662	816,188
Miscellaneous	35,243	651	-	-	35,894
Intergovernmental revenues:					
Local	-	-	-	-	-
Commonwealth	25,159	-	-	-	25,159
Federal	2,843,470	6,666,964	-	-	9,510,434
Total revenues	<u>3,034,416</u>	<u>6,667,615</u>	<u>(378)</u>	<u>684,740</u>	<u>10,386,393</u>
EXPENDITURES					
Current:					
Education	2,492,118	7,085,232	-	561,979	10,139,329
Capital outlay	<u>160,634</u>	<u>76,476</u>	<u>-</u>	<u>-</u>	<u>237,110</u>
Total expenditures	<u>2,652,752</u>	<u>7,161,708</u>	<u>-</u>	<u>561,979</u>	<u>10,376,439</u>
Excess (deficiency) of revenues over expenditures	<u>381,664</u>	<u>(494,093)</u>	<u>(378)</u>	<u>122,761</u>	<u>9,954</u>
OTHER FINANCING SOURCES					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	381,664	(494,093)	(378)	122,761	9,954
Fund balance - beginning	<u>1,466,681</u>	<u>(906,520)</u>	<u>1,092,112</u>	<u>678,625</u>	<u>2,330,898</u>
Fund balance - ending	<u>\$ 1,848,345</u>	<u>\$ (1,400,613)</u>	<u>\$ 1,091,734</u>	<u>\$ 801,386</u>	<u>\$ 2,340,852</u>

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2022

	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	\$ (982)	\$ (2,982)
Charges for services	690,000	690,000	131,526	(558,474)
Miscellaneous	15,000	15,000	35,243	20,243
Intergovernmental:				
Local	-	-	-	-
Commonwealth	60,000	60,000	25,159	(34,841)
Federal	1,755,716	1,755,716	2,843,470	1,087,754
Total revenues	2,522,716	2,522,716	3,034,416	511,700
EXPENDITURES				
Current:				
Education	2,522,716	2,522,716	2,492,118	30,598
Capital outlay	-	-	160,634	(160,634)
Total expenditures	2,522,716	2,522,716	2,652,752	(130,036)
Excess (deficiency) of revenues over expenditures	-	-	381,664	381,664
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 381,664	\$ 381,664

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (378)	\$ (378)
-	-	-	-	-	-	-	-
-	-	651	651	-	-	-	-
-	-	-	-	-	675,681	-	(675,681)
-	-	-	-	-	-	-	-
9,405,649	16,160,281	6,666,964	(9,493,317)	-	-	-	-
9,405,649	16,160,281	6,667,615	(9,492,666)	-	675,681	(378)	(676,059)
9,359,633	16,114,265	7,085,232	9,029,033	400,000	1,075,681	-	1,075,681
46,016	46,016	76,476	(30,460)	-	-	-	-
9,405,649	16,160,281	7,161,708	8,998,573	400,000	1,075,681	-	1,075,681
-	-	(494,093)	(494,093)	(400,000)	(400,000)	(378)	399,622
-	-	-	-	400,000	400,000	-	(400,000)
-	-	-	-	400,000	400,000	-	(400,000)
\$ -	\$ -	\$ (494,093)	\$ (494,093)	\$ -	\$ -	\$ (378)	\$ (378)

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, 2022

	School Fundraising Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ (1,324)	\$ (1,324)
Miscellaneous	220,000	543,013	640,078	97,065
Recovered costs	-	-	-	-
Intergovernmental:				
Local	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	<u>220,000</u>	<u>543,013</u>	<u>638,754</u>	<u>95,741</u>
EXPENDITURES				
Education	-	-	40,051	(40,051)
Capital outlay	620,000	1,343,013	(195)	1,343,208
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>620,000</u>	<u>1,343,013</u>	<u>39,856</u>	<u>1,303,157</u>
Excess (deficiency) of revenues over expenditures	<u>(400,000)</u>	<u>(800,000)</u>	<u>598,898</u>	<u>1,398,898</u>
OTHER FINANCING SOURCES				
Transfers in	<u>400,000</u>	<u>800,000</u>	<u>-</u>	<u>(800,000)</u>
Total other financing sources	<u>400,000</u>	<u>800,000</u>	<u>-</u>	<u>(800,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 598,898</u>	<u>\$ 598,898</u>

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	
\$ -	\$ -	\$ (3,132)	\$ (3,132)	\$ -	\$ -	\$ 13,360	\$ 13,360
-	-	-	-	-	-	-	-
-	-	120,613	120,613	-	-	-	-
-	2,856,548	2,404,101	(452,447)	6,384,000	6,036,026	-	(6,036,026)
-	-	-	-	-	-	-	-
-	2,856,548	2,521,582	(334,966)	6,384,000	6,036,026	13,360	(6,022,666)
500,000	500,000	101,302	398,698	-	-	-	-
2,500,000	5,356,548	1,489,758	3,866,790	6,384,000	6,036,026	5,248,611	787,415
-	-	79,296	79,296	-	-	-	-
-	-	131	131	-	-	-	-
3,000,000	5,856,548	1,670,487	4,344,915	6,384,000	6,036,026	5,248,611	787,415
(3,000,000)	(3,000,000)	851,095	3,851,095	-	-	(5,235,251)	(5,235,251)
3,000,000	3,000,000	-	(3,000,000)	-	-	-	-
3,000,000	3,000,000	-	(3,000,000)	-	-	-	-
\$ -	\$ -	\$ 851,095	\$ 851,095	\$ -	\$ -	\$ (5,235,251)	\$ (5,235,251)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
June 30, 2022

Exhibit 34

	School Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 85,524
Investments	<u>2,929</u>
Total current assets	<u>88,453</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	<u>16,494</u>
Total liabilities	<u>16,494</u>
 NET POSITION	
Unrestricted	<u><u>\$ 71,959</u></u>

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, 2022

Exhibit 35

	School Insurance Fund
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 5,707,464
Total operating revenues	<u>5,707,464</u>
OPERATING EXPENSES	
Insurance claims and expenses	<u>6,227,556</u>
Total operating expenses	<u>6,227,556</u>
Operating loss	<u>(520,092)</u>
NONOPERATING REVENUES	
Investment earnings	<u>55</u>
Total nonoperating revenues	<u>55</u>
Change in net position	(520,037)
Total net position - beginning	<u>591,996</u>
Total net position - ending	<u><u>\$ 71,959</u></u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUND
For the Year Ended June 30, 2022

Exhibit 36

	School Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal services provided	\$ 5,709,544
Cash paid to suppliers	16,494
Premiums paid	<u>(5,795,780)</u>
Net cash used in operating activities	<u>(69,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments, net	5,379
Interest and dividends received	<u>55</u>
Net cash provided by investing activities	<u>5,434</u>
Net decrease in cash and cash equivalents	(64,308)
Cash and cash equivalents - beginning of year	<u>149,832</u>
Cash and cash equivalents - end of year	<u><u>\$ 85,524</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (520,092)</u>
(Increase) decrease in:	
Prepays	<u>431,776</u>
Total adjustments	<u>450,350</u>
Net cash used in operating activities	<u><u>\$ (69,742)</u></u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2022

