



# Annual Comprehensive Financial Report

Fiscal Year Ending June 30, 2023





**CITY OF WINCHESTER, VIRGINIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2023**

**Prepared by:**  
**City of Winchester, Virginia**  
**Finance Department**

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**CITY OF WINCHESTER, VIRGINIA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2023**

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## **CITY OF WINCHESTER, VIRGINIA**

### **THE COMMON COUNCIL**

John D. Smith, Jr., Mayor  
Kim M. Herbstritt, President  
John W. Hill., Vice Mayor  
Richard S. Bell, Vice President

Phillip L. Milstead  
Corey S. Sullivan  
Kathryn S. Tagnesi

Les C. Veach  
Emily R. Windle

### **OFFICIALS**

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

### **CONSTITUTIONAL OFFICERS**

William E. Sales, Jr., 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**

Thomas H. Mayhew  
Paula A. Nofsinger  
Tyler B. Schenck  
Melisa G. Michelsen  
Christian W. Redmer  
Michael T. Ruddy  
Jeffrey B. Buettner  
Scott E. Kensinger  
Celeste R. Broadstreet

Jonathan D. Henschel  
Timothy A. Youmans  
Amanda R. Behan  
Perry A. Eisenach  
Amber D. Dopkowski  
Dr. Jason Van Heukelum  
Justin R. Kerns

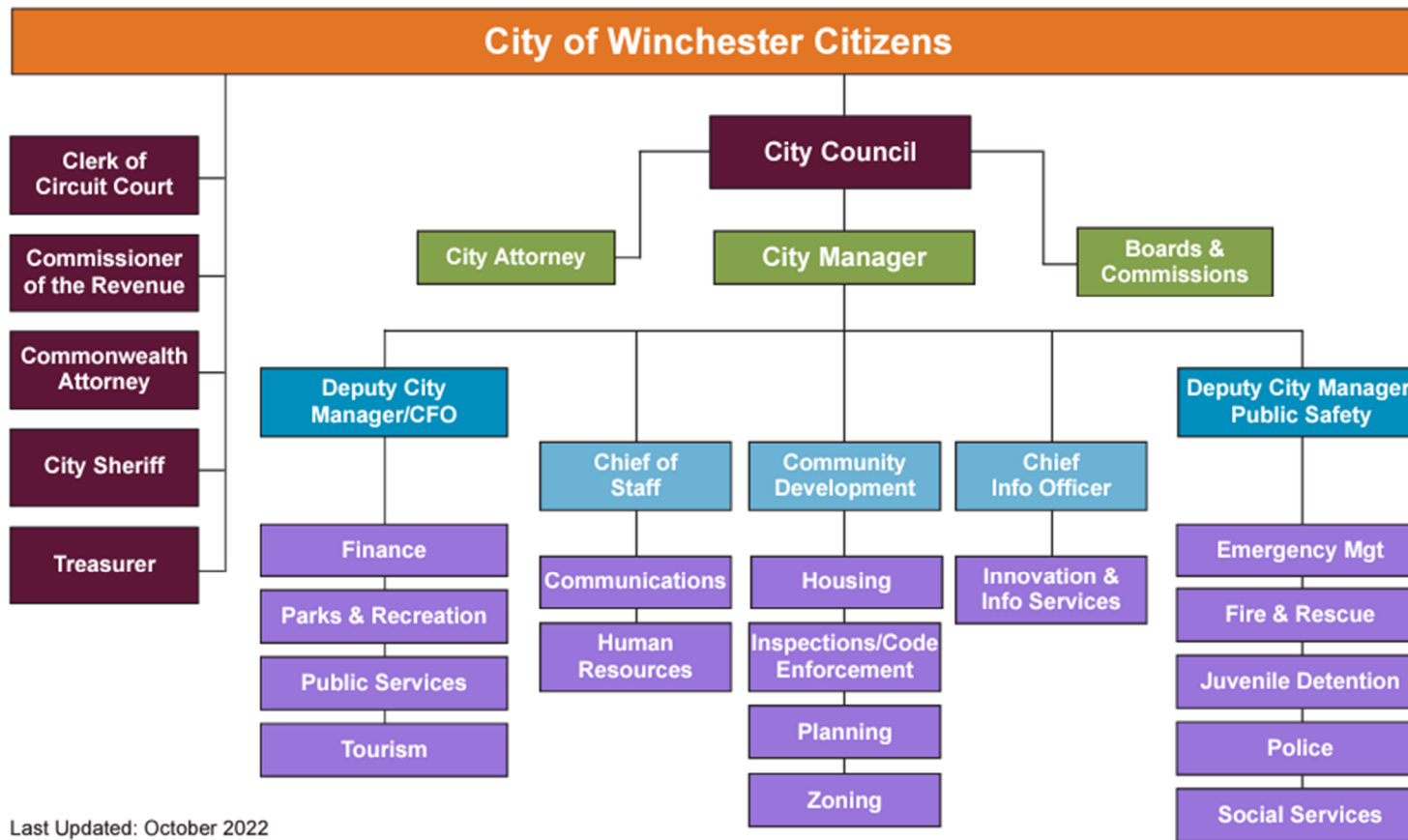
Elizabeth W. Martin  
Alfredo Gutierrez Velasquez

Building Official  
Chief of Staff  
Chief Information Officer  
City Attorney  
Communications Director  
Community Development Director  
Economic Development Director  
Emergency Management Coordinator  
Finance Director/Real  
Estate Administrator  
Fire and Rescue Chief  
Planning Director  
Police Chief  
Public Services Director  
Social Services Director  
Superintendent of Schools  
Executive Director, Win-Fred Co.  
Convention & Visitor's Bureau  
Voter Registrar  
Zoning Administrator

City of Winchester  
Organizational Chart



# ORGANIZATIONAL CHART



Last Updated: October 2022

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Winchester, VA 22601

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December 6, 2023

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, 2023, 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, 2023. 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 Compliance 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 28,310. 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 were 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
- ◆ Northwestern Juvenile Detention Center Commission
- ◆ Northwestern Regional Jail Authority
- ◆ Economic Development 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. The 495-bed regional referral center offers a broad spectrum of services that includes diagnostic, medical, surgical, and rehabilitative care in both inpatient and outpatient settings. The hospital is the only Level II Trauma Center in the region and is an essential resource for more than 400,000 residents in the northern Shenandoah Valley of Virginia, Eastern Panhandle of West Virginia, and western Maryland. A Magnet-designated hospital, Winchester Medical Center is also an Advanced Primary Stroke Center, Chest Pain Center, and Level 4 Epilepsy Center.

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 4,300 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.

## **Local Economy (Continued)**

The Winchester Regional Airport is an all-weather general aviation airport, with 5,500 feet of grooved asphalt runway, serving the region. The airport is staffed 24 hours a day/7 days a week and sells 100LL and Jet-A aviation fuel. It is the official airport of the Virginia Inland Port Authority, which is fifteen miles south of Winchester. The City participates with other user localities in a joint venture to operate the airport and contributes a share of the local funding needed for the operations and capital improvements of the airport.

The City's commercial tax base accounts for 30.6% 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, Petco, 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 2023 authenticates the size, diversity and positive impact on Winchester's business and financial strength. The Kent and Piccadilly Circle townhome project was completed in partnership with the Aikens Group adding 16 for sale townhomes. The Winchester Economic Development Authority issued a \$4 million loan to Winchester Acquisition Partners LLC to assist in the purchase of the Ward Plaza catalyst site for future redevelopment in calendar year 2024. Projects such as Ward Plaza represent the Economic Development Authority's goal of leveraging public resources to spur substantial private investment. Current projections estimate a private investment of \$80 million into the site. TFC Poultry, a Minnesota-based company, is nearing completion of their \$35 million investment into redeveloping vacant industrial space in the North End into a new turkey processing facility, bringing more than 100 new jobs in their first East Coast expansion. TFC Poultry received two state level grants, a \$400,000 Agriculture and Forestry Industries Development (AFID) grant from the Virginia Department of Agriculture and a \$500,000 Commonwealth Opportunity Fund (COF) grant from the Virginia Economic Development Partnership, to push the project into fruition.

Winchester City Council is exploring Neighborhood Design Districts and Tax Increment Financing (TIF) and received their first readings this year. Neighborhood Design Districts and TIF seek to radically change the City's approach to redevelopment. Rather than looking narrowly at one site for redeveloping, Neighborhood Design Districts will allow the City to "pre-plan" the site and adjacent parcels into a cohesive district. TIF bonds allow the City to preemptively build out infrastructure such as roads and piping around key catalyst sites to create development ready locations. Debt incurred to build out infrastructure is abated through the increased property tax revenue raised by the upwards property value assessment of redeveloped projects over time.

## **Local Economy (Continued)**

In addition, the City continues to successfully market the City's downtown. As of 2023, 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. During FY 2023 private improvements downtown totaled \$1.9 million. The City's Main Street Program is becoming a nonprofit separate from the municipality. Transforming the program into a separate nonprofit will give Main Street greater flexibility to focus on downtown revitalization and to curate fun and engaging events! The new nonprofit will be fully formed and operational at the beginning of 2024.

## **Long-term Financial Planning**

Unassigned fund balance in the general fund (25.7% 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 2043. 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 and a new Fire Station. In FY24, the City school district completed several significant capital improvement projects and doesn't anticipate any large capital projects in the next fiscal year. However, with two elementary school buildings entering their 30th+ year of service, there is expected need in coming years for substantial renovations to mechanical systems and building envelopes. These projects would need to be funded through general obligation bonds or other sources of local funding. Winchester Public Schools projects that enrollment will remain relatively flat throughout 2024-25 at approximately 4,150. 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. Current public-school assets 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. Green Circle Trail**

The City continues to work towards completing the Green Circle Trail. The design of the trail along Jubal Early between Plaza Drive and Millwood Avenue is in progress and construction on this section of the trail is expected to begin by the end of 2024.

## **Major Initiatives (Continued)**

### **B. Sidewalk Improvements**

Making improvements to sidewalks is one of the highest priorities for City Council and the residents of Winchester. Work has started on \$4 million of sidewalk replacements on multiple streets throughout the City that was approved in the FY24 budget.

### **C. Street Repaving**

Maintaining the City's streets has always been a high priority, as evidenced by the \$3 million in street repaving on streets throughout the City that was approved in the FY24 budget. Work has started on this effort and will continue throughout 2024.

### **D. 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 total cost of this major project will be over \$20 million, and construction will begin in early 2024 and will take two years to complete.

### **E. 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 is currently progressing on Greystone Terrace. The next large project will be the watermain replacement on Jefferson Street that is expected to begin next year.
2. The City's new in-house construction crew is working on water and sewer utility replacements on S. Loudoun Street between Cork and Gerrard.
3. Sewer pump station replacements. Engineering design is in progress on two different pump stations and construction will begin in 2024.
4. Raw water reservoir. Preliminary investigations of constructing a raw water reservoir near the water treatment plant are underway.

### **F. 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. Construction is set to begin in 2025.

### **G. New South End Fire Station**

The design of the new South End Fire Station is in progress and construction is expected to begin by late summer in 2024. This will be the first fire station owned and operated by the City.

### **H. Preston Field Improvements**

Construction of two artificial turf soccer fields has progressed rapidly and work will be completed in time for the new fields to be used in the early spring of 2024.



## **Major Initiatives (Continued)**

### **I. Middle Road and Papermill Road Improvements**

Design work has started on both projects that will install sidewalks, curb & gutter, underground drainage infrastructure, and bike lanes along both streets.

### **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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the thirty-first 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 annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

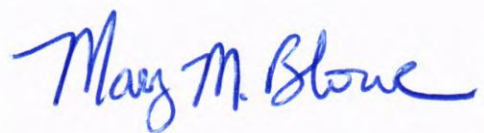
The preparation of this report was made possible by the dedicated and effective efforts of City and Schools Finance staff, and staff in other departments throughout the City who assisted in gathering the information for this report. Many hours of hard work are represented herein, and we extend our sincere appreciation to each member of our staff who contributed to the final report.

Finally, grateful appreciation is extended to the City Council for their leadership and support throughout the year.

Respectfully submitted,



Daniel C. Hoffman  
City Manager



Mary M. Blowe  
Deputy City Manager/CFO



Celeste R. Broadstreet  
Finance 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, 2022

*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, 2023, 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, 2023, 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 10 to the financial statements, in 2023, the City adopted new accounting guidance, *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*. 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, which 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 6, 2023 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 6, 2023

**City of Winchester, Virginia**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2023**

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, 2023. 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 units, exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2023 by \$156.0 million (net position).
- The City's total net position increased approximately \$22.3 million over the course of this year's operations. Net position of governmental activities increased \$18.0 million, and net position of business-type activities increased \$4.3 million from the prior year.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39.0 million, a decrease of \$2.3 million over the prior year. Approximately 66.1% of this amount, \$25.8 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 \$25.8 million. This amount represents 25.7% of total general fund expenditures.
- The City's total debt decreased by \$15.5 million, or 6.8%. The City's general obligation bond debt decreased \$10.6 million, revenue bond debt decreased \$4.8 million, financed equipment purchase, leases and subscriptions increased \$1.5 million and obligations payable decreased \$1.6 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.

**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 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 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 and grounds 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 - 97 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 98 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.