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	\$ 34,793	\$ 3,272	\$ 84,351	\$ 122,416
Investments - restricted	441,438	28,094	35,547	505,079
Total assets	<u>\$ 476,231</u>	<u>\$ 31,366</u>	<u>\$ 119,898</u>	<u>\$ 627,495</u>
NET POSITION				
Restricted for scholarships	\$ 476,231	\$ 31,366	\$ 119,898	\$ 627,495
Total net position	<u>\$ 476,231</u>	<u>\$ 31,366</u>	<u>\$ 119,898</u>	<u>\$ 627,495</u>

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, 2022

Exhibit 38

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	\$ 21,492	\$ 3,150	\$ 35,803	\$ 60,445
Investment earnings:				
Interest	79	-	95	174
Dividends	13,818	-	-	13,818
Realized and unrealized losses on investments	(84,376)	-	-	(84,376)
Total additions	<u>(48,987)</u>	<u>3,150</u>	<u>35,898</u>	<u>(9,939)</u>
DEDUCTIONS				
Administrative expenses	3,654	3,109	-	6,763
Scholarships awarded	21,274	-	29,000	50,274
Transfers out	20,750	-	-	20,750
Total deductions	<u>45,678</u>	<u>3,109</u>	<u>29,000</u>	<u>77,787</u>
Change in net position	(94,665)	41	6,898	(87,726)
Net position - beginning	<u>570,896</u>	<u>31,325</u>	<u>113,000</u>	<u>715,221</u>
Net position - ending	<u>\$ 476,231</u>	<u>\$ 31,366</u>	<u>\$ 119,898</u>	<u>\$ 627,495</u>

DISCRETELY PRESENTED COMPONENT UNIT – PARKING AUTHORITY

ENTERPRISE FUND

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

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
June 30, 2022

	Exhibit 39
	Parking Authority Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 820,217
Investments	28,094
Accounts receivable, net	15,988
Total current assets	<u>864,299</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	6,879,265
Total capital assets, net	<u>6,890,950</u>
Total noncurrent assets	<u>6,890,950</u>
Total assets	<u>7,755,249</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	65,349
Other postemployment benefit related deferred outflows	31,983
Total deferred outflows of resources	<u>97,332</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,032
Accrued payroll	13,853
Accrued interest payable	58,597
Compensated absences - current	19,083
Revenue bonds payable - current	335,234
Total current liabilities	<u>436,799</u>
Noncurrent liabilities:	
Net pension liability	286
Net other postemployment benefit liability	44,256
Compensated absences	22,216
Revenue bonds payable	5,949,766
Total noncurrent liabilities	<u>6,016,524</u>
Total liabilities	<u>6,453,323</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred charges on refunding	77,093
Pension related deferred inflows	139,283
Other postemployment benefit related deferred inflows	31,408
Total deferred inflows of resources	<u>247,784</u>
NET POSITION	
Net investment in capital assets	528,857
Unrestricted	622,617
Total net position	<u>\$ 1,151,474</u>

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, 2022

Exhibit 40

	Parking Authority Fund
OPERATING REVENUES	
Charges for services	\$ 1,451,804
Miscellaneous	<u>27,064</u>
Total operating revenues	<u>1,478,868</u>
OPERATING EXPENSES	
Personal services	435,770
Contractual services	173,048
Other supplies and expenses	120,625
Depreciation	<u>257,537</u>
Total operating expenses	<u>986,980</u>
Operating income	<u>491,888</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and fiscal charges	<u>(184,604)</u>
Total nonoperating revenues (expenses)	<u>(184,604)</u>
Change in net position	307,284
Total net position - beginning	<u>844,190</u>
Total net position - ending	<u><u>\$ 1,151,474</u></u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
ENTERPRISE FUND
For the Year Ended June 30, 2022

	Exhibit 41
	Parking Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 1,476,540
Cash paid to suppliers	(382,630)
Cash paid to employees	(416,883)
Net cash provided by operating activities	<u>677,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(31,656)
Principal paid on capital debt	(285,400)
Proceeds from debt refunding	6,285,000
Escrow payment for bond refunding	(6,243,000)
Interest paid on capital debt	(231,065)
Net cash used in capital and related financing activities	<u>(506,121)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds of investments, net	<u>7,496</u>
Net cash provided by investing activities	<u>7,496</u>
Net increase in cash and cash equivalents	178,402
Cash and cash equivalents - beginning of year	<u>641,815</u>
Cash and cash equivalents - end of year	<u>\$ 820,217</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 491,888
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	257,537
Pension expense, net of employer contributions	380
Other postemployment benefit expense, net of employer contributions	6,612
(Increase) decrease in:	
Accounts receivable	(2,328)
Increase (decrease) in:	
Accounts payable	(88,957)
Accrued payroll	4,012
Compensated absences	7,883
Total adjustments	<u>185,139</u>
Net cash provided by operating activities	<u>\$ 677,027</u>

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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
<i>Financial Trends – Tables 1 – 4</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	140-146
<i>Revenue Capacity – Tables 5 – 8</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	147-150
<i>Debt Capacity – Tables 9 – 13</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	151-155
<i>Demographic and Economic Information – Tables 14 – 15</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place	156-157
<i>Operating Information – Tables 16 – 18</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	158-160

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

	2013(1)	2014 (1)	2015 (2)	2016	2017	2018 (3)	2019	2020	2021 (4)	2022 (5)
Governmental activities										
Net investment in capital assets	\$ 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	\$ 87,323,524
Restricted	-	-	-	-	364,378	180,235	161,576	150,594	335,969	213,733
Unrestricted	(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)	(37,014,473)
Total governmental activities net position	<u>\$ 22,599,222</u>	<u>\$ 11,260,469</u>	<u>\$ 7,519,081</u>	<u>\$ 19,867,274</u>	<u>\$ 26,192,755</u>	<u>\$ 27,092,990</u>	<u>\$ 35,960,924</u>	<u>\$ 32,098,787</u>	<u>\$ 27,141,439</u>	<u>\$ 50,522,784</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 71,939,919
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	11,268,228
Total business-type activities net position	<u>\$ 49,815,987</u>	<u>\$ 53,007,653</u>	<u>\$ 55,695,385</u>	<u>\$ 58,996,600</u>	<u>\$ 63,841,574</u>	<u>\$ 66,724,611</u>	<u>\$ 71,150,237</u>	<u>\$ 77,181,495</u>	<u>\$ 77,207,226</u>	<u>\$ 83,208,147</u>
Primary government										
Net investment in capital assets	\$ 105,201,066	\$ 108,823,194	\$ 116,770,868	\$ 123,902,879	\$ 127,671,907	\$ 130,056,707	\$ 140,655,471	\$ 141,878,984	\$ 152,670,277	\$ 159,263,443
Restricted	-	-	-	-	364,378	180,235	161,576	150,594	335,969	213,733
Unrestricted	(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)	(25,746,245)
Total primary government net position	<u>\$ 72,415,209</u>	<u>\$ 64,268,122</u>	<u>\$ 63,214,466</u>	<u>\$ 78,863,874</u>	<u>\$ 90,034,329</u>	<u>\$ 93,817,601</u>	<u>\$ 107,111,161</u>	<u>\$ 109,280,282</u>	<u>\$ 104,348,698</u>	<u>\$ 133,730,931</u>
School Board Component Unit										
Net investment in capital assets	\$ 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	\$ 134,263,208
Restricted	575,798	20,371,300	13,403,506	821,630	300,258	1,831,921	-	6,937,921	6,404,579	2,255,139
Unrestricted	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)	(35,938,328)
Total governmental activities net position	<u>\$ 117,658,276</u>	<u>\$ 133,695,164</u>	<u>\$ 84,031,502</u>	<u>\$ 82,434,655</u>	<u>\$ 79,799,676</u>	<u>\$ 71,153,977</u>	<u>\$ 71,056,980</u>	<u>\$ 80,855,283</u>	<u>\$ 93,669,919</u>	<u>\$ 100,580,019</u>

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.
(5) GASB Statement No. 87 was adopted in fiscal year 2022.

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

Table 2

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 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	\$ 8,066,864
Judicial administration	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	4,593,264
Public safety	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	26,732,161
Public works	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	13,033,839
Health and welfare	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	12,651,515
Education	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	31,894,879
Parks, recreation, and culture	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	4,243,367
Community development	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	2,593,936
Interest on long-term debt	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	2,381,752
Bond issuance costs	-	183,567	179,468	75,256	55,800	-	-	-	-	-
Total governmental activities expenses	<u>80,121,835</u>	<u>101,786,146</u>	<u>83,639,813</u>	<u>87,023,609</u>	<u>91,184,999</u>	<u>94,259,405</u>	<u>94,998,024</u>	<u>112,497,304</u>	<u>118,807,114</u>	<u>106,191,577</u>
Business-type activities:										
Water and sewer	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	29,414,553
Transit service	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>19,207,251</u>	<u>21,294,667</u>	<u>20,636,511</u>	<u>21,456,454</u>	<u>22,171,658</u>	<u>24,222,296</u>	<u>27,743,327</u>	<u>27,037,990</u>	<u>30,472,903</u>	<u>29,414,553</u>
Total primary government expenses	<u>\$ 99,329,086</u>	<u>\$ 123,080,813</u>	<u>\$ 104,276,324</u>	<u>\$ 108,480,063</u>	<u>\$ 113,356,657</u>	<u>\$ 118,481,701</u>	<u>\$ 122,741,351</u>	<u>\$ 139,535,294</u>	<u>\$ 149,280,017</u>	<u>\$ 135,606,130</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 113,965	\$ 147,384	\$ 154,503	\$ 237,474	\$ 173,246	\$ 235,862	\$ 201,368	\$ 291,934	\$ 206,699	\$ 189,525
Judicial administration	683,121	634,692	653,086	707,512	624,795	698,834	701,643	659,418	362,568	697,127
Public safety	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	1,701,058
Public works	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	2,095,569
Health and welfare	52,875	52,008	55,214	67,621	73,984	80,057	2,716	96,171	107,915	125,250
Parks, recreation, and culture	665,747	833,837	874,561	839,602	913,764	889,174	961,009	801,765	315,020	682,153
Community development	302,148	316,428	390,299	352,184	390,131	387,336	387,420	299,136	328,168	589,024
Operating grants and contributions	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	25,985,180
Capital grants and contributions	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	4,755,284
Total governmental activities revenues	<u>17,260,171</u>	<u>17,777,783</u>	<u>19,004,941</u>	<u>24,226,911</u>	<u>20,542,104</u>	<u>21,844,424</u>	<u>21,346,126</u>	<u>25,538,788</u>	<u>28,488,104</u>	<u>36,820,170</u>
Business-type activities:										
Charges for services:										
Water and sewer	20,229,861	22,411,243	24,814,747	25,686,701	26,809,216	28,793,288	31,093,254	31,095,173	31,057,985	36,195,859
Operating grants and contributions	-	-	-	-	-	269,348	270,721	233,366	428,676	120,975
Capital grants and contributions	3,882,896	2,809,805	1,400,500	1,237,760	252,812	17,280	1,208,398	2,695,234	397,297	300,400
Total business-type activities revenues	<u>24,112,757</u>	<u>25,221,048</u>	<u>26,215,247</u>	<u>26,924,461</u>	<u>27,062,028</u>	<u>29,079,916</u>	<u>32,572,373</u>	<u>34,023,773</u>	<u>31,883,958</u>	<u>36,617,234</u>
Total primary government revenues	<u>\$ 41,372,928</u>	<u>\$ 42,998,831</u>	<u>\$ 45,220,188</u>	<u>\$ 51,151,372</u>	<u>\$ 47,604,132</u>	<u>\$ 50,924,340</u>	<u>\$ 53,918,499</u>	<u>\$ 59,562,561</u>	<u>\$ 60,372,062</u>	<u>\$ 73,437,404</u>