## **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 \$156.0 million at the close of fiscal year 2023.

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 \$50.5 million at the end of FY 2022 to \$68.5 million (\$18.0 million increase) at the end of FY 2023. This increase is attributed to the increase in capital assets, including road improvements, improvements to Jim Barnett Park, the purchase of a volunteer fire station; and a decrease in outstanding debt, see Note 8 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 13, page 54. In FY 2018 the City began complying with GASB Statements No. 74 and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.



## **Government-wide Financial Analysis (Continued)**

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 15, page 70. 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, see Note 9, page 51. In addition, in FY 2023 the City began complying with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard requires for the first time the City to recognize a subscription liability and an intangible right-to-use subscription asset, see Note 10, page 52. 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, 2023**  
**(in millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit School Board</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Assets</b>								
Current and other assets	\$ 60.8	\$ 67.3	\$ 18.9	\$ 25.7	\$ 79.7	\$ 93.0	\$ 21.2	\$ 24.8
Capital assets	131.2	121.2	222.8	221.5	354.0	342.7	140.8	134.7
<b>Total Assets</b>	<b>192.0</b>	<b>188.5</b>	<b>241.7</b>	<b>247.2</b>	<b>433.7</b>	<b>435.7</b>	<b>162.0</b>	<b>159.5</b>
<b>Deferred Outflows of Resources</b>								
Deferred charge on refunding	1.1	1.7	1.3	1.5	2.4	3.2	-	-
Pension related deferred outflows	4.2	6.2	0.5	0.7	4.7	6.9	9.6	10.4
Other postemployment benefit related deferred outflows	3.7	4.2	0.3	0.3	4.0	4.5	1.1	1.1
<b>Total Deferred outflows of resources</b>	<b>9.0</b>	<b>12.1</b>	<b>2.1</b>	<b>2.5</b>	<b>11.1</b>	<b>14.6</b>	<b>10.7</b>	<b>11.5</b>
<b>Liabilities</b>								
Current and other liabilities	10.5	16.1	3.4	4.9	13.9	21.0	10.0	9.1
Long-term liabilities	110.5	114.7	152.0	159.8	262.5	274.5	43.8	36.7
<b>Total Liabilities</b>	<b>121.0</b>	<b>130.8</b>	<b>155.4</b>	<b>164.7</b>	<b>276.4</b>	<b>295.5</b>	<b>53.8</b>	<b>45.8</b>
<b>Deferred Inflows of Resources</b>								
Leases	1.1	1.1	-	-	1.1	1.1	-	-
Property taxes collected in advance	1.3	1.3	-	-	1.3	1.3	-	-
Pension related deferred inflows	5.4	13.2	0.7	1.5	6.1	14.7	8.2	22.3
Other postemployment benefit related deferred inflows	3.7	3.7	0.2	0.3	3.9	4.0	0.8	1.1
<b>Total Deferred inflows of resources</b>	<b>11.5</b>	<b>19.3</b>	<b>0.9</b>	<b>1.8</b>	<b>12.4</b>	<b>21.1</b>	<b>9.0</b>	<b>23.4</b>
<b>Net Position</b>								
Net investment in capital assets	92.0	87.3	73.2	71.9	165.2	159.2	139.4	134.3
Restricted	0.4	0.2	-	-	0.4	0.2	1.2	2.2
Unrestricted	(23.9)	(37.0)	14.3	11.3	(9.6)	(25.7)	(30.7)	(34.7)
<b>Total Net Position</b>	<b>\$ 68.5</b>	<b>\$ 50.5</b>	<b>\$ 87.5</b>	<b>\$ 83.2</b>	<b>\$ 156.0</b>	<b>\$ 133.7</b>	<b>\$ 109.9</b>	<b>\$ 101.8</b>

## **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 (\$49.2 million) were not presented in Table 2, the net position for the governmental activities would be \$117.7 million and the total net position for the primary government would be \$205.2 million.

**Table 2**  
**Changes in the City of Winchester's Net Position**  
**Fiscal Year ended June 30, 2023**  
**(in millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit School Board</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>								
Program Revenues								
Charges for services	\$ 8.7	\$ 6.1	\$ 37.0	\$ 36.2	\$ 45.7	\$ 42.3	\$ 1.4	\$ 1.1
Operating grants and contributions	22.4	26.0	0.1	0.1	22.5	26.1	48.7	42.0
Capital grants and contributions	5.0	4.8	1.2	0.3	6.2	5.1	0.5	1.0
General Revenues								
Property taxes	52.0	49.8	-	-	52.0	49.8	-	-
Sales taxes	12.8	12.1	-	-	12.8	12.1	-	-
Other taxes	27.6	26.3	-	-	27.6	26.3	-	-
Grants and contributions not restricted to specific programs	3.2	3.2	-	-	3.2	3.2	-	-
Unrestricted investment earnings	0.4	-	0.1	-	0.5	-	0.1	0.1
Other	-	-	-	-	-	-	34.8	31.8
<b>Total revenues</b>	<b>\$ 132.1</b>	<b>\$ 128.3</b>	<b>\$ 38.4</b>	<b>\$ 36.6</b>	<b>\$ 170.5</b>	<b>\$ 164.9</b>	<b>\$ 85.5</b>	<b>\$ 76.0</b>
<b>Expenses</b>								
General government administration	8.5	8.1	-	-	8.5	8.1	-	-
Judicial administration	5.0	4.6	-	-	5.0	4.6	-	-
Public safety	29.4	26.7	-	-	29.4	26.7	-	-
Public works	15.0	13.0	-	-	15.0	13.0	-	-
Health and welfare	12.9	12.6	-	-	12.9	12.6	-	-
Education	34.7	31.9	-	-	34.7	31.9	77.4	67.9
Parks, recreation and culture	5.0	4.2	-	-	5.0	4.2	-	-
Community development	2.8	2.6	-	-	2.8	2.6	-	-
Interest on long-term debt	2.1	2.4	-	-	2.1	2.4	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Water and sewer	-	-	32.8	29.4	32.8	29.4	-	-
<b>Total expenses</b>	<b>115.4</b>	<b>106.1</b>	<b>32.8</b>	<b>29.4</b>	<b>148.2</b>	<b>135.5</b>	<b>77.4</b>	<b>67.9</b>
<b>Increase (decrease) in net position</b>								
<b>before transfers</b>	<b>16.7</b>	<b>22.2</b>	<b>5.6</b>	<b>7.2</b>	<b>22.3</b>	<b>29.4</b>	<b>8.1</b>	<b>8.1</b>
Transfers	1.3	1.2	(1.3)	(1.2)	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>18.0</b>	<b>23.4</b>	<b>4.3</b>	<b>6.0</b>	<b>22.3</b>	<b>29.4</b>	<b>8.1</b>	<b>8.1</b>
<b>Net position - beginning</b>	<b>50.5</b>	<b>27.1</b>	<b>83.2</b>	<b>77.2</b>	<b>133.7</b>	<b>104.3</b>	<b>101.8</b>	<b>93.7</b>
<b>Net position - ending</b>	<b>\$ 68.5</b>	<b>\$ 50.5</b>	<b>\$ 87.5</b>	<b>\$ 83.2</b>	<b>\$ 156.0</b>	<b>\$ 133.7</b>	<b>\$ 109.9</b>	<b>\$ 101.8</b>

## **Government-wide Financial Analysis (Continued)**

As shown in Table 2, the City's revenues from governmental activities totaled \$132.1 million for FY 2023, an increase of \$3.8 million from FY 2022. The largest increase was in charges for services totaling \$2.6 million mainly due to proceeds from the sale of property. Property taxes increased by \$2.2 million due to the increase in assessed values for real and personal property. Operating grants and contributions decreased by \$3.6 million primarily to the Federal American Rescue Plan (ARPA) Act grant funds, these funds were used to help mitigate and respond to the COVID-19 pandemic. The City was awarded \$12.3 million in FY 2022 and has approximately \$3.7 million remaining at the end of FY 2023.

Winchester's general revenues increased by \$4.6 million from the prior year, including \$1.3 million increase in Other taxes (business licenses, communications, transient lodging, and meals taxes) due to the continued economic recovery from the COVID-19 pandemic restrictions. In addition, Property taxes increased by \$2.2 million from the prior year due to market conditions which significantly increased the assessment value of real and personal property; and Sales taxes increased \$0.7 million due to the City's economic base which has remained strong.

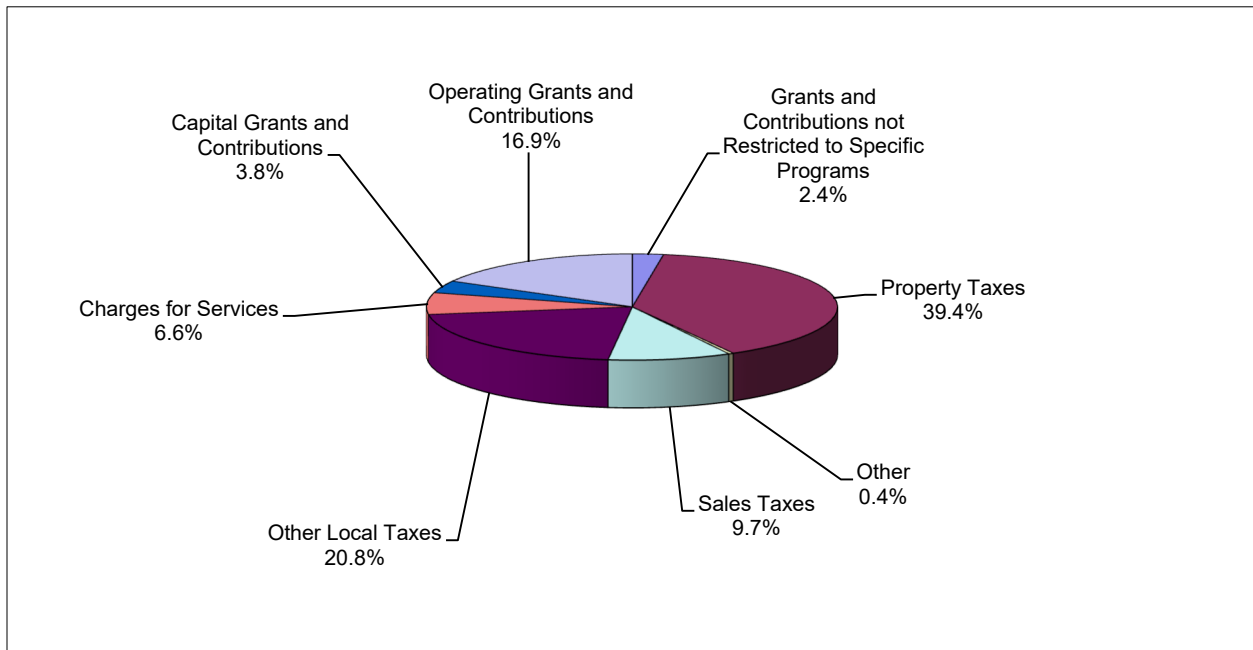
The City's expenses from governmental activities totaled \$115.4 million (Table 2) for the fiscal year ended June 30, 2023, an increase of \$9.3 million from the prior year. The largest increases were in education at \$2.8 million, public safety by \$2.7 million and public works increased by \$2.0 million. Judicial administration increased by \$0.4 million, general government administration increased by \$0.4 million, parks, recreation and culture increased by \$0.8 million and Community development increased by \$0.2 million. Overall increases include personnel and benefits costs as the City is committed to recruiting and retaining employees, by maintaining competitive salaries and benefits. In addition, inflation also has increased operation costs by double digits in some instances for essential materials and supplies.

As shown in Figure A, the City received 69.9% of its revenue from taxes. The major source of revenue for the City was property taxes (\$52.0 million or 39.4%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's real property tax rate decreased from the prior year rate of \$0.93 per \$100 of assessed value to \$0.83 per \$100 of assessed value due to the increase in property values from the real property reassessment (effective January 1, 2023). The 2023 reassessment of real property increased real estate tax revenue approximately \$4.3 million at the lowered real estate tax rate of \$0.83 per \$100 of assessed value. The City revalues real property every two years. Other tax revenues (sales and other taxes) increased \$2.0 million from the prior year, due to strong economic conditions in the City.