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

Table 2 (Continued)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (69,371,407)
Business-type activities	4,905,506	3,926,381	5,578,736	5,468,007	4,890,370	4,857,620	4,829,046	6,985,783	1,411,055	7,202,681
Total primary government net expense	<u>\$ (57,956,158)</u>	<u>\$ (80,081,982)</u>	<u>\$ (59,056,136)</u>	<u>\$ (57,328,691)</u>	<u>\$ (65,752,525)</u>	<u>\$ (67,557,361)</u>	<u>\$ (68,822,852)</u>	<u>\$ (79,972,733)</u>	<u>\$ (88,907,955)</u>	<u>\$ (62,168,726)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 49,817,931
Sales taxes	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	12,129,457
Utility taxes	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	1,925,536
Business license taxes	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	8,638,935
Franchise taxes	360,030	402,711	407,787	417,860	408,904	488,219	516,131	541,248	511,022	546,449
Hotel and meals taxes	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	11,387,014
Communication sales taxes	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	1,526,944
Other local taxes	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	2,323,744
Gain on sale of capital assets	-	-	-	11,250	(6,210)	-	-	-	1,928	-
Unrestricted grants and contributions	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	3,161,850
Investment earnings	68,675	70,590	78,070	159,131	98,245	144,080	313,472	244,789	41,212	1,212
Miscellaneous	47,216	33,441	16,349	139,712	51,170	32,996	106,450	22,672	41,085	47,670
Special item	-	3,451,777	-	-	-	-	-	-	-	-
Transfers	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	1,246,010
Total governmental activities	<u>67,973,567</u>	<u>73,234,712</u>	<u>73,779,803</u>	<u>75,144,891</u>	<u>76,968,376</u>	<u>79,823,466</u>	<u>82,519,832</u>	<u>83,096,379</u>	<u>85,361,662</u>	<u>92,752,752</u>
Business-type activities:										
Investment earnings	20,577	426	1,833	7,565	4,443	105,567	957,384	378,324	64,293	12,777
Miscellaneous	5,825	6,694	2,858	3,280	9,299	18,393	39,196	67,151	50,383	31,473
Transfers	(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)	(1,246,010)
Total business-type activities	<u>(1,843,598)</u>	<u>(1,592,880)</u>	<u>(1,595,309)</u>	<u>(1,589,155)</u>	<u>(1,586,258)</u>	<u>(1,376,040)</u>	<u>(403,420)</u>	<u>(954,525)</u>	<u>(1,385,324)</u>	<u>(1,201,760)</u>
Total primary government	<u>\$ 66,129,969</u>	<u>\$ 71,641,832</u>	<u>\$ 72,184,494</u>	<u>\$ 73,555,736</u>	<u>\$ 75,382,118</u>	<u>\$ 78,447,426</u>	<u>\$ 82,116,412</u>	<u>\$ 82,141,854</u>	<u>\$ 83,976,338</u>	<u>\$ 91,550,992</u>
Change in Net Position										
Governmental activities	\$ 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)	\$ 23,381,345
Business-type activities	3,061,908	2,333,501	3,983,427	3,878,852	3,304,112	3,481,580	4,425,626	6,031,258	25,731	6,000,921
Total primary government	<u>\$ 8,173,811</u>	<u>\$ (8,440,150)</u>	<u>\$ 13,128,358</u>	<u>\$ 16,227,045</u>	<u>\$ 9,629,593</u>	<u>\$ 10,890,065</u>	<u>\$ 13,293,560</u>	<u>\$ 2,169,121</u>	<u>\$ (4,931,617)</u>	<u>\$ 29,382,266</u>

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

Table 2 (Continued)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
School Board Component Unit:										
Education	\$ 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	\$ 67,967,043
Total School Board component unit expenses	<u>53,609,858</u>	<u>54,649,291</u>	<u>56,430,750</u>	<u>59,044,154</u>	<u>61,691,194</u>	<u>61,583,347</u>	<u>62,317,846</u>	<u>65,139,530</u>	<u>68,385,049</u>	<u>67,967,043</u>
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	734,401	697,971	773,193	711,854	795,911	848,227	792,653	699,290	558,525	1,096,932
Operating grants and contributions	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	40,817,156
Capital grants and contributions	137,927	248,673	335,570	542,786	389,555	490,731	474,697	880,769	1,032,663	980,336
Total School Board component unit revenues	<u>24,341,065</u>	<u>24,666,872</u>	<u>26,448,640</u>	<u>29,050,100</u>	<u>29,697,127</u>	<u>29,912,482</u>	<u>31,483,372</u>	<u>33,842,627</u>	<u>38,415,851</u>	<u>42,894,424</u>
Net (Expense)/Revenue										
School Board Component Unit	<u>(29,268,793)</u>	<u>(29,982,419)</u>	<u>(29,982,110)</u>	<u>(29,994,054)</u>	<u>(31,994,067)</u>	<u>(31,670,865)</u>	<u>(30,834,474)</u>	<u>(31,296,903)</u>	<u>(29,969,198)</u>	<u>(25,072,619)</u>
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Winchester	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	31,834,141
Investment earnings	80,761	115,791	105,585	133,071	61,775	86,982	208,516	220,650	45,184	27,965
Miscellaneous	214,500	243,541	220,122	136,115	138,369	156,157	76,639	67,107	193,920	120,613
Transfers	-	-	-	-	-	-	-	-	-	-
Total School Board Component Unit	<u>26,946,963</u>	<u>46,019,307</u>	<u>27,847,236</u>	<u>29,916,132</u>	<u>29,359,088</u>	<u>30,385,872</u>	<u>30,737,477</u>	<u>41,095,206</u>	<u>42,080,443</u>	<u>31,982,719</u>
Change in Net Position										
School Board Component Unit	<u>\$ (2,321,830)</u>	<u>\$ 16,036,888</u>	<u>\$ (2,134,874)</u>	<u>\$ (77,922)</u>	<u>\$ (2,634,979)</u>	<u>\$ (1,284,993)</u>	<u>\$ (96,997)</u>	<u>\$ 9,798,303</u>	<u>\$ 12,111,245</u>	<u>\$ 6,910,100</u>

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

Table 3

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Post-GASB 54 implementation:										
General Fund										
Nonspendable	\$ 8,408	\$ 11,916	\$ 12,488	\$ 23,986	\$ 40,261	\$ 4,299	\$ 7,603	\$ 10,942	\$ 9,658	\$ 4,974
Restricted	486,062	495,790	457,025	444,950	359,898	180,235	161,576	150,594	335,969	213,733
Committed	1,218,750	1,926,988	1,811,912	1,678,662	816,327	758,966	802,452	1,629,059	1,568,721	2,288,502
Assigned	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	3,284,955
Unassigned	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	24,951,839
Total general fund	<u>\$ 22,190,771</u>	<u>\$ 22,241,458</u>	<u>\$ 22,082,376</u>	<u>\$ 23,128,383</u>	<u>\$ 25,087,711</u>	<u>\$ 26,586,803</u>	<u>\$ 27,020,136</u>	<u>\$ 26,233,733</u>	<u>\$ 26,093,589</u>	<u>\$ 30,744,003</u>
All Other Governmental Funds										
Nonspendable	\$ 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	9,028,279
Committed	-	-	-	-	-	-	-	-	-	426,435
Assigned	2,316,213	1,493,250	4,134,658	2,319,870	1,316,253	880,491	1,467,063	983,346	972,105	1,148,328
Unassigned	-	-	-	-	-	(11,814)	(15,109)	(17,481)	(666,405)	-
Total all other governmental funds	<u>\$ 2,498,713</u>	<u>\$ 5,674,110</u>	<u>\$ 4,426,049</u>	<u>\$ 4,467,574</u>	<u>\$ 9,318,690</u>	<u>\$ 4,562,012</u>	<u>\$ 2,177,271</u>	<u>\$ 4,265,973</u>	<u>\$ 7,776,520</u>	<u>\$ 10,603,042</u>