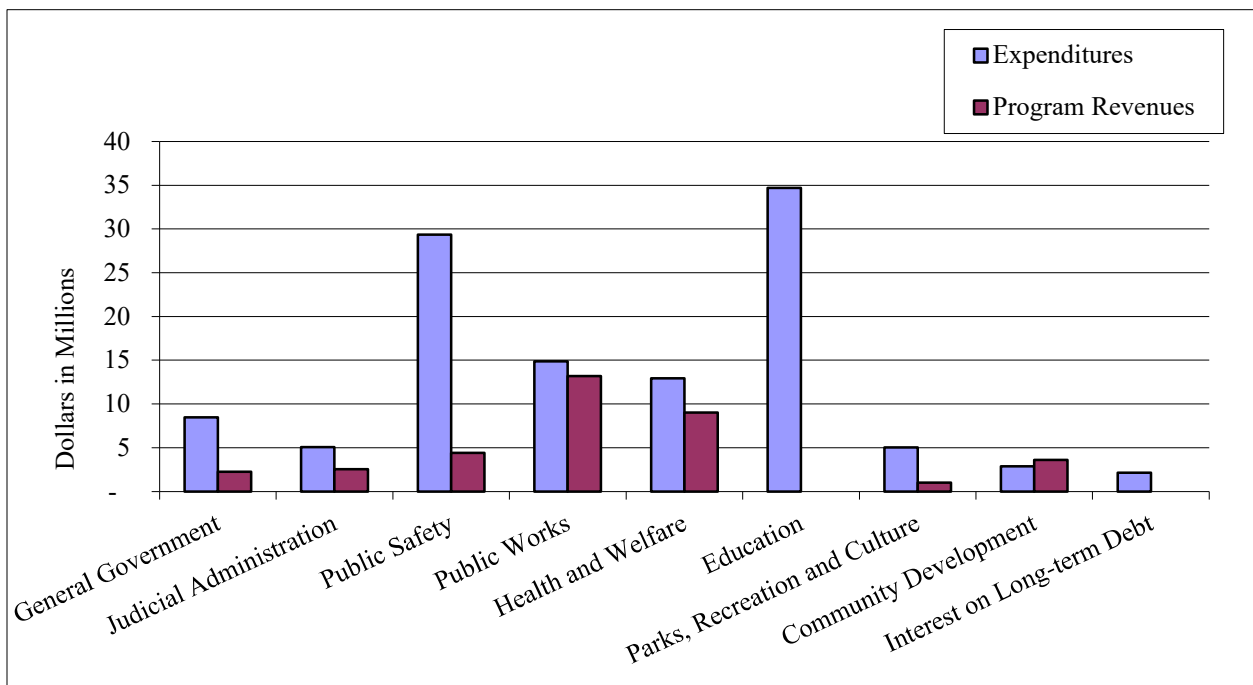
As shown in Figure B, education was the largest expense at \$34.7 million or 30.1% of total governmental expenses. Public safety was the second largest expense at \$29.4 million or 25.4% of total governmental expenses. Public works has the largest amount of program revenue at \$13.2 million or 36.6% of total program revenues. Health and welfare has the second highest program revenue at \$9.0 million or 25.0% of total program revenues.

## Government-wide Financial Analysis (Continued)

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



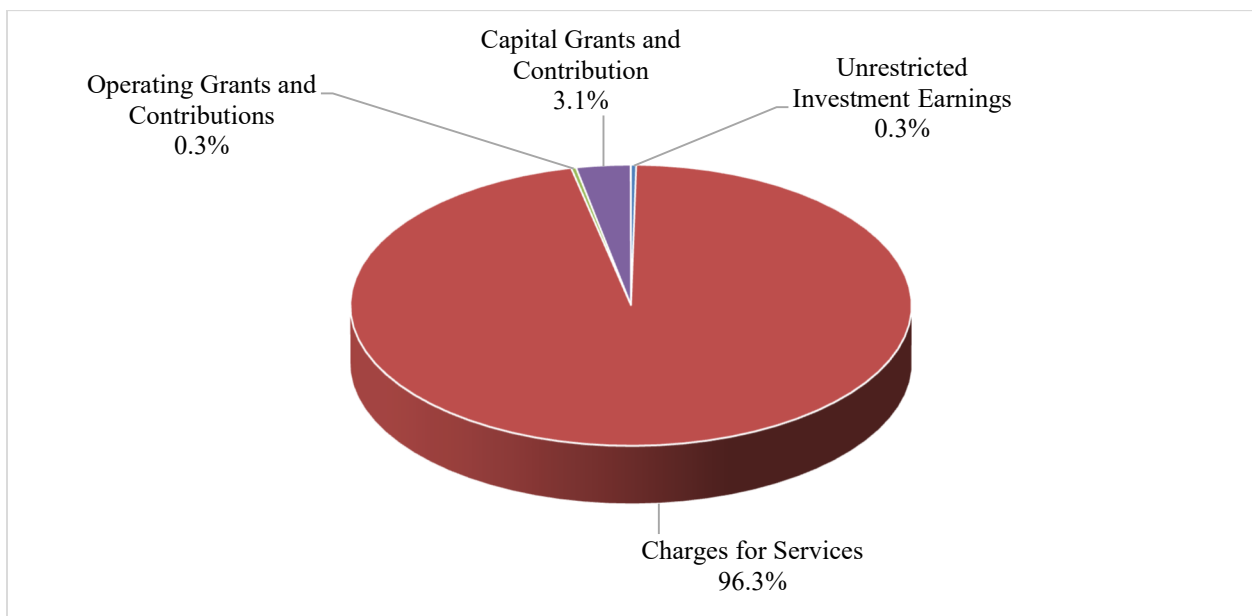
**Figure B**  
**Expenses and Program Revenues – Governmental Activities**



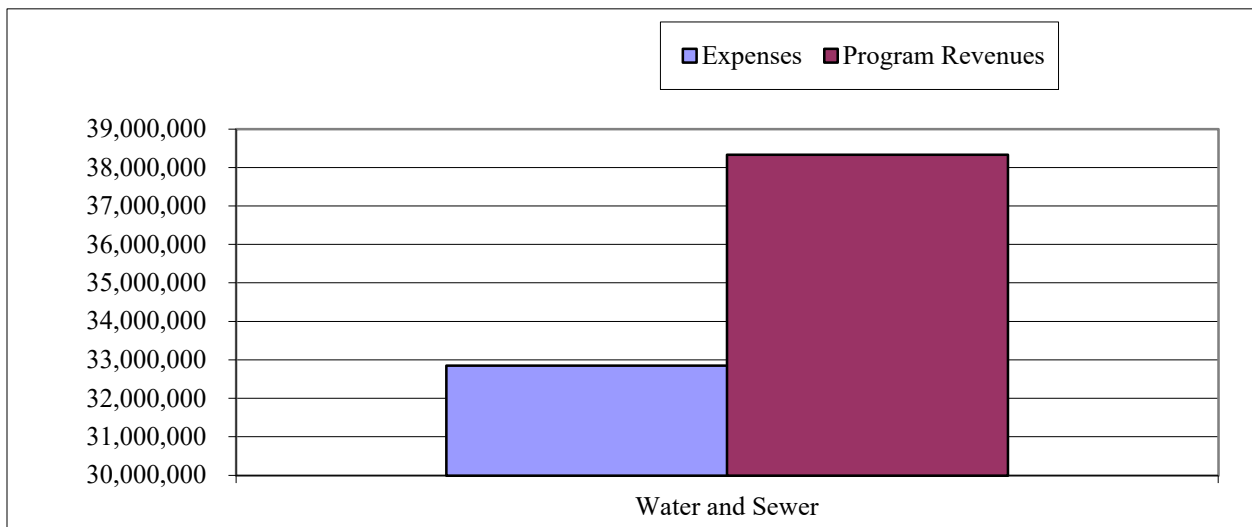
## **Government-wide Financial Analysis (Continued)**

**Business-type activities.** The City's business-type activities include the water and sewer fund. The net position of these business-type activities totaled \$87.5 million (Table 2), an increase of \$4.3 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 \$37.0 million or 96.3% of the total revenues for business-type activities, which is \$0.8 million higher than the prior year due to an increase in developer donated infrastructure assets. Expenses of the business-type activities totaled \$32.8 million (Table 2), an increase from the prior year of \$3.4 million. This increase in expenses is partly due to the addition of an in-house infrastructure team to address system maintenance needs and inflation costs for materials and supplies.

**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 \$109.9 million (Table 1). School Board revenues (Table 2) increased by \$9.5 million (12.5%), mainly due a \$6.7 million increase in operating grants and contributions from Federal ARPA funds and a \$2.8 million increase (8.8%) in the operating transfer from the General Fund. Overall, School Board expenses increased \$9.5 million (14.0%) from the prior year for overall increased salaries and operational expenses.

## **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, 2023, the City's governmental funds reported combined fund balances of \$39.0 million, a decrease of \$2.3 million in comparison with the prior year. Approximately \$25.8 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, 2023, the unassigned fund balance of the general fund was \$25.8 million, while total fund balance reached \$32.6 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 25.7% (27.4% in the prior year) of total general fund expenditures, the decrease is due to the increased assignment of fund balance (\$3.1 million) for capital expenditures in the FY 2024 budget. Total fund balance represents 32.4% (33.8% 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 \$1.9 million during the current fiscal year due to higher than projected local taxes, such as sales and personal property taxes. Total revenues increased \$8.1 million or 8.1% over the prior year. Real property taxes increased \$1.5 million (4.7%) over the prior year. Personal Property taxes increased \$1.3 million (8.4%), due to an increase in the personal property assessment values. Other local taxes increased by \$1.8 million (4.6%) from the prior year, including sales, meals, and hotel taxes. Sales and use taxes increased \$0.6 million (5.2%), hotel taxes increased by \$0.1 million (3.9%) and meals taxes increased \$0.9 million (8.8%) while business license taxes increased \$0.4 million (4.4%) compared to the prior year. In addition, charges for services increased \$0.4 million (28.8%) from the prior year primarily due to the increase in park and recreation activities and a sanitation fee rate increase. Federal revenue decreased \$0.3 million (39.9%) due to a decrease in Community Development Block Grant funding.

Total General Fund expenditures increased \$9.5 million or 10.4% 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 increased by \$3.0 million or 12.7% compared to the prior year. Public works expenditures increased by \$0.4 million or 7.2% compared to the prior year. Education increased by \$2.8 million or 8.8% compared to the prior year. Parks, recreation, and culture increased by \$0.7 million or 20.1% compared to the prior year. Community development increased by \$0.4 million or 24.3% over the prior year due to increased staffing to focus on economic development and revitalization in the City. Debt service payments increased by \$1.2 million (9.9%) due to the scheduled debt repayment.

**Capital Improvements Fund.** The Capital Improvements Fund has a total fund balance of \$5.1 million, of which the entire amount is either restricted or committed for various projects. Revenue totaled \$1.1 million including: \$0.7 million of intergovernmental revenue including state and federal funds for road improvement projects. Other financing sources included a \$2.3 million transfer from the general for road improvements and park capital improvements. Expenditures totaled \$9.9 million, of which the most significant included \$6.7 million for road improvement projects and \$0.3 million for the Jim Barnett Park improvement projects.

**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. The unrestricted net position of the City's water and sewer fund for the fiscal year ended June 30, 2023, amounted to \$14.6 million, an increase of \$3.1 million from the prior year, mainly due to the increase in unrestricted cash and a decrease in accounts payable from the year caused by the completion of several major capital improvement projects.

## **General Fund Budgetary Highlights**

City Council revised the City budget two 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 \$5.6 million, including \$2.6 million of carry forward unspent FY 2022 education funds; \$0.7 million for public safety salaries and grant funding; \$0.4 million for public works; \$0.7 million for additional community development staff; and \$0.5 million in debt service for lease and subscription obligations.

### **General Fund Budgetary Highlights (Continued)**

Actual revenues were more than the final budget amounts by \$5.8 million, and actual expenditures were \$0.5 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 \$3.5 million due to the sales, meals and transient occupancy tax collections increasing due to improving economic conditions from the COVID-19 pandemic.
- Revenues from general property taxes were \$1.5 million more than budgeted amounts mainly due to an increase in assessment values for real property taxes.
- Actual combined general government administration, judicial administration, health and welfare, and community development were \$1.0 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed.
- Public Safety, public works, and parks, recreation and cultural, and debt expenditures were \$0.6 million more than budgeted amounts resulting primarily from inflationary costs due to current economic conditions.

### **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, 2023, amounts to \$354.0 million net of depreciation, which represents an increase of \$9.9 million, or 2.9% 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:

- Purchase of the City's first fire station building for \$1.7 million.
- Jim Barnett Park athletic fields and equipment improvements totaled \$0.9 million.
- Paving and storm sewer additions totaled \$10.9 million.
- Sidewalks and curb additions totaled \$2.5 million.
- Replacement of public safety and public works equipment totaled \$3.3 million.
- Water and sewer infrastructure improvements totaled \$19.8 million.
- Completion of the new Public Services office and storage buildings totaled \$15.7 million.



## **Capital Assets and Debt Administration (Continued)**

Table 3 summarizes the City's capital assets as of June 30, 2022, and 2023.

**Table 3**  
**City of Winchester's Capital Assets**  
**(net of depreciation)**  
**Fiscal Year ended June 30, 2023**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 8,678,397	\$ 8,663,997	\$ 1,201,485	\$ 1,201,485	\$ 9,879,882	\$ 9,865,482
Construction in progress	1,826,129	7,732,304	789,736	29,045,565	2,615,865	36,777,869
Buildings	36,444,753	35,269,231	-	-	36,444,753	35,269,231
Buildings – Leases	324,010	-	-	-	324,010	-
Treatment plants	-	-	57,497,537	39,645,212	57,497,537	39,645,212
Improvements other than buildings	16,650,347	14,466,149	401,959	436	17,052,306	14,466,585
Infrastructure	53,846,812	45,165,572	118,510,051	104,380,496	172,356,863	149,546,068
Equipment	11,424,515	9,826,463	21,055,212	21,368,768	32,479,727	31,195,231
Equipment – leases	66,108	69,105	4,211	5,779	70,319	74,884
Right-to-use-subscription	1,892,795	1,504,237	6,346	-	1,899,141	1,504,237
FWSA purchased capacity	-	-	23,389,675	25,805,373	23,389,675	25,805,373
<b>Total Capital Assets</b>	<b>\$ 131,153,866</b>	<b>\$ 122,697,058</b>	<b>\$ 222,856,212</b>	<b>\$221,453,114</b>	<b>\$ 354,010,078</b>	<b>\$ 344,150,172</b>

**Long-term debt.** As shown in Table 4, the City of Winchester had total debt outstanding of \$229.3 million for the fiscal year ended June 30, 2023, a decrease of \$15.5 million from the fiscal year ended June 30, 2022. This entire amount is backed by the full faith and credit of the City, with \$141.7 million of the total being repaid by the City's business-type activities.

For the fiscal year ended June 30, 2023, the City's outstanding general bond obligation decreased by \$10.6 million, including no new issuance of general obligation bonds and the retirement of \$10.6 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 decreased by \$4.8 million, including no new issuance and the retirement of \$4.8 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, 2023**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
General Obligation Bonds	\$ 84,481,956	\$ 94,035,914	\$ 2,928,044	\$ 3,964,086	\$ 87,410,000	\$ 98,000,000
Revenue Bonds	-	-	108,255,696	113,067,805	108,255,696	113,067,805
Financed equipment purchase	980,044	-	-	-	980,044	-
Leases	390,142	87,700	4,221	5,756	394,363	93,456
Subscription liabilities	1,667,042	1,431,652	-	-	1,667,042	1,431,652
Obligations payable	-	-	30,553,005	32,210,673	30,553,005	32,210,673
<b>Total Outstanding Debt</b>	<b>\$ 87,519,184</b>	<b>\$ 95,555,266</b>	<b>\$ 141,740,966</b>	<b>\$ 149,248,320</b>	<b>\$ 229,260,150</b>	<b>\$ 244,803,586</b>

### **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 \$440.3 million. As of June 30, 2023, the City of Winchester's total debt applicable to the limitation totaled \$88.4 million, leaving a legal debt margin of \$351.9 million.

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

- City staff will continue to monitor the financial and operating effects of the pandemic and inflationary pressures on the local economy and if revenues are not meeting the FY 2024 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 used approximately \$0.9 million to provide small business grants through the City's Economic Development Authority and approximately \$0.6 million to aid 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 \$12.3 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 and \$5.2 million in fiscal year 2023, leaving \$3.7 remaining.
- 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 2024 budget. The FY 2024 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 \$113,538,000 FY 2024 General Fund budget is \$12.8 million more than the adopted FY 2023 budget. The FY 2024 budget projects a \$10.0 million increase in local tax revenues due to the improving economic trends, including real property, personal property, sales, meals, motel and business license taxes. The FY 2024 budget includes \$3.7 million increase in personnel to support a 5% cost of living adjustment increase for City employees and a 2.5% adjustment to the City's pay scale; \$0.9 million increase for fourteen (14) new positions; \$1.5 million increase in equipment replacement and information technology enhancements; \$2.8 million increase in public safety expenses; \$0.3 million increase in debt service payments; and \$3.2 million increase in the contribution to the Winchester Public Schools.
- The FY 2023 budget included an increase in the solid waste fee from the previous rate container size \$7.00 (35-gallon container), \$9.00 (65-gallon container) and \$11.00 (95-gallon container). These rates increased in the FY 2024 budget to \$8.00, \$10.00, and \$12.00, respectively, on July 1, 2023. The new container program has modernized and partially automated our solid waste collection system, enhanced employee safety, and reduced employee injuries.
- The City is planning to issue \$9.8 million of new general obligation debt in FY 2024 to leverage \$2.9 million of state revenue sharing funds to complete several road improvement projects.
- 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 established a stormwater utility in July 2022 and approved a fee schedule in April 2023. Fees will begin in January 2024 affecting all properties with impervious surfaces. Current estimates of stormwater capital improvements needed in the City total over \$50.0 million in the next 20 plus years.
- 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 \$95 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, 2025. The 2023 reassessment resulted in a 27.8% increase in taxable real property values. Based on this increase, City Council lowered the real estate tax rate from \$0.93 per \$100 of assessed value to \$0.83 per \$100 of assessed value, effective for 2023. Based on current trends, the 2023 overall assessment values are projected to show modest growth over 2021 values.
- For the month of June 2023, the City's unemployment rate was 2.8%, compared to the State's 2.7% 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, 2023**

**Exhibit 1**

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 29,527,681	\$ 12,797,126	\$ 42,324,807	\$ 12,632,841	\$ 1,136,496
Investments	2,080,440	901,650	2,982,090	836,646	80,074
Receivables, net:					
Taxes, including penalties	7,721,474	-	7,721,474	-	-
Accounts	2,954,746	5,239,569	8,194,315	4,064	20,767
Promises to give	-	-	-	2,381	-
Leases	1,097,813	-	1,097,813	-	-
Due from other governments	7,761,700	-	7,761,700	6,425,732	-
Internal balances	258,249	(258,249)	-	-	-
Prepays	2,434	-	2,434	-	-
Inventories	122,478	171,332	293,810	90,547	-
Cash and cash equivalents - restricted	4,088,291	-	4,088,291	-	-
Investments - restricted	5,228,875	-	5,228,875	-	-
Net pension asset	-	-	-	1,171,957	-
Capital assets:					
Nondepreciable	10,504,526	1,991,221	12,495,747	5,747,458	11,685
Depreciable, net	120,649,340	220,864,991	341,514,331	135,089,057	6,643,355
Total assets	<u>191,998,047</u>	<u>241,707,640</u>	<u>433,705,687</u>	<u>162,000,683</u>	<u>7,892,377</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	1,056,844	1,361,551	2,418,395	-	-
Pension related deferred outflows	4,253,657	493,462	4,747,119	9,631,224	44,720
Other postemployment benefit related deferred outflows	3,672,635	254,823	3,927,458	1,117,148	25,532
Total deferred outflows of resources	<u>8,983,136</u>	<u>2,109,836</u>	<u>11,092,972</u>	<u>10,748,372</u>	<u>70,252</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	5,777,037	2,050,775	7,827,812	10,033,416	39,592
Accrued interest	1,004,526	1,316,622	2,321,148	-	55,471
Unearned revenue	3,678,190	-	3,678,190	-	-
Noncurrent liabilities:					
Net pension liability due in more than one year	4,136,533	479,874	4,616,407	33,730,529	43,488
Net other postemployment benefit liability due in more than one year	6,948,381	424,579	7,372,960	6,466,620	42,105
Due within one year	11,980,095	8,708,359	20,688,454	399,191	342,821
Due in more than one year	87,434,626	142,420,913	229,855,539	3,255,388	5,650,044
Total liabilities	<u>120,959,388</u>	<u>155,401,122</u>	<u>276,360,510</u>	<u>53,885,144</u>	<u>6,173,521</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Leases	1,074,968	-	1,074,968	-	-
Deferred charges on refunding	-	-	-	-	72,274
Property taxes collected in advance	1,292,153	-	1,292,153	-	-
Pension related deferred inflows	5,441,931	631,312	6,073,243	8,205,566	57,212
Other postemployment benefit related deferred inflows	3,722,952	222,373	3,945,325	792,059	22,381
Total deferred inflows of resources	<u>11,532,004</u>	<u>853,685</u>	<u>12,385,689</u>	<u>8,997,625</u>	<u>151,867</u>
<b>NET POSITION</b>					
Net investment in capital assets	91,991,133	73,252,599	165,243,732	139,454,344	633,000
Restricted for:					
Net pension asset	-	-	-	1,171,957	-
Revenue for public safety programs	426,011	-	426,011	-	-
Unrestricted	(23,927,353)	14,310,070	(9,617,283)	(30,760,015)	1,004,241
Total net position	<u>\$ 68,489,791</u>	<u>\$ 87,562,669</u>	<u>\$ 156,052,460</u>	<u>\$ 109,866,286</u>	<u>\$ 1,637,241</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, 2023

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position				Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total	School Board	Winchester Parking Authority
					Governmental Activities	Business-type Activities				
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 8,469,542	\$ 434,282	\$ 1,603,299	\$ 217,800	\$ (6,214,161)		\$ (6,214,161)			
Judicial administration	5,045,416	722,022	1,827,530	-	(2,495,864)		(2,495,864)			
Public safety	29,351,218	1,680,070	2,591,225	145,000	(24,934,923)		(24,934,923)			
Public works	14,879,716	2,395,654	6,197,244	4,594,046	(1,692,772)		(1,692,772)			
Health and welfare	12,935,322	133,089	8,892,501	62	(3,909,670)		(3,909,670)			
Education	34,689,831	-	-	-	(34,689,831)		(34,689,831)			
Parks, recreation, and culture	5,030,423	892,043	100,000	18,838	(4,019,542)		(4,019,542)			
Community development	2,849,563	2,452,874	1,161,751	-	765,062		765,062			
Interest on long-term debt	2,136,450	-	-	-	(2,136,450)		(2,136,450)			
Total governmental activities	115,387,481	8,710,034	22,373,550	4,975,746	(79,328,151)		(79,328,151)			
Business-type activities:										
Water and sewer	32,850,505	37,007,115	125,417	1,200,168	-	\$ 5,482,195	5,482,195			
Total business-type activities	32,850,505	37,007,115	125,417	1,200,168	-	5,482,195	5,482,195			
Total primary government	\$ 148,237,986	\$ 45,717,149	\$ 22,498,967	\$ 6,175,914	(79,328,151)	5,482,195	(73,845,956)			
<b>Component units:</b>										
School board	\$ 77,364,329	\$ 1,450,603	\$ 48,682,547	\$ 458,684				\$ (26,772,495)	\$ -	
Parking authority	1,171,485	1,638,800	-	-				-		467,315
Total component unit	\$ 78,535,814	\$ 3,089,403	\$ 48,682,547	\$ 458,684				(26,772,495)		467,315
General revenues:										
Taxes:										
Property taxes					52,035,189	-	52,035,189	-	-	
Sales taxes					12,761,030	-	12,761,030	-	-	
Utility taxes					1,894,282	-	1,894,282	-	-	
Business license taxes					9,016,430	-	9,016,430	-	-	
Franchise taxes					500,811	-	500,811	-	-	
Hotel and meals taxes					12,335,873	-	12,335,873	-	-	
Communication taxes					1,482,628	-	1,482,628	-	-	
Other local taxes					2,275,087	-	2,275,087	-	-	
Miscellaneous					124,744	8,271	133,015	159,373	15,238	
Payments from City					-	-	-	34,627,705	-	
Grants and contributions not restricted to specific programs					3,219,471	-	3,219,471	-	-	
Unrestricted investment earnings					399,613	114,056	513,669	87,620	3,214	
Transfers					1,250,000	(1,250,000)	-	-	-	
Total revenues and transfers					97,295,158	(1,127,673)	96,167,485	34,874,698	18,452	
Change in net position					17,967,007	4,354,522	22,321,529	8,102,203	485,767	
Net position - beginning, restated (Note 12)					50,522,784	83,208,147	133,730,931	101,764,083	1,151,474	
Net position - ending					\$ 68,489,791	\$ 87,562,669	\$ 156,052,460	\$ 109,866,286	\$ 1,637,241	

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, 2023**

**Exhibit 3**

	General	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,737,848	\$ 265,635	\$ 1,444,023	\$ 28,447,506
Investments	1,883,875	18,716	101,743	2,004,334
Receivables, net:				
Taxes, including penalties	7,721,474	-	-	7,721,474
Accounts	2,668,851	-	277,944	2,946,795
Leases	2,986,237	-	-	2,986,237
Inventories	6,706	-	-	6,706
Due from other funds	1,782,000	-	-	1,782,000
Due from other governments	4,394,677	308,531	3,058,492	7,761,700
Cash and cash equivalents - restricted	-	-	3,762,306	3,762,306
Investments - restricted	-	4,963,793	265,082	5,228,875
Total assets	<u>\$ 48,181,668</u>	<u>\$ 5,556,675</u>	<u>\$ 8,909,590</u>	<u>\$ 62,647,933</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 1,086,725	\$ 499,715	\$ 1,527,767	\$ 3,114,207
Deposits payable	30,167	-	-	30,167
Accrued payroll	1,331,498	-	332,835	1,664,333
Unearned revenue	-	-	3,678,190	3,678,190
Due to other funds	-	-	1,782,000	1,782,000
Total liabilities	<u>2,448,390</u>	<u>499,715</u>	<u>7,320,792</u>	<u>10,268,897</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Leases	2,907,362	-	-	2,907,362
Property taxes collected in advance	1,292,153	-	-	1,292,153
Opioid legal settlement	950,543	-	-	950,543
Unavailable revenue	7,976,658	-	239,800	8,216,458
Total deferred inflows of resources	<u>13,126,716</u>	<u>-</u>	<u>239,800</u>	<u>13,366,516</u>
<b>FUND BALANCES</b>				
Nonspendable	6,706	-	-	6,706
Restricted	426,011	3,378,376	-	3,804,387
Committed	2,286,935	1,662,269	-	3,949,204
Assigned	4,039,935	16,315	1,348,998	5,405,248
Unassigned	25,846,975	-	-	25,846,975
Total fund balances	<u>32,606,562</u>	<u>5,056,960</u>	<u>1,348,998</u>	<u>39,012,520</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,181,668</u>	<u>\$ 5,556,675</u>	<u>\$ 8,909,590</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.				131,042,102
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				9,167,001
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.				626,556
Inter-fund lease activity is reported in the funds but eliminated from the Statement of Net Position				(56,030)
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.				1,056,844
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Pension related deferred outflows				4,109,170
Pension related deferred inflows				(5,257,082)
Net pension liability				(3,996,024)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.				
Other postemployment benefit related deferred outflows				3,594,885
Other postemployment benefit related deferred inflows				(3,654,890)
Net other postemployment benefit liability				(6,820,667)
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, subscriptions and obligations payable				(87,504,157)
Issuance premiums				(9,276,859)
Accrued interest				(1,004,526)
Compensated absences				(2,549,052)
Net position of governmental activities				<u>\$ 68,489,791</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, 2023**