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

Table 4

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
General property taxes	\$ 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	\$ 48,478,205
Sales taxes	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	12,129,457
Other local taxes	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	26,348,621
Permits, privilege fees, and regulatory licenses	285,746	300,089	409,230	359,045	406,597	374,275	366,388	294,552	345,145	655,791
Fines and forfeitures	161,403	149,170	135,749	103,149	80,424	151,034	124,210	93,011	62,821	81,641
Revenues from use of money and property	219,226	194,025	212,093	309,350	275,080	331,454	530,560	491,370	139,194	290,260
Charges for services	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	2,835,481
Miscellaneous	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	948,580
Recovered costs	726,062	612,575	632,710	1,700,831	1,068,531	1,484,328	1,143,333	2,134,030	1,841,979	1,328,664
Intergovernmental	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	30,425,802
Total revenues	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	123,522,502
Expenditures										
General government administration	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	7,852,021
Judicial administration	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	4,451,654
Public safety	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	25,857,283
Public works	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	10,392,486
Health and welfare	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	12,813,132
Education	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	31,894,879
Parks, recreation, and culture	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	3,742,667
Community development	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	2,626,884
Capital outlay	-	-	-	-	5,480,740	8,556,040	6,960,346	11,712,403	9,039,041	18,582,038
Debt service:										
Principal retirement	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	8,954,909
Interest and fiscal charges	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	2,987,065
Bond issuance costs	216,634	183,567	179,468	75,256	55,800	254,708	23,720	284,345	525,696	232,681
Total expenditures	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	130,387,699
Excess of revenues over (under) expenditures	(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)	(6,865,197)

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

Table 4 (Continued)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Other Financing Sources (Uses)										
Sale of property	\$ -	\$ -	\$ -	\$ 11,250	\$ 795,000	\$ 3,443	\$ 5,117	\$ 62,000	\$ 1,928	\$ 5,218
Insurance recoveries	47,216	33,437	16,349	139,712	51,170	32,996	106,450	22,672	41,085	47,670
Bonds issued	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	11,960,000
Proceeds from premium on bond issuance	-	1,926,248	1,309,592	-	-	2,751,878	-	2,176,851	4,781,523	1,083,235
Payment to refunded bond escrow agent	(26,730,493)	-	(12,373,771)	-	-	(19,151,899)	-	-	(29,010,186)	-
Transfers in	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	6,259,990
Transfers out	(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)	(5,013,980)
Total other financing sources and uses	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	14,342,133
Net change in fund balances	\$ (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	\$ 7,476,936
Debt service as a percentage of noncapital expenditures	11.3%	9.5%	11.6%	11.0%	11.4%	10.4%	10.8%	10.0%	9.7%	10.7%

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

Table 5

Fiscal Year	Real Property (1)(3)						Personal Property (1) (4)								Total Taxable Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Tax Rate per \$100	Public Service	Tax Rate per \$100		Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Mobile Homes	Tax Rate per \$100		
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
2022	2,280,741,900	1,124,700,200	0.93	87,225,742	0.93		715,445,182	4.80	28,731	4.80	123,596,370	1.30	256,380	0.93	4,331,994,505	1.29

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

Fiscal Year	City Direct Rates (2)				Total Direct Rate
	Real Estate	Public Service Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	
2013	0.81	0.02	0.35	0.06	1.20
2014	0.81	0.02	0.37	0.06	1.24
2015	0.78	0.02	0.36	0.05	1.26
2016	0.78	0.02	0.37	0.06	1.21
2017	0.78	0.02	0.35	0.05	1.23
2018	0.78	0.02	0.40	0.05	1.23
2019	0.79	0.02	0.43	0.05	1.25
2020	0.76	0.02	0.60	0.04	1.42
2021	0.76	0.02	0.63	0.04	1.45
2022	0.73	0.02	0.79	0.04	1.58

Notes:

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

Source:

City of Winchester, Commissioner of the Revenue

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

Table 7

<u>Taxpayer</u>	<u>December 31, 2021</u>			<u>December 31, 2011</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Mayflower Apple Blossom LP	39,318,700	1	1.15%	48,943,400	1	1.79%
TSO Winchester Station LP	24,010,600	2	0.70%			
Denstock Meadow Branch LLC	23,561,300	3	0.69%			
PDK Winchester LC	20,989,400	4	0.62%	21,322,200	4	0.78%
Rubbermaid Commercial Prod Inc	20,389,000	5	0.60%	20,114,100	5	0.74%
Canterbury Hill LLC	20,180,700	6	0.59%			
Wal-Mart Realty Company	19,477,400	7	0.57%	23,733,000	2	0.87%
DDRM Apple Blossom Corners LLC	18,405,900	8	0.54%	16,440,400	6	0.60%
Jubal Square LLC	16,450,500	9	0.48%			
PV Associates LLC	14,688,300	10	0.43%			
National Fruit Prod Co Inc				14,589,400	7	0.53%
Lowe's Home Center Inc				12,283,600	9	0.45%
Pleasant Valley Market Place LLC				12,510,500	8	0.46%
G W Development LLC						
Winchester Medical Center						
Stuart Hill Apartments				12,147,000	10	0.45%
Loveless Home X LLC J A						
Cole MT Winchester LC				21,952,800	3	0.78%
Total	<u><u>\$ 217,471,800</u></u>		<u><u>6.37%</u></u>	<u><u>\$ 204,036,400</u></u>		<u><u>7.45%</u></u>

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		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections (Refunds) in Subsequent Years	Total Collections to Date						
	(Original Levy)				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy					
2013	\$	36,736,704	\$	25,803	\$	36,762,507	\$	35,636,313	97.00%	\$	891,044	\$	36,527,357	99.36%
2014		37,464,538		132,914		37,597,452		36,358,575	97.05%		1,029,444		37,388,019	99.44%
2015		38,015,252		12,320		38,027,572		36,950,548	97.20%		724,988		37,675,536	99.07%
2016		38,468,743		59,315		38,528,058		37,485,391	97.44%		709,605		38,194,996	99.14%
2017		41,131,840		(801)		41,131,039		39,976,381	97.19%		782,472		40,758,853	99.10%
2018		41,417,336		(226,410)		41,190,926		40,093,397	96.80%		696,527		40,789,924	99.03%
2019		42,062,215		(63,106)		41,999,109		38,788,843	92.22%		732,204		39,521,047	94.10%
2020		42,729,722		1,481		42,731,203		41,533,134	97.20%		470,067		42,003,201	98.30%
2021		44,685,599		48,585		44,734,184		42,858,718	95.91%		318,403		43,177,121	96.52%
2022		38,709,468		(4,556)		38,704,912		19,697,592	50.89%		(31,972)		19,665,620	50.81%

Source:

City of Winchester, Treasurer

Notes:

(1) Includes the Commonwealth's personal property tax reimbursement.
 Personal Property Taxes are levied in arrears over multiple calendar years.