**Exhibit 4**

	<b>General Fund</b>	<b>Capital Improvements Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
General property taxes	\$ 51,341,576	\$ -	\$ -	\$ 51,341,576
Other local taxes	40,266,080	-	-	40,266,080
Permits, privilege fees, and regulatory licenses	840,874	-	-	840,874
Fines and forfeitures	98,451	-	-	98,451
Revenues from use of money and property	546,348	300,789	3,365	850,502
Charges for services	1,899,284	-	1,439,213	3,338,497
Miscellaneous	1,061,348	25,000	107,375	1,193,723
Recovered costs	3,142,915	16,749	21,892	3,181,556
Intergovernmental:				
Frederick County	-	-	609,929	609,929
Commonwealth	7,745,297	264,077	8,575,678	16,585,052
Federal	524,308	472,331	10,965,009	11,961,648
Total revenues	<u>107,466,481</u>	<u>1,078,946</u>	<u>21,722,461</u>	<u>130,267,888</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	7,310,115	-	285,590	7,595,705
Judicial administration	4,903,975	-	46,395	4,950,370
Public safety	26,688,899	-	1,921,957	28,610,856
Public works	5,779,207	-	5,825,721	11,604,928
Health and welfare	947,898	-	12,209,200	13,157,098
Education	34,689,831	-	-	34,689,831
Parks, recreation, and culture	4,307,764	-	-	4,307,764
Community development	2,113,026	-	773,619	2,886,645
Capital outlay	747,593	9,953,088	4,415,899	15,116,580
Debt service:				
Principal retirement	10,154,249	-	59,988	10,214,237
Interest and fiscal charges	2,909,222	-	41,032	2,950,254
Total expenditures	<u>100,551,779</u>	<u>9,953,088</u>	<u>25,579,401</u>	<u>136,084,268</u>
Excess (deficiency) of revenues over expenditures	<u>6,914,702</u>	<u>(8,874,142)</u>	<u>(3,856,940)</u>	<u>(5,816,380)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	124,744	-	-	124,744
Issuance of leases	-	366,118	-	366,118
Issuance of financed equipment purchase	-	980,044	-	980,044
Issuance of subscriptions	-	760,949	-	760,949
Transfers in	1,250,000	2,352,963	4,073,924	7,676,887
Transfers out	(6,426,887)	-	-	(6,426,887)
Total other financing sources (uses)	<u>(5,052,143)</u>	<u>4,460,074</u>	<u>4,073,924</u>	<u>3,481,855</u>
Net change in fund balances	1,862,559	(4,414,068)	216,984	(2,334,525)
Fund balance - beginning	<u>30,744,003</u>	<u>9,471,028</u>	<u>1,132,014</u>	<u>41,347,045</u>
Fund balance - ending	<u>\$ 32,606,562</u>	<u>\$ 5,056,960</u>	<u>\$ 1,348,998</u>	<u>\$ 39,012,520</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, 2023**

**Exhibit 5**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	(2,334,525)
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, \$15,139,694, exceeded depreciation and amortization, \$6,914,593, in the current period.		8,225,101
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.		381,638
In the Statement of Activities, only the <i>gain or loss</i> on the disposal of capital assets is reported, whereas in the governmental funds, the entire proceeds from the disposal 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.		(164,030)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,467,023
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	\$ 2,544,700	
Pension expense	<u>(750,782)</u>	1,793,918
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	270,950	
Other postemployment benefit expense	<u>(293,918)</u>	(22,968)
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		10,158,220
Issuance of long-term obligations		(2,107,111)
Amortization of issuance premium		1,235,600
Amortization of deferred charge on refunding		(599,671)
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		27,821
Accrued interest		136,934
Inter-fund lease activity is eliminated from the Statement of Activities		(39,846)
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		(215,808)
Allocation of net revenue (expense) to business-type activities		<u>24,711</u>
Change in net position of governmental activities	\$	<u>17,967,007</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, 2023**

**Exhibit 6**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
General property taxes	\$ 48,466,900	\$ 49,848,234	\$ 51,341,576	\$ 1,493,342
Other local taxes	36,779,600	36,779,600	40,266,080	3,486,480
Permits, privilege fees, and regulatory licenses	511,100	511,100	840,874	329,774
Fines and forfeitures	85,000	85,000	98,451	13,451
Revenues from use of money and property	525,000	525,000	546,348	21,348
Charges for services	1,843,300	1,843,300	1,899,284	55,984
Miscellaneous	814,800	884,300	1,061,348	177,048
Recovered costs	993,200	3,004,700	3,142,915	138,215
Intergovernmental:				
Commonwealth	6,528,100	7,165,902	7,745,297	579,395
Federal	1,035,100	993,833	524,308	(469,525)
Total revenues	97,582,100	101,640,969	107,466,481	5,825,512
<b>EXPENDITURES</b>				
Current:				
General government administration:				
Legislative	294,700	306,099	283,915	22,184
General and financial administration	7,136,999	7,318,711	6,734,366	584,345
Board of elections	278,800	298,505	296,705	1,800
Total general government administration	7,710,499	7,923,315	7,314,986	608,329
Judicial administration:				
Courts	3,077,200	3,328,706	3,278,359	50,347
Commonwealth attorney	1,703,700	1,734,216	1,729,594	4,622
Total judicial administration	4,780,900	5,062,922	5,007,953	54,969
Public safety:				
Law enforcement and traffic control	9,141,800	9,561,934	9,725,806	(163,872)
Fire and rescue services	7,035,005	7,739,845	7,660,935	78,910
Correction and detention	6,280,363	6,255,363	6,221,659	33,704
Inspections	656,300	671,974	671,968	6
Other protection	3,068,000	2,691,994	2,672,171	19,823
Total public safety	26,181,468	26,921,110	26,952,539	(31,429)
Public Works:				
Maintenance of highways, streets, bridges				
and sidewalks	542,600	550,451	532,443	18,008
Sanitation and waste removal	1,920,900	2,139,416	2,200,251	(60,835)
Maintenance of buildings and grounds	3,028,700	3,203,446	3,306,337	(102,891)
Total public works	5,492,200	5,893,313	6,039,031	(145,718)
Health and welfare:				
Health	369,998	369,998	369,998	-
Chapter X board	263,780	263,780	263,780	-
Welfare/Social Services	250,000	315,000	314,120	880
Total health and welfare	883,778	948,778	947,898	880
Education:				
Contributions to community college	62,126	62,126	62,126	-
Contributions to School Board	32,039,102	34,653,564	34,627,705	25,859
Total education	32,101,228	34,715,690	34,689,831	25,859
Parks, recreation, and cultural:				
Parks and recreation	3,537,800	3,618,001	3,992,544	(374,543)
Contribution to Regional Library	430,500	430,500	430,500	-
Total parks, recreation, and cultural	3,968,300	4,048,501	4,423,044	(374,543)

(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, 2023**

**Exhibit 6 (Continued)**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>EXPENDITURES (continued)</b>				
Current: (continued)				
Community development:				
Planning and community development	\$ 1,760,969	\$ 2,463,897	\$ 2,113,026	\$ 350,871
Total community development	1,760,969	2,463,897	2,113,026	350,871
Debt service:				
Principal retirement	9,654,000	10,144,100	10,154,249	(10,149)
Interest and fiscal charges	2,901,000	2,914,400	2,909,222	5,178
Total debt service	12,555,000	13,058,500	13,063,471	(4,971)
Total expenditures	95,434,342	101,036,026	100,551,779	484,247
Excess of revenues over expenditures	2,147,758	604,943	6,914,702	6,309,759
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	-	65,150	124,744	59,594
Transfers in	1,500,000	1,250,000	1,250,000	-
Transfers out	(5,190,658)	(6,427,675)	(6,426,887)	788
Appropriation of fund balance	1,542,900	4,507,582	-	(4,507,582)
Total other financing uses	(2,147,758)	(604,943)	(5,052,143)	(4,447,200)
Net change in fund balances	\$ -	\$ -	\$ 1,862,559	\$ 1,862,559

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

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET POSITION -**  
**PROPRIETARY FUNDS**  
June 30, 2023

Exhibit 7

	<b>Business-type Activities- Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Major</b>	
	<b>Water and Sewer Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 12,797,126	\$ 1,080,175
Investments	901,650	76,106
Accounts receivable, net	5,239,569	7,951
Prepays	-	2,434
Inventories	171,332	115,772
Cash and cash equivalents - restricted	-	325,985
Total current assets	<u>19,109,677</u>	<u>1,608,423</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	1,991,221	-
Depreciable, net	<u>220,864,991</u>	<u>111,764</u>
Total capital assets, net	<u>222,856,212</u>	<u>111,764</u>
Total noncurrent assets	<u>222,856,212</u>	<u>111,764</u>
Total assets	<u>241,965,889</u>	<u>1,720,187</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	1,361,551	-
Pension related deferred outflows	493,462	144,487
Other postemployment benefit related deferred outflows	<u>254,823</u>	<u>77,750</u>
Total deferred outflows of resources	<u>2,109,836</u>	<u>222,237</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,220,945	905,831
Customer deposits	544,966	-
Accrued payroll	284,864	62,499
Accrued interest	1,316,622	-
Compensated absences - current	27,220	7,115
Bonds payable and other obligations - current	<u>8,681,139</u>	<u>3,717</u>
Total current liabilities	<u>12,075,756</u>	<u>979,162</u>
Noncurrent liabilities:		
Compensated absences	239,159	62,511
Net pension liability	479,874	140,509
Net other postemployment benefit liability	424,579	127,714
Bonds payable and other obligations	<u>142,181,754</u>	<u>11,310</u>
Total noncurrent liabilities	<u>143,325,366</u>	<u>342,044</u>
Total liabilities	<u>155,401,122</u>	<u>1,321,206</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows	631,312	184,849
Other postemployment benefit related deferred inflows	<u>222,373</u>	<u>68,062</u>
Total deferred inflows of resources	<u>853,685</u>	<u>252,911</u>
<b>NET POSITION</b>		
Net investment in capital assets	73,252,599	96,737
Unrestricted	<u>14,568,319</u>	<u>271,570</u>
Total net position	<u>87,820,918</u>	<u>\$ 368,307</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>(258,249)</u>	
Net position of business-type activities	<u>\$ 87,562,669</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, 2023**

**Exhibit 8**

	<b>Business-type Activities- Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Major</b>	
	<b>Water and Sewer Fund</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 29,362,955	\$ 4,338,926
Miscellaneous	8,271	-
Recovered costs	7,644,160	-
Total operating revenues	<u>37,015,386</u>	<u>4,338,926</u>
<b>OPERATING EXPENSES</b>		
Personal services	6,906,684	1,710,395
Contractual services	7,042,601	412,019
Other supplies and expenses	7,000,497	1,720,111
Insurance claims and expenses	-	708,891
Depreciation	6,880,094	11,586
Total operating expenses	<u>27,829,876</u>	<u>4,563,002</u>
Operating income (loss)	<u>9,185,510</u>	<u>(224,076)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental:		
Federal	125,417	-
Investment earnings	114,056	1,180
Interest and fiscal charges	(4,712,788)	-
Gain (loss) on disposal of capital assets	(283,130)	7,088
Total nonoperating revenues (expenses)	<u>(4,756,445)</u>	<u>8,268</u>
Income (loss) before contributions and transfers	4,429,065	(215,808)
<b>CAPITAL CONTRIBUTIONS</b>	1,200,168	-
<b>TRANSFERS OUT</b>	<u>(1,250,000)</u>	<u>-</u>
Change in net position	4,379,233	(215,808)
Total net position - beginning	<u>83,441,685</u>	<u>584,115</u>
Total net position - ending	<u>\$ 87,820,918</u>	<u>\$ 368,307</u>
Change in net position	\$ 4,379,233	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(24,711)</u>	
Change in net position of business-type activities	<u>\$ 4,354,522</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, 2023**

**Exhibit 9**

	<b>Busines-type Activities- Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Major</b>	
	<b>Water and Sewer Fund</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 28,747,639	\$ -
Cash received from internal services provided	-	4,341,890
Cash paid to suppliers	(15,292,651)	(2,035,220)
Cash paid for internal services	(413,331)	-
Cash paid to employees	(6,898,154)	(1,551,967)
Premiums paid	-	(635,697)
Recovered costs and other receipts	7,652,431	-
Net cash provided by operating activities	13,795,934	119,006
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from federal grants	125,417	-
Transfer to other funds	(1,250,000)	-
Net cash used in noncapital financing activities	(1,124,583)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(7,366,155)	(50,131)
Principal paid on long-term liabilities	(7,507,354)	(1,968)
Interest paid on capital debt	(5,434,728)	-
Proceeds from sale of capital assets	-	7,088
Net cash used in capital and related financing activities	(20,308,237)	(45,011)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds (purchases) of investments, net	7,679,113	(39,256)
Investment income	114,056	1,180
Net cash provided by (used in) investing activities	7,793,169	(38,076)
Net increase in cash and cash equivalents	156,283	35,919
Cash and cash equivalents - beginning of year	12,640,843	1,370,241
Cash and cash equivalents - end of year	\$ 12,797,126	\$ 1,406,160
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:</b>		
Cash and cash equivalents	\$ 12,797,126	\$ 1,080,175
Restricted cash	-	325,985
Total	\$ 12,797,126	\$ 1,406,160

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, 2023**

**Exhibit 9 (Continued)**

	<b>Busines-type Activities- Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Major</b>	
	<b>Water and Sewer Fund</b>	<b>Internal Service Funds</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 9,185,510	\$ (224,076)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	6,880,094	11,586
Pension expense, net of employer contributions	(189,390)	82,178
Other postemployment benefit expense, net of employer contributions	(5,704)	62,887
(Increase) decrease in:		
Accounts receivable	(601,650)	2,964
Prepays	-	(2,434)
Inventories	(15,877)	21,809
Increase (decrease) in:		
Accounts payable	(1,543,705)	150,729
Customer deposits	(13,666)	-
Accrued payroll	81,262	14,304
Compensated absences	19,060	(941)
Total adjustments	4,610,424	343,082
Net cash provided by operating activities	\$ 13,795,934	\$ 119,006
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Capital contributions of water and sewer lines from developers	\$ 1,200,168	\$ -
Capital asset transferred from general government	\$ -	\$ 10,000
Subscription asset acquired by a subscription liability	\$ -	\$ 16,995

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, 2023**

**Exhibit 10**

	<b>Other Postemployment Benefits Trust Fund</b>	<b>Total Custodial Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents - restricted	\$ -	\$ 1,692,810
Investments:		
Money markets	11,415	1,507,603
Domestic equity securities	2,427,101	-
Domestic fixed income securities	2,292,850	-
International equity securities	1,233,790	-
Total investments	<u>5,965,156</u>	<u>1,507,603</u>
Accounts receivable	-	47,401
Total assets	<u>\$ 5,965,156</u>	<u>\$ 3,247,814</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 13,577
Accrued payroll	-	111,838
Total liabilities	<u>\$ -</u>	<u>\$ 125,415</u>
<b>NET POSITION</b>		
Restricted for postemployment benefits other than pensions	\$ 5,965,156	\$ -
Restricted for individuals, organizations, and other governments	-	3,122,399
Total net position	<u>\$ 5,965,156</u>	<u>\$ 3,122,399</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, 2023**

**Exhibit 11**

	<b>Other Postemployment Benefits Trust Fund</b>	<b>Custodial Funds</b>
<b>ADDITIONS</b>		
Member contributions	\$ -	\$ 14,698
Payments collected from other local governments	-	3,299,033
Payments collected from Federal government	-	274,429
Grant proceeds	-	906,678
Miscellaneous	-	71,997
Investment income (loss):		
Net increase in fair value of investments	284,994	-
Interest and dividends	144,275	45,396
Less investment-related expenses	(2,766)	-
Net investment income	<u>426,503</u>	<u>45,396</u>
Total additions	<u>\$ 426,503</u>	<u>\$ 4,612,231</u>
<b>DEDUCTIONS</b>		
Payments made to welfare recipients	\$ -	\$ 14,884
Bond principal payments	-	865,000
Bond interest payments	-	362,675
Payroll	-	3,025,976
Administrative	-	328,874
Total deductions	<u>\$ -</u>	<u>\$ 4,597,409</u>
Increase in fiduciary net position	426,503	14,822
Total net position - beginning	<u>5,538,653</u>	<u>3,107,577</u>
Total net position - ending	<u>\$ 5,965,156</u>	<u>\$ 3,122,399</u>

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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 2023, the City provided total support of \$58,170. 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, 2023**

**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 2023, the City provided total support of \$468,730. 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 2023, the City provided total support of \$5,626,066. 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 \$430,500 to the Board for operating support for 2023. 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 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, 2023**

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

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

**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, 2023**

**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 Maintenance Fund.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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, 2023**

**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, motor vehicles, 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, motor vehicles, 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

*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, 2023 consisted of the following:

General Fund (property taxes, penalties, and interest)	\$ 1,730,172
Emergency Medical Service Fund	221,527
Water and Sewer Fund	664,124
	<u>\$ 2,615,823</u>

*Inventories*

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.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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*

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
Intangible assets, such as software	\$10,000
Lease assets	Total payments over the course of the lease exceeds \$10,000

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 and subscription 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 are 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

Right-to-use lease and subscription assets are amortized over the shorter of the contract term or useful life of the underlying asset. In contracts 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 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.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*Compensated Absences (Continued)*

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.

*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.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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, 2023**

**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, 2023**

**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 (GAAP). 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 GAAP 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, 2023**

**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 Appropriation Ordinance. Appropriated annual budgets are adopted for the General, Special Revenue, and Capital Improvements Funds of the primary government and School Board.
4. The Appropriation Ordinance 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 \$6,838,701.

**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, 2023**

**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 &amp; P Credit Rating</u>	<u>Weighted Average Maturity*</u>
Investments – Level 1:			
U.S. Treasury notes	\$ 1,388,374	N/A	1.00
Mutual funds – equity	3,806,661	N/A	N/A
Mutual fund – fixed income	2,596,281	Unavailable	5.03
Investments – Level 2:			
Mutual funds – equity	-	Unavailable	N/A
Mutual funds – fixed income	995,974	AA+	N/A
Negotiable certificates of deposit	2,935,366	N/A	1.76
Money market	11,363	N/A	N/A
Investments reported at amortized cost:			
LGIP	353,258	AAAf	0.14
SNAP	4,963,793	AAAm	0.18
Total investments	<u>17,051,070</u>		
Cash and cash equivalents	62,041,127		
Nonnegotiable certificates of deposit	<u>50,357</u>		
Total deposits	<u>62,091,484</u>		
Total deposits and investments	<u>\$ 79,142,554</u>		

\* - Average Maturity in Years

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

	<u>Component Units</u>			<u>Total</u>
	<u>Primary Government</u>	<u>School Board</u>	<u>Winchester Parking Authority</u>	
Statement of Net Position:				
Cash and cash equivalents	\$ 42,324,807	\$ 12,632,841	\$ 1,136,496	\$ 56,094,144
Investments	2,982,090	836,646	80,074	3,898,810
Cash and cash equivalents - restricted	4,088,291	-	-	4,088,291
Investments - restricted	5,228,875	-	-	5,228,875
Fiduciary:				
Cash and cash equivalents - restricted	1,692,810	165,882	-	1,858,692
Investments	5,965,156	-	-	5,965,156
Investments – restricted	<u>1,507,603</u>	<u>500,983</u>	<u>-</u>	<u>2,008,586</u>
Total	<u>\$ 63,789,632</u>	<u>\$ 14,136,352</u>	<u>\$ 1,216,570</u>	<u>\$ 79,142,554</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 3. Deposits and Investments (Continued)**

**Investments (Continued)**

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

Neither the State Treasurer's Local Government Investment Pool (LGIP) nor the State Non-Arbitrage Program (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 LGIP, and SNAP.

*Concentration of Credit Risk* - The City held investments at June 30 issued by the United States Treasury totaling approximately 8.15% of all investments. Additionally, the following investments make up a significant portion of the City's investments at June 30.

Fund	Percentage of all investments
Federal Home Loan Bank Bond negotiable certificate of deposit	5.83%
PFM Multi-Manager Domestic Equity	14.24%
PFM Multi-Manager International	7.24%
PFM Multi-Manager Fixed Income Fund	13.46%
Federal National Mortgage Association Note	5.84%

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 overinvesting 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.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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	\$ 4,963,793
Flexible spending accounts held for benefit of employees	325,985
Unspent Federal funding	4,027,388
Unspent funds held for benefit of outside parties	3,867,278

**Note 4. Due from Other Governments**

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

	<b><u>Primary Government</u></b>	<b><u>Component Unit – School Board</u></b>
Federal and Commonwealth of Virginia:		
State sales tax	\$ -	\$ 835,258
Title V-B	-	206,371
Title I	-	1,430,258
School lunch and breakfast	-	9,307
Teacher and School Leader (TSL) grant	-	364,360
Elementary and Secondary School Emergency Relief	-	2,898,568
Local sales tax	2,106,868	-
Transit grants	1,755,287	-
Highway construction funds	349,926	-
Welfare grants	1,208,030	-
Communication tax	221,121	-
Opioid settlement funds	350,559	-
Other federal and state funds	<u>401,335</u>	<u>681,610</u>
Total due from federal and state sources	<u>6,393,126</u>	<u>6,425,732</u>
Frederick County:		
Joint Judicial Center – debt service	1,095,318	-
Joint Judicial Center – operating expenses	168,935	-
Tourism	40,929	-
Other receivables	<u>63,392</u>	<u>-</u>
Total due from other governments	<u><u>\$ 7,761,700</u></u>	<u><u>\$ 6,425,732</u></u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 5. Interfund Receivables, Payables, and Transfers**

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

**Primary Government**

Due to general fund from:

Social services fund	\$ 235,000
Transit fund	1,547,000
	<u>\$ 1,782,000</u>

**Component Unit – School Board**

Due to school operating fund from:

Federal grants fund	\$ 4,530,829
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Due to school cafeteria fund from:

Capital improvement fund	\$ 62,112
Operating fund	391,849
	<u>\$ 453,961</u>

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:

Utilities operating fund	\$ 1,250,000
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Transfers to capital improvements fund from:

General fund	\$ 2,352,963
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Transfers to non-major governmental funds from:

General fund	\$ 4,073,924
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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, 2023**

**Note 6. Capital Assets**

**Primary Government**

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

	<b><u>Beginning Balance*</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land	\$ 8,663,997	\$ 14,400	\$ -	\$ 8,678,397
Construction in progress	7,732,304	3,523,769	(9,429,944)	1,826,129
Total capital assets not being depreciated	<u>16,396,301</u>	<u>3,538,169</u>	<u>(9,429,944)</u>	<u>10,504,526</u>
Capital assets, being depreciated/ amortized:				
Buildings	51,473,386	2,284,753	(197,469)	53,560,670
Buildings - leases	-	341,063	-	341,063
Improvements other than buildings	22,375,767	3,146,664	(15,500)	25,506,931
Infrastructure	85,868,940	10,886,734	-	96,755,674
Equipment - leases	121,529	51,170	(40,155)	132,544
Equipment	26,634,485	3,794,127	(1,059,628)	29,368,984
Right-to-use subscriptions	1,504,237	934,281	-	2,438,518
Total capital assets being depreciated/amortized	<u>187,978,344</u>	<u>21,438,792</u>	<u>(1,312,752)</u>	<u>208,104,384</u>
Less accumulated depreciation/ amortization for:				
Buildings	(16,204,156)	(1,082,121)	170,360	(17,115,917)
Buildings – leases	-	(17,053)	-	(17,053)
Improvements other than buildings	(7,909,617)	(957,365)	10,398	(8,856,584)
Infrastructure	(40,703,368)	(2,205,494)	-	(42,908,862)
Equipment - leases	(52,424)	(54,167)	40,155	(66,436)
Equipment	(16,808,022)	(2,064,256)	927,809	(17,944,469)
Right-to-use subscriptions	-	(545,723)	-	(545,723)
Total accumulated depreciation/ amortization	<u>(81,677,587)</u>	<u>(6,926,179)</u>	<u>1,148,722</u>	<u>(87,455,044)</u>
Total capital assets being depreciated/amortized, net	<u>106,300,757</u>	<u>14,512,613</u>	<u>(164,030)</u>	<u>120,649,340</u>
Governmental activities capital assets, net	<u>\$ 122,697,058</u>	<u>\$ 18,050,782</u>	<u>\$ (9,593,974)</u>	<u>\$ 131,153,866</u>

\* - Amounts have been restated to include items related to the implementation of GASB Statement 96, *Subscription-Based Information Technology Arrangements*.