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

Table 9

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds (2)	Obligations and Leases Payable	General Obligation Bonds (2)	Revenue Bonds (2)	Obligations and Leases Payable			
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
2022	104,548,373	67,894	4,268,137	122,693,846	32,216,429	263,794,679	17.79%	9,318

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.
- (2) Includes Unamortized Bond Premiums

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)
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
2022	108,816,510	-	108,816,510	2.51%	3,844

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, 2022

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Winchester	Amount Applicable to City of Winchester
City of Winchester	\$ 104,616,267	100%	\$ 104,616,267

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 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	\$ 349,266,784
Total net debt applicable to limit	<u>107,467,343</u>	<u>114,224,636</u>	<u>106,210,407</u>	<u>105,885,838</u>	<u>104,449,458</u>	<u>95,354,720</u>	<u>85,790,000</u>	<u>91,165,000</u>	<u>95,905,000</u>	<u>98,000,000</u>
Legal debt margin	<u>\$ 175,135,790</u>	<u>\$ 169,230,321</u>	<u>\$ 191,964,839</u>	<u>\$ 193,686,708</u>	<u>\$ 195,554,897</u>	<u>\$ 224,933,246</u>	<u>\$ 235,434,942</u>	<u>\$ 239,775,692</u>	<u>\$ 252,044,175</u>	<u>\$ 251,266,784</u>
Total net debt applicable to the limit as a percentage of debt limit	38.03%	40.30%	35.62%	35.35%	34.82%	29.77%	26.71%	27.55%	27.56%	28.06%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed Value of Real Property	\$ 3,492,667,842
Debt Limit - 10%	349,266,784
Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>98,000,000</u>
Legal Debt Margin	<u>\$ 251,266,784</u>

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

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

Table 13

Water and Sewer Revenue Bonds							
Fiscal Year	Water and Sewer		Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
	Charges and Other				Principal	Interest	
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
2022	36,227,332		17,913,228	18,314,104	4,585,874	4,376,594	2.04

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	Popu- lation(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(4)	Educational attainment (4) High School Graduate or higher	Bachelor's Degree or higher	School enrollment(5)	Unemployment rate (3)
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%
2022	28,310	1,482,793	52,377	37.3	86.2%	34.3%	3,968	2.70%

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

<u>Employer</u>	<u>December 31, 2021</u>			<u>December 31, 2012</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Valley Health System	1,000 and over	1	6.86%	1,000 and over	1	7.31%
Winchester Public Schools	500 - 999	2	3.43%	500 - 999	3	3.66%
Shenandoah University	500 - 999	3	3.43%	500 - 999	2	3.66%
Wal Mart	500 - 999	4	3.43%	500 - 999	5	3.66%
U.S. Federal Bureau of Investigation	500 - 999	5	3.43%			
Newell Brand Industries- Rubbermaid	500 - 999	6	3.43%	500 - 999	4	3.66%
City of Winchester	500 - 999	7	3.43%	500 - 999	7	3.66%
U.S. Department of Defense	250 - 499	8	1.71%	500 - 999	6	3.66%
American Woodmark	250 - 499	9	1.71%			
O'Sullivan Films Inc	250 - 499	10	1.71%	250 - 499	8	1.83%
Grafton School Inc				250 - 499	9	1.83%
Axiom Staffing Group				250 - 499	10	1.83%
Total	4,750		32.58%	4,750		34.74%

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function/Program										
General government administration	38	44	41	42	43	42	43	42	56	43
Judicial administration	44	45	48	50	50	49	47	51	47	53
Public safety	228	216	234	233	226	223	240	215	227	237
Public works	61	56	53	59	71	58	62	58	85	102
Health and welfare	40	43	46	45	46	39	45	49	53	64
Parks, recreation and culture	46	46	42	39	36	38	35	33	22	22
Community development	12	12	19	21	12	11	12	12	12	14
Water and sewer	67	61	65	70	63	58	59	78	79	82
Bus service	15	18	19	21	13	18	21	22	14	27
Parking authority	6	6	6	6	6	3	5	6	6	7
Schools	668	674	689	703	707	700	703	703	707	746
Total	1,225	1,221	1,262	1,289	1,273	1,239	1,272	1,269	1,308	1,397

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

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Building permits issued	1,463	1,709	1,732	1,787	1,898	1,913	3,949*	4,286*	1,855	1,819
Building inspections conducted (commercial and residential)	6,025	7,408	8,150	8,858	8,829	8,902	11,645*	5,114	4,166	3,777
Police										
Physical arrests	3,018	3,802	2,838	4,113	2,653	2,796	2,325	1,976	1,207	1,428
Parking violations	4,526	4,226	3,542	3,013	3,634	3,941	10,107	8,316	4,055	5,664
Traffic violations	4,304	4,580	4,543	4,534	5,190	5,021	7,947	5,378	6,368	3,657
Fire										
Emergency responses	5,518	5,804	6,022	6,282	6,784	6,588	6,142	5,854	6,116	6,779
Structure fires	57	55	54	52	48	56	54	45	33	42
On-site fire inspections	377	486	333	918	809	457	881	666	275****	895
Fire suppression inspection tests	61	82	63	136	116	111	171	68	44****	74
Refuse Collection										
Refuse collected (tons per year -- residential and non-residential)	6,681	6,608	6,451	6,534	6,629	6,561	6,719	6,794	7,109	7,217
Recyclables collected (tons per year -- does not include cardboard or yard waste)	3,312	3,068	3,076	3,094	3,051	2,931	2,850	2,190	2,154	1,972
Recyclable scrap	21.00	13.00	10.00	8.00	19.37	34.00	3.39	16.50	20.51	23.26
Other Public Works										
Street resurfacing (miles)	5.60	5.10	21.38	7.00	11.98	10.00	9.59	10.23	1.39	5.58
Parks and Recreation										
Shelter permits issued	691	493	352	390	386	420	293	221**	239***	359
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	25,156	25,776	23,349	33,515	33,163	36,236	36,797	26,111**	4,109***	15,978
Racquetball court users (1)	2,506	2,445	2,711	1,980	1,824	2,550	2,402	1,340**	738***	701**
Indoor fitness room users (1)	7,375	6,067	5,797	2,535	3,128	3,808	3,335	1,944**	7***	1,019**
Water										
Average daily production	6.14mgd	5.95mgd	6.43 mgd	6.55mgd	7.09 mgd	6.17 mgd	6.10mgd	5.82mgd	5.76mgd	5.54mgd
New connections	26	28	38	44	41	24	16	18	38	23
Total connections	11,047	11,075	11,113	11,157	11,198	11,222	11,238	11,256	11,294	11,317
Water main breaks	29	42	48	33	37	42	25	32	38	29
Average daily consumption	4.5mgd	5.09mgd	5.4 mgd	6.12 mgd	5.75 mgd	5.21 mgd	4.79mgd	3.83mgd	3.84mgd	3.91mgd
Wastewater										
Average daily flow (12 month period)	4.96mgd	4.87mgd	4.70 mgd	4.96 mgd	4.97 mgd	5.09 mgd	4.72 mgd	4.11mgd	4.82mgd	4.75mgd
Peak Flow (12 month period)	22.0mgd	25.9mgd	25.47 mgd	18.49 mgd	20.1 mgd	20.05 mgd	21.14mgd	20.04mgd	20.50mgd	21.27mgd
Transit										
Passenger trips	130,190	120,758	126,122	138,961	143,208	139,998	134,832	110,844**	85,334***	134,223
Schools (2)										
Number of teachers, Elementary (K-4)	143	147	150	159	157	156	154	146	157	166
Number of teachers, Middle 5-8)	95	98	104	107	108	105	103	110	121	113
Number of teachers, Secondary (9-12)	98	99	101	102	104	102	102	101	111	114
Number of students, Elementary (K-4)	1776	1,707	1,688	1,698	1,677	1,598	1,576	1,742	1,502	1,446
Number of students, Middle (5-8)	1190	1,177	1,287	1,306	1,343	1,304	1,287	1,313	1,265	1,213
Number of students, Secondary (9-12)	1119	1,263	1,190	1,259	1,269	1,297	1,258	1,297	1,315	1,326