(Continued)



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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	\$ 976,444
Judicial administration	301,596
Public safety	1,470,813
Public works	3,351,655
Health and welfare	31,658
Parks, recreation, and cultural	782,095
Community development	<u>11,918</u>
Total depreciation and amortization expense	
– governmental activities	<u>\$ 6,926,179</u>

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

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital assets, not being depreciated:				
Land	\$ 1,201,485	\$ -	\$ -	\$ 1,201,485
Construction in progress	29,045,565	6,632,104	(34,887,933)	789,736
Total capital assets not being depreciated	<u>30,247,050</u>	<u>6,632,104</u>	<u>(34,887,933)</u>	<u>1,991,221</u>
Capital assets, being depreciated/ amortized:				
Treatment plants	51,212,990	18,854,239	-	70,067,229
Improvements other than buildings	118,837	402,798	-	521,635
Infrastructure	144,257,659	16,640,648	(677,889)	160,220,418
Equipment	26,171,392	917,574	(24,995)	27,063,971
Equipment - leases	6,271	-	-	6,271
Right-to-use subscriptions	-	6,892	-	6,892
FWSA purchased capacity	52,496,047	-	-	52,496,047
Total capital assets being depreciated/ amortized	<u>274,263,196</u>	<u>36,822,151</u>	<u>(702,884)</u>	<u>310,382,463</u>
Less accumulated depreciation/ amortization for:				
Treatment plants	(11,567,778)	(1,001,914)	-	(12,569,692)
Improvements other than buildings	(118,401)	(1,275)	-	(119,676)
Infrastructure	(39,877,163)	(2,227,963)	394,759	(41,710,367)
Equipment	(4,802,624)	(1,231,130)	24,995	(6,008,759)
Equipment - leases	(492)	(1,568)	-	(2,060)
Right-to-use subscriptions	-	(546)	-	(546)
FWSA purchased capacity	(26,690,674)	(2,415,698)	-	(29,106,372)
Total accumulated depreciation/ amortization	<u>(83,057,132)</u>	<u>(6,880,094)</u>	<u>419,754</u>	<u>(89,517,472)</u>
Total capital assets being depreciated/amortized, net	<u>191,206,064</u>	<u>29,942,057</u>	<u>(283,130)</u>	<u>220,864,991</u>
Business-type activities capital assets, net	<u>\$ 221,453,114</u>	<u>\$ 36,574,161</u>	<u>\$ (35,171,063)</u>	<u>\$ 222,856,212</u>

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

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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:

	<b><u>Total Contracts</u></b>	<b><u>Total Payments</u></b>	<b><u>Future Amounts to be Expended</u></b>
<b>Primary Government</b>			
Preston Field Improvements	\$ 2,706,563	\$ 138,778	\$ 2,567,785
Jim Barnett Park Pickleball Courts	168,684	-	168,684
Poles Park Trail	79,862	-	79,862
Douglass Park Improvements	396,058	323,599	72,459
N. Loudon – Brooke Rd. Traffic Signal Replacement	409,800	-	409,800
	<u>\$ 3,760,967</u>	<u>\$ 462,377</u>	<u>\$ 3,298,590</u>
<b>Utilities</b>			
SCADA System Upgrade	\$ 426,900	\$ 327,786	\$ 99,114
Sewer Pump Station Replacements	2,546,260	2,506,060	40,200
Central Downtown Infrastructure Improvements	16,750,305	11,098,502	5,651,803
Total Utilities	<u>\$ 19,723,465</u>	<u>\$ 13,932,348</u>	<u>\$ 5,791,117</u>
<b>School Board</b>			
Douglas Community Learning Center	\$ 13,581,696	\$ 12,884,719	\$ 696,977
Frederick Douglas Elementary HVAC and lighting renovation	6,362,430	1,097,189	5,265,241
	<u>\$ 19,944,126</u>	<u>\$ 13,981,908</u>	<u>\$ 5,962,218</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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**

	<b><u>Beginning Balance*</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land	\$ 3,733,028	\$ -	\$ -	\$ 3,733,028
Construction in progress	8,319,676	8,387,835	(14,693,081)	2,014,430
Total capital assets not being depreciated	<u>12,052,704</u>	<u>8,387,835</u>	<u>(14,693,081)</u>	<u>5,747,458</u>
Capital assets, being depreciated/ amortized:				
Buildings	164,426,655	15,021,701	(272,808)	179,175,548
Buildings - leases	85,929	-	(85,929)	-
Improvements other than buildings	6,935,154	115,247	(122,028)	6,928,373
Equipment	10,767,483	1,255,731	(259,863)	11,763,351
Equipment – leases	606,420	282,683	(134,787)	754,316
Right-to-use subscriptions	13,992	293,825	-	307,817
Total capital assets being depreciated/ amortization	<u>182,835,633</u>	<u>16,969,187</u>	<u>(875,415)</u>	<u>198,929,405</u>
Less accumulated depreciation/ amortization for:				
Buildings	(49,094,085)	(3,326,882)	272,919	(52,148,048)
Buildings – leases	(79,319)	(6,610)	85,929	-
Improvements other than buildings	(3,455,800)	(295,488)	110,525	(3,640,763)
Equipment	(7,373,051)	(549,671)	241,633	(7,681,089)
Equipment – leases	(207,661)	(193,896)	134,787	(266,770)
Right-to-use subscriptions	-	(103,678)	-	(103,678)
Total accumulated depreciation/ amortization	<u>(60,209,916)</u>	<u>(4,476,225)</u>	<u>845,793</u>	<u>(63,840,348)</u>
Total capital assets being depreciated/amortized, net	<u>122,625,717</u>	<u>12,492,962</u>	<u>(29,622)</u>	<u>135,089,057</u>
School board capital assets, net	<u>\$ 134,678,421</u>	<u>\$ 20,880,797</u>	<u>\$ (14,722,703)</u>	<u>\$ 140,836,515</u>

\* - Amounts have been restated to include items related to the implementation of GASB Statement 96, *Subscription-Based Information Technology Arrangements*.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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	770,442	25,376	(25,000)	770,818
Total capital assets being depreciated	<u>10,578,020</u>	<u>25,376</u>	<u>(25,000)</u>	<u>10,578,396</u>
Less accumulated depreciation for:				
Buildings	(3,424,296)	(194,849)	-	(3,619,145)
Improvements other than buildings	(56,179)	-	-	(56,179)
Equipment	(218,280)	(66,256)	24,819	(259,717)
Total accumulated depreciation	<u>(3,698,755)</u>	<u>(261,105)</u>	<u>24,819</u>	<u>(3,935,041)</u>
Total capital assets being depreciated, net	<u>6,879,265</u>	<u>(235,729)</u>	<u>(181)</u>	<u>6,643,355</u>
Parking Authority capital assets, net	<u>\$ 6,890,950</u>	<u>\$ (235,729)</u>	<u>\$ (181)</u>	<u>\$ 6,655,040</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>\$ 4,476,225</u>
Business-type activities:	
Parking Authority	<u>\$ 261,105</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Unavailable Revenue**

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

	<u><b>General Fund</b></u>	<u><b>Nonmajor Governmental Funds</b></u>
Property taxes not collected within 45 days after year-end	\$ 6,878,840	\$ -
Uncollected joint judicial commission debt service billings	1,095,318	-
Miscellaneous	2,500	-
EMS billings not collected within 45 days after year-end	<u>-</u>	<u>239,800</u>
Total general fund unavailable revenue	<u>\$ 7,976,658</u>	<u>\$ 239,800</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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:

	<b><u>Beginning Balance*</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 94,035,914	\$ -	\$ (9,553,958)	\$ 84,481,956	\$ 9,813,414
Financed equipment purchase	-	980,044	-	980,044	323,452
Lease liabilities	87,700	366,118	(63,676)	390,142	91,554
Subscription liabilities	1,431,652	777,944	(542,554)	1,667,042	496,475
Unamortized bond premium	10,512,459	-	(1,235,600)	9,276,859	987,612
Compensated absences	2,647,440	1,194,511	(1,223,273)	2,618,678	267,588
Governmental activities long-term liabilities	<u>\$ 108,715,165</u>	<u>\$ 3,318,617</u>	<u>\$ (12,619,061)</u>	<u>\$ 99,414,721</u>	<u>\$ 11,980,095</u>
	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 3,964,086	\$ -	\$ (1,036,042)	\$ 2,928,044	\$ 971,587
Revenue bonds	113,067,805	-	(4,812,109)	108,255,696	5,253,396
Obligations payable FWSA	32,210,673	-	(1,657,668)	30,553,005	1,716,083
Lease liabilities	5,756	-	(1,535)	4,221	1,561
Unamortized bond premium	9,930,092	-	(808,165)	9,121,927	738,512
Compensated absences	247,319	133,336	(114,276)	266,379	27,220
Business-type activities long-term liabilities	<u>\$ 159,425,731</u>	<u>\$ 133,336</u>	<u>\$ (8,429,795)</u>	<u>\$ 151,129,272</u>	<u>\$ 8,708,359</u>

\* - Amounts have been restated to include items related to the implementation of GASB Statement 96, *Subscription-Based Information Technology Arrangements*.

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, \$69,626 of internal service funds compensated absences and \$15,027 of subscription liabilities are 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, 2023**

**Note 8. Long-Term Debt (Continued)**

**Primary Government (Continued)**

During 2023, the City's Maintenance Fund issued one subscription liability. The internal service funds predominantly serve the governmental funds and, as such, the long-term liability is included on Exhibit 1. Below is a reconciliation to Exhibit 4 of subscription liability issuances:

Issuance of subscriptions, per Exhibit 4	\$ 760,949
Issuance of subscriptions in an internal service fund	16,995
Total subscription liability issuances	<u>\$ 777,944</u>

	<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	\$ 587,661	\$ 97,339
\$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	2,440,000	-
\$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	13,515,000	-

(Continued)



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

**Primary Government (Continued)**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
<b><u>Details of Long-Term Indebtedness (Continued)</u></b>		
\$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.	\$ 9,415,000	\$ -
\$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.	13,665,000	-
\$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.	16,669,295	2,830,705
\$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.	6,610,000	-
\$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>4,920,000</u>	<u>-</u>
Total General Obligation Bonds	<u>\$ 84,481,956</u>	<u>\$ 2,928,044</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

**Primary Government (Continued)**

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></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	\$ -	\$ 5,600,000
\$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	-	1,130,696
\$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	-	10,295,000
\$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	-	12,045,000
\$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	-	34,060,000
\$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	-	5,485,000

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

**Primary Government (Continued)**

	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>
<u>Details of Long-Term Indebtedness (Continued)</u>		
Revenue Bonds (Continued):		
\$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>\$ 108,255,696</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**	\$ -	\$ 8,503,005
\$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**	-	22,050,000
\$980,044 Financed Equipment Agreement, commencing September 1, 2022, maturing annually through September 1, 2025, interest payable annually at a rate of 0.995%. Purpose: Motorola portable radio equipment for public safety use.	980,044	-
Total Obligations Payable	<u>\$ 980,044</u>	<u>\$ 30,553,005</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%.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

**Primary Government (Continued)**

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

<b>Governmental Activities</b>						
	<b>General Obligation Bonds</b>		<b>Lease Liabilities</b>		<b>Subscription Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 9,813,414	\$ 2,617,127	\$ 91,554	\$ 8,339	\$ 496,475	\$ 32,934
2025	9,405,443	2,428,727	86,412	6,423	506,130	23,431
2026	8,342,975	2,222,504	76,689	4,497	370,677	13,351
2027	5,605,124	2,011,380	77,213	2,562	131,175	5,543
2028	4,440,000	1,805,986	58,274	612	115,888	2,604
2029-2033	22,265,000	6,113,111	-	-	46,697	153
2034-2038	16,675,000	2,174,606	-	-	-	-
2039-2043	7,935,000	352,428	-	-	-	-
2044-2048	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-
	<u>\$ 84,481,956</u>	<u>\$ 19,725,869</u>	<u>\$ 390,142</u>	<u>\$ 22,433</u>	<u>\$ 1,667,042</u>	<u>\$ 78,016</u>

<b>Governmental Activities</b>			
<b>Financed Equipment Purchase</b>			
	<b>Principal</b>		<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>	
2024	\$ 323,452	\$ 9,751	
2025	326,671	6,533	
2026	329,921	3,283	
	<u>\$ 980,044</u>	<u>\$ 19,567</u>	

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

**Primary Government (Continued)**

	<b>Business-type Activities</b>					
	<b>General Obligation Bonds</b>		<b>Revenue Bonds</b>		<b>Obligations Payable FWSA</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	-	-	7,193,885	2,904,170	1,956,114	638,701
2029-2033	-	-	29,562,504	9,950,011	9,645,286	2,394,548
2034-2038	-	-	19,730,449	5,421,347	9,596,381	1,058,558
2039-2043	-	-	14,652,244	2,189,842	2,095,710	32,613
2044-2048	-	-	7,385,000	942,028	-	-
2049-2053	-	-	4,830,000	160,950	-	-
	<u>\$ 2,928,044</u>	<u>\$ 37,286</u>	<u>\$ 108,255,696</u>	<u>\$ 36,528,181</u>	<u>\$ 30,553,005</u>	<u>\$ 7,234,282</u>

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

	<b>Business-type Activities</b>	
	<b>Lease Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 1,561	\$ 59
2025	1,587	33
2026	<u>1,073</u>	<u>7</u>
	<u>\$ 4,221</u>	<u>\$ 99</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

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

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

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

**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.

At June 30, 2023, the following bonds are considered defeased:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
General obligation bonds				
PIB Series 2007	\$ 2,820,000	\$ -	\$ (420,000)	\$ 2,400,000
PIB Series 2013	16,650,000	-	-	16,650,000
Series 2012	18,240,000	-	(5,715,000)	12,525,000
Revenue bonds				
VRA VPFP 2008B	5,040,000	-	(740,000)	4,300,000
VRA VPFP 2011B	12,955,000	-	(905,000)	12,050,000
VRA VPFP 2010 C	6,275,000	-	(685,000)	5,590,000
	<u>\$ 61,980,000</u>	<u>\$ -</u>	<u>\$ (8,465,000)</u>	<u>\$ 53,515,000</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

**School Board**

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

	<b>Beginning Balance*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Governmental Activities – School Board</b>					
Compensated absences	\$ 2,669,253	\$ 494,926	\$ (155,881)	\$ 3,008,298	\$ 125,947
Lease liabilities	401,221	282,683	(193,442)	490,462	194,627
Subscription liabilities	<u>11,741</u>	<u>224,958</u>	<u>(80,880)</u>	<u>155,819</u>	<u>78,617</u>
School board					
Long-term liabilities	<u>\$ 3,082,215</u>	<u>\$ 1,002,567</u>	<u>\$ (430,203)</u>	<u>\$ 3,654,579</u>	<u>\$ 399,191</u>

\* - Amounts have been restated to include items related to the implementation of GASB Statement 96, *Subscription-Based Information Technology Arrangements*.