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
SubStations	1				2	1	1	1	-	-
Patrol cars	76	73	69	74	85	81	85	81	81	85
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection Trucks	7	7	8	8	8	8	8	8	8	8
Other Public Works										
Streets (miles)	221.00	221.00	221.00	221.00	221.00	219.34	219.34	223.66	222.72	222.72
Streetlights	63	63	63	126	121	121	121	121	121	121
Traffic signals	56	56	57	59	55	54	54	55	55	57
Parks and Recreation										
Number of parks	14	14	14	14	14	15	15	15	15	15
Acreage	248	247	247	247	247	248	271	271	271	271
Miles of Trails								6.1	*7.1	*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	8	8	8	8
Soccer/football fields	9	9	9	9	9	9	10	10	10	10
Basketball courts	7	7	7	7	7	8	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	127	127	127	127	128	128	129
Fire hydrants	1,085	1,085	1,085	1,088	1,290	1,290	1,316	1,316	1,316	1,345
Water storage capacity	12 mg	12 mg	12 mg	12 mg	12 mg	12 mg	12mg	10.3mg	10.1mg	10.1mgd
Wastewater										
Miles of storm sewers	82	82	82	83	83	83	83	83	83	84
Miles of sanitary sewers	122	122	122	123	123	123	123	123	123	124
Opequon wastewater treatment capacity (1)	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1mgd	7.1mgd	7.1mgd	7.1mgd
Transit										
Minibuses	7	7	6	6	6	6	5	5	5	5
Trolleys	2	2	1	1	1	1	1	1	1	1
Vans	2	1	2	2	4	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	168	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	115

Source: Various Departments in the City

Notes:

(1) Operated by Frederick Winchester Service Authority

* Includes the ParCourse Trail

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**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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2022.

Report on 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 2022-004, that we consider to be a significant deficiency.**

Report on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2022-003.**

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 1, 2022

**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

Opinion 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 identified as subject to audit 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, 2022. 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.

In our opinion, the City of Winchester, Virginia complied, in all material respects, with the types of compliances 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Winchester, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the City of Winchester, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Winchester, Virginia's federal programs.

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Winchester, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Winchester, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Winchester, Virginia's internal control over compliance Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we did identify one deficiency in internal control over compliance that we consider to be a significant deficiency.**

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. **We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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
December 1, 2022

CITY OF WINCHESTER, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

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, 2022

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 was 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. **One significant deficiency** relating to the audit of the major federal award programs was 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 **one audit finding related to major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
SNAP Cluster – State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561
Federal Transit Cluster – Formula Grants	20.507
Teacher and School Leader Incentive Program	84.374A
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D, 84.425U
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027

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**.

(Continued)

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-004 Audit Adjustments (Significant Deficiency) – Schools

Condition:

As part of our audit, we proposed multiple significant adjustments to retainage payable, construction in progress, revenue, expenditures, and beginning fund balance.

Criteria:

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

Cause:

Transactions and adjustments pertaining to year end were not adequately reviewed for proper inclusion or exclusion in the accounting records.

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 2023 audit.

Views of Responsible Officials and Planned Corrective Action:

Management approved and made all adjusting journal 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.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2022

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

2022-001: Controls Over Cutoff – Elementary and Secondary School Emergency Relief (ESSER) – AL# 84.425D, 84.425U (Significant Deficiency in Controls Over Compliance)

Condition:

During our review of ESSER expenditures, we noted approximately \$14,000 of allowable costs that were recorded in the wrong period.

Criteria:

The expenditures must be reported in the proper period for accurate reporting on the Schedule of Expenditures of Federal Awards.

Cause:

Procedures in place to ensure all expenditures are recorded in the proper period were not followed.

Effect:

Approximately \$14,000 of allowable costs were recorded in fiscal year 2022 instead of fiscal year 2021.

Questioned Cost Amount:

N/A – the expenditures in question are allowable costs that were reported in the wrong fiscal year.

Perspective Information:

Two items out of 25 tested.

Context:

The individual overseeing the project did not provide invoices to Finance in a timely manner.

Recommendation:

We recommend continued communications with all departments to ensure all invoices are being submitted to Finance in a timely manner in order to record expenditures in the proper reporting period.

Views of Responsible Officials and Planned Corrective Action:

The Director of Finance of Winchester Public Schools will communicate the importance of getting invoices to the School's finance department in a timely manner.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2022

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

2022-002: Unallowable Costs – Elementary and Secondary School Emergency Relief (ESSER) – AL# 84.425D, 84.425U

Condition:

As part of our audit, we noted one instance where payroll for an elementary school teacher was incorrectly charged to this program.

Criteria:

All expenditures being coded to Federal programs must be reviewed to ensure they are an allowable cost.

Cause:

Procedures in place to ensure all expenditures are allowable were not followed.

Effect:

Payroll for one elementary school teacher was incorrectly recorded as an ESSER expenditure.

Questioned Cost Amount:

The total of the error noted in testing was approximately \$450. The projected error is estimated to be approximately \$7,900.

Perspective Information:

One item out of 25 tested.

Context:

Budget reports submitted to and approved by the Virginia Department of Education (VDOE) include details explaining how Winchester Public Schools will spend ESSER funds. The elementary school position was not included in this report and, thus, not approved by the VDOE.

Recommendation:

We recommend continued review of payroll costs and positions before using ESSER funds.

Views of Responsible Officials and Planned Corrective Action:

The Director of Finance of Winchester Public Schools concurred with the finding and made the appropriate entries to remove these payroll costs out of the grant. The School's finance department will continue to have heightened scrutiny when using Federal funds.

CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2022

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2022-003 Department of Social Services – System Access

Condition:

During our review of system access, we noted one individual did not have system access request forms on hand, which would signify the type of access the individual should have.

Criteria:

The Department of Social Services requires auditors to review access to various reporting platforms. This includes keeping system access request forms for each individual, which details the access they should have. Additionally, management should review everyone's access on an annual basis to conclude whether employees have appropriate access for their job duties.

Cause:

System access request forms were not maintained for one individual.

Effect:

An individual did not have completed or reviewed system access request forms.

Recommendation:

We recommend that system access request forms be maintained for each employee of the City of Winchester's Department of Social Services. Additionally, we recommend that these system access request forms be reviewed by appropriate levels of management on an annual basis.

Views of Responsible Officials and Planned Corrective Action:

While this occurred under the previous local security officer (LSO), management concurred and will be thorough with completing and maintaining system access request forms for all applicable employees of the City of Winchester's Department of Social Services.

CITY OF WINCHESTER, VIRGINIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2022

A. 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.

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.

Current Status:

During the fiscal year 2022 audit, audit entries for the City did not rise to the level of a Significant Deficiency. Finding appears to be resolved for the City. See the Schedule of Findings and Questioned Costs, Finding 2022-004, for an update on the Schools.

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Granting Agency/Recipient State Agency/Grant Program	Federal AL Number	Passthrough Number	Amounts Passed Thru to Sub-recipients	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	84703, 84903, 85503, 84322, 84703, 84903, 85503, 85803, 84704, 84904, 85504, 85804			\$ 923,709
Department of Forest Service:					
Cooperative Forestry Assistance	10.664	0000106723			5,900
Department of Corrections:					
National School Lunch Program	10.555	APE402540		30,168	
Commonwealth of Virginia Department of Agriculture and Consumer Services					
National School Lunch Program	10.555	APE402540		2,068,469	
National School Lunch Program - Commodities	10.555	APE402540		237,093	
COVID-19 - National School Lunch Program	10.555	APE402540		118,315	
School Breakfast Program	10.553	APE405880		602,265	
Total Child Nutrition Cluster:					3,056,310
Total U.S. Department of Agriculture					3,985,919
U.S. Department of Homeland Security					
Direct payments:					
Assistance to Firefighters Grant Program	97.044	N/A			105,841
Pass-through payments:					
Department of Emergency Management:					
Emergency Management Performance Grant	97.042	62744			8,905
State Homeland Security Grant Program	97.073	7760200			45,903
Total U.S. Department of Homeland Security					160,649
U.S. Department of Housing and Urban Development					
Direct payments:					
Community Development Block Grants:					
Entitlement Grants Cluster	14.218	N/A			422,141
Total U.S. Department of Housing and Urban Development					422,141
U.S. Department of Justice					
Direct payments:					
Bulletproof Vest Partnership Program	16.607	N/A			15,952
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	N/A			65,635
Pass-through payments:					
Department of Criminal Justice Services					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-MU-BX-0035			778
Juvenile Justice and Delinquency Prevention Title II - Alternative Interventions for Status Offenders	16.540	20-A4954JJ16			63,434
Crime Victim Assistance	16.575	86015			115,535
Total U.S. Department of Justice					261,334
U.S. Department of Transportation					
Direct payments:					
COVID-19 - Federal Transit	20.507	N/A			931,874
Pass-through payments:					
Virginia Department of Motor Vehicles					
Highway Safety Cluster - Alcohol Traffic Safety and Drunk Driving Prevention	20.601	55383			18,296
Virginia Department of Transportation					
Highway Planning and Construction Cluster - Highway Planning and Construction	20.205	0000097834			111,857
Total U.S. Department of Transportation					1,062,027
National Endowment for the Arts					
Direct payments:					
Promotion of the Arts Partnership Agreement	45.025	N/A			4,500

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2022

Federal Granting Agency/Recipient State Agency/Grant Program	Federal AL Number	Passthrough Number	Amounts Passed Thru to Sub-recipients	Cluster Expenditures	Federal Expenditures
U.S. Department of Education					
Direct payments:					
McKinney-Vento Education for Homeless Children & Youth	84.387	N/A			9,060
Education Innovation and Research	84.411C	N/A			1,006,664
Teacher and School Leader Incentive Program	84.374A	N/A			859,299
Pass-through payments:					
Commonwealth of Virginia Department of Education:					
Title I - Grants to Local Educational Agencies	84.010	APE42901			939,321
Special Education Cluster - Grants to States	84.027	APE43071		1,001,241	
Special Education - Preschool Grants	84.173	APE62521		63,466	
Total Special Education Cluster:					1,064,707
English Language Acquisition Grants	84.365	APE60512			127,573
Supporting Effective Instruction State Grants	84.367	APE61480			211,663
Vocational Education - Basic Grants to States	84.048	APE61095			39,762
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	APE501950000		1,311,427	
COVID-19 - Elementary and Secondary School Emergency Relief	84.425U	APE501950000		677,305	
COVID-19 - Unfinished Learning	84.425D	APE501850000		450,684	
Total for Elementary and Secondary School Emergency Relief and Unfinished Learning					2,439,416
Department of Behavioral Health and Developmental Services					
Early Intervention	84.181	N/A			221,441
Safe and Drug-Free Schools and Communities	84.184	APE600220			51,247
Total U.S. Department of Education					6,970,153
Department of Health and Human Services:					
Pass-through Payments:					
Department of Social Services:					
Guardianship Assistance	93.090	85828			11,644
Title IV-E Prevention Program	93.472	85851			9,149
Promoting Safe and Stable Families	93.556	85829			50,960
Temporary Assistance to Needy Families	93.558	85809 thru 85812, 85827, 85830			315,464
Refugee and Entrant Assistance	93.566	85813			3,899
Low Income Home Energy Assistance	93.568	85814			49,193
Community Based Child Abuse Prevention Grants	93.590	86609			993
CCDF Cluster - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	85516, 85517, 85518			71,005
Chafee Education and Training Vouchers Program	93.599	86101			7,166
Adoption and Legal Guardianship Incentive Payments	93.603	82001			4,952
Child Welfare Services	93.645	84731, 84931, 85531			754
		81107, 81108, 81110, 81112, 81403, 85505, 85506, 85507, 85533, 85538, 85547, 87301, 84319, 84705, 84706, 84707, 84733, 84738, 84747, 84905, 84906, 84907, 84933, 84938, 84947, 85805, 85806, 85807, 85833, 85838, 85847			384,458
Foster Care - Title IV-E	93.658	81201, 81202, 81203, 85508, 81201, 81202, 81203, 85508, 85808			706,592
Adoption Assistance	93.659	1000121, 1000122			373,491
Social Service Block Grant	93.667	85534, 86201, 84734, 84934, 85534, 86201			6,220
Chafee Foster Care Independence Program	93.674	85502, 84702, 84092, 85502, 85802			4,971
State Children's Insurance Program	93.767	85501, 85546, 85550, 84323, 84701, 84746, 84750, 84901, 84946, 84950, 85801, 85846, 85850			486,766
Medical Assistance Program	93.778				
Total U.S. Department of Health and Human Services					2,487,677
Department of the Treasury:					
Direct Payments:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	48,234		3,424,923
Pass-through Payments:					
Department of Accounts:					
COVID-19 - CARES Act Coronavirus Relief Funds	21.019	N/A			630,539
Total Department of Treasury					4,055,462
Federal Communications Commission					
Direct Payments:					
COVID-19 - Emergency Connectivity Fund Program	32.009	N/A			347,226
Total Expenditures of Federal Awards					\$ 19,757,088

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the City of Winchester, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

Note 2: Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 3: De Minimus Indirect Cost Rate

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

Note 4: Subrecipient Monitoring

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

Program Title	AL	Sub-recipient	Amount
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Blue Ridge Habitat for Humanity	\$ 11,319
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Congregational Community Action Plan	5,175
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Sinclair Health Clinic	31,740
			\$ 48,234