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

<b>School Board</b>					
	<b>Lease Liabilities</b>		<b>Subscription Liabilities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2024	\$ 194,627	\$ 6,636	\$ 78,617	\$ 2,913	
2025	173,735	4,035	75,285	1,578	
2026	78,340	1,939	948	42	
2027	<u>43,760</u>	<u>338</u>	<u>969</u>	<u>21</u>	
	<u>\$ 490,462</u>	<u>\$ 12,948</u>	<u>\$ 155,819</u>	<u>\$ 4,554</u>	

**Parking Authority**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Business-type Activities – Parking Authority</b>					
Revenue bond	\$ 6,285,000	\$ -	\$ (335,234)	\$ 5,949,766	\$ 338,418
Compensated absences	<u>41,299</u>	<u>20,883</u>	<u>(19,083)</u>	<u>43,099</u>	<u>4,403</u>
Parking authority					
Long-term liabilities	<u>\$ 6,326,299</u>	<u>\$ 20,883</u>	<u>\$ (354,317)</u>	<u>\$ 5,992,865</u>	<u>\$ 342,821</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 8. Long-Term Debt (Continued)**

**Parking Authority (Continued)**

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

\$ 5,949,766

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

	<b><u>Parking Authority</u></b>	
	<b><u>Revenue Bonds</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2024	\$ 338,418	\$ 130,063
2025	346,793	122,354
2026	354,721	114,462
2027	362,001	106,399
2028	368,733	98,178
2029-2033	1,975,486	360,887
2034-2038	<u>2,203,614</u>	<u>125,940</u>
	<u>\$ 5,949,766</u>	<u>\$ 1,058,283</u>

**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.

At June 30, 2023, the following bonds are considered defeased:

	<b><u>Beginning</u></b>		<b><u>Increases</u></b>		<b><u>Decreases</u></b>		<b><u>Ending</u></b>
	<b><u>Balance</u></b>						<b><u>Balance</u></b>
Revenue Bond							
Series 2021	\$ 6,243,000	\$	-	\$	(297,900)	\$	5,945,100

(Continued)



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 9. Leases**

City as Lessor

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. As of June 30, 2023, the value of the lease receivable is \$1,888,424. The lessee is required to make monthly fixed payments of \$8,809 which will increase to \$9,876 in 2024 and the lease has an interest rate of 2.132%. The value of the deferred inflow of resources as of June 30, 2023, was \$1,832,394 and the City recognized lease revenue of \$93,969 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 March 2027. An initial lease receivable was recorded in the amount of \$754,667. As of June 30, 2023, the value of the lease receivable is \$724,303. The lessee is required to make monthly fixed payments of \$8,129 and additional monthly payments of \$8,674. The lease has an interest rate of 2.26%. The value of the deferred inflow of resources as of June 30, 2023, was \$707,500, and the City recognized lease revenue of \$47,167 during the fiscal year. The lessee has four extension options, each for 12 months. The lessee had a termination period of 42 months as of the lease commencement.

In addition to the significant lessor leases above, the City also leases buildings and infrastructure to various entities for periods expiring December 2026 through June 2044. As of June 30, 2023, the value of these lease receivables is \$373,510 and the value of the deferred inflows of resources related to these leases as of June 30, 2023, was \$367,468.

The lease receivables are due as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 310,320	\$ 62,438
2025	323,582	55,321
2026	340,438	47,830
2027	300,673	40,035
2028	135,255	35,171
Thereafter	<u>1,575,969</u>	<u>260,460</u>
	<u>\$ 2,986,237</u>	<u>\$ 501,255</u>

Total lease and interest revenue in the general fund was \$356,719 and \$61,857, respectively, for 2023.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 9. Leases (Continued)**

City and School Board as Lessee

In April 2023, the City entered into a lease with Dave Holiday Rentals for the use of building space at 117 E. Piccadilly Street expiring in March 2028. The City is required to make monthly payments of \$5,817 which will increase by 2% each year.

In addition to the significant lease noted above, the City also has leases for building space and various equipment, such as copiers and postage machines, for periods expiring between October 2023 through December 2042.

In February 2023, the Schools entered into a lease with Ricoh USA, Inc. for copiers expiring in February 2027. The Schools are required to make monthly fixed payments of \$6,300.

In addition to the significant lease noted above, the School Board also has leases for various equipment, primarily copiers, and building space for periods expiring between April 2024 through August 2025.

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. Both the City and Schools uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease.

**Note 10. Subscription Liabilities**

In 2023, the City and Schools implemented the guidance of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This new standard requires reporting an intangible right-to-use asset and subscription liability for IT contracts.

City

A summary of significant City SBITAs are as follows:

In March 2023, the City entered into an IT contract with Avenity, Inc. for the use of personal property software expiring in March 2029, which includes two 24-month renewal periods which management is reasonably certain of exercising. The City is required to make annual payments of \$87,000 which will increase by 3% each year. The City incurred \$62,000 of implementation costs in order to place the software into service which is reflected in the recorded value of the subscription right-to-use asset.

In December 2020, the City entered into an IT contract with H.T.E., Inc. for the use of an accounting software packing expiring in December 2026, which includes one twelve-month renewal period which management is reasonably certain of exercising. The City is required to make annual payments of \$203,768 which will increase by 5% each year. In fiscal year 2021, the City incurred \$10,000 of implementation costs which is reflected in the recorded value of the subscription right-to-use asset. Additionally, the contract does include a fiscal funding clause of which management is reasonably certain they will not exercise.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 10. Subscription Liabilities (Continued)**

City (Continued)

In addition to the significant SBITAs noted above, the City has several other SBITAs for various software platforms for periods expiring between August 2023 through June 2030.

The value of right-to-use subscription 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. Both the City and Schools uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each IT contract.

Schools

A summary of significant School SBITAs are as follows:

In July 2022, the School Board entered into an IT contract with PowerSchool Group, LLC for the use of software expiring in June 2025. The Schools are required to make annual fixed payments of \$52,349. The Schools incurred \$68,867 of implementation costs in order to place the software into service which is reflected in the recorded value of the subscription right-to-use asset.

In addition to the significant SBITA noted above, the Schools have several other SBITAs for various software platforms for periods expiring between May 2024 through June 2027.

The value of right-to-use subscription 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. Both the City and Schools uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each IT contract.

**Note 11. 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, 2023**

**Note 12. Prior Period Restatement – Schools**

During 2023, the Schools restated beginning fund balance and net position to account for federal grants that should have been recognized in revenue during fiscal year 2022.

The following is a summary of the restatement to beginning fund balance, as noted in Exhibits 28 and 31:

	<b>Other Governmental Funds (Ex. 28)</b>	<b>School Federal Grants Fund (Ex. 31)</b>
Fund Balance, June 30, 2023, as previously reported	\$ 2,340,852	\$ (1,400,613)
Prior period restatement	<u>1,184,064</u>	<u>1,184,064</u>
Fund Balance, June 30, 2023, as restated	<u>\$ 3,524,916</u>	<u>\$ (216,549)</u>

The following is a summary of the restatement to beginning net position, as noted in Exhibit 2:

	<b>School Board</b>
Net position, June 30, 2023, as previously reported	\$ 100,580,019
Prior period restatement	<u>1,184,064</u>
Net position, June 30, 2023, as restated	<u>\$ 101,764,083</u>

**Note 13. 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>.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. Defined Benefit Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2021 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>312</u>	<u>3</u>	<u>51</u>
Inactive members:			
Vested inactive members	103	1	10
Non-vested inactive members	209	2	32
Inactive members active elsewhere in VRS	<u>206</u>	<u>2</u>	<u>12</u>
Total inactive members	518	5	54
Active members	<u>481</u>	<u>5</u>	<u>83</u>
Total covered employees	<u>1,311</u>	<u>13</u>	<u>188</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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, 2023, was 10.42% of covered employee compensation. The School Board Non-Professional Employee Plan's contractually required contribution rate for the year ended June 30, 2023, was 4.93% of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2021.

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 \$2,939,764 and \$2,540,900 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the pension plan from the WPA were \$27,694 and \$24,044 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the pension plan from School Board Non-Professional Employee Plan were \$135,665 and \$162,065 for the years ended June 30, 2023 and June 30, 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

**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, 2021, 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, 2022.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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 setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021 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; decreased 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, 2023**

**Note 13. 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.83 %

- \* The above allocation provides for a one-year return of 7.83%. 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 6.72%, 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, 2023**

**Note 13. 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, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2021	\$ 115,914,774	\$ 115,884,513	\$ 30,261
Changes for the year:			
Service cost	2,679,355	-	2,679,355
Interest	7,946,772	-	7,946,772
Changes of assumptions	-	-	-
Differences between expected and actual experience	(2,452,115)	-	(2,452,115)
Contributions – employer	-	2,544,330	(2,544,330)
Contributions – employee	-	1,239,106	(1,239,106)
Net investment income	-	(125,040)	125,040
Benefit payments, including refunds of employee contributions	(5,282,178)	(5,282,178)	-
Administrative expenses	-	(73,216)	73,216
Other changes	-	2,686	(2,686)
Net changes	2,891,834	(1,694,312)	4,586,146
Balances at June 30, 2022	\$ 118,806,608	\$ 114,190,201	\$ 4,616,407

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. Defined Benefit Pension Plan (Continued)**

**Changes in Net Pension Liability - WPA**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2021	\$ 1,158,536	\$ 1,158,250	\$ 286
Changes for the year:			
Service cost	25,241	-	25,241
Interest	74,862	-	74,862
Changes of assumptions	-	-	-
Differences between expected and actual experience	(23,100)	-	(23,100)
Contributions – employer	-	23,969	(23,969)
Contributions – employee	-	11,673	(11,673)
Net investment income	-	(1,178)	1,178
Benefit payments, including refunds of employee contributions	(49,760)	(49,760)	-
Administrative expenses	-	(690)	690
Other changes	-	27	(27)
Net changes	27,243	(15,959)	43,202
Balances at June 30, 2022	\$ 1,185,779	\$ 1,142,291	\$ 43,488

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. Defined Benefit Pension Plan (Continued)**

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Asset (a) – (b)</b>
Balances at June 30, 2021	\$ 9,150,966	\$ 10,537,587	\$ (1,386,621)
Changes for the year:			
Service cost	262,310	-	262,310
Interest	621,593	-	621,593
Changes of assumptions	-	-	-
Differences between expected and actual experience	(396,474)	-	(396,474)
Contributions – employer	-	161,593	(161,593)
Contributions – employee	-	129,832	(129,832)
Net investment income	-	(12,390)	12,390
Benefit payments, including refunds of employee contributions	(408,967)	(408,967)	-
Administrative expenses	-	(6,514)	6,514
Other changes	-	244	(244)
Net changes	78,462	(136,202)	214,664
Balances at June 30, 2022	<u>\$ 9,229,428</u>	<u>\$ 10,401,385</u>	<u>\$ (1,171,957)</u>

**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 was calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
City's net pension liability (asset)	\$ 21,879,721	\$ 4,616,407	\$ (9,348,931)
WPA's net pension liability (asset)	206,116	43,488	(88,071)
School Board Non-Professional Employee Plan's net pension asset	(125,941)	(1,171,957)	(2,040,326)

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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, 2023, the City recognized pension expense of \$1,028,040. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 245,558	\$ 2,724,137
Changes of assumptions	1,561,797	-
Net difference between projected and actual earnings on pension plan investments	-	3,349,106
Employer contributions subsequent to the measurement date	<u>2,939,764</u>	<u>-</u>
Total	<u><u>\$ 4,747,119</u></u>	<u><u>\$ 6,073,243</u></u>

The \$2,939,764 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to Pension Expense</b>
2024	\$ (1,428,011)
2025	(2,092,764)
2026	(2,347,960)
2027	1,602,847
2028	-
Thereafter	-

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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, 2023, the WPA recognized pension expense of \$9,685. At June 30, 2023, the WPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,313	\$ 25,662
Changes of assumptions	14,713	-
Net difference between projected and actual earnings on pension plan investments	-	31,550
Employer contributions subsequent to the measurement date	<u>27,694</u>	<u>-</u>
Total	<u><u>\$ 44,720</u></u>	<u><u>\$ 57,212</u></u>

The \$27,694 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, 2024. 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:

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to Pension Expense</b>
2024	\$ (13,452)
2025	(19,715)
2026	(22,119)
2027	15,100
2028	-
Thereafter	-

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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, 2023, the School Board Non-Professional Employee Plan recognized pension expense of \$(262,583). At June 30, 2023, the School Board Non-Professional Employee Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 355,917
Changes of assumptions	88,871	-
Net difference between projected and actual earnings on pension plan investments	-	295,198
Employer contributions subsequent to the measurement date	<u>135,665</u>	<u>-</u>
Total	<u><u>\$ 224,536</u></u>	<u><u>\$ 651,115</u></u>

The \$135,665 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, 2024. 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:

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to Pension Expense</b>
2024	\$ (275,944)
2025	(228,262)
2026	(201,936)
2027	143,898
2028	-
Thereafter	-

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13. 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 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023, approximately \$448,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

**Note 14. 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 13.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. 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, 2023, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$5,710,358 and \$5,273,804 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 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, 2023, the school division reported a liability of \$33,730,529 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was 0.354% as compared to 0.349% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$1,244,451. 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. Beginning with the June 30, 2022 measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

(Continued)



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. 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, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 2,325,853
Changes of assumptions	3,180,108	-
Net difference between projected and actual earnings on pension plan investments	-	4,397,755
Changes in proportion and differences between employer contributions and proportionate share of contributions	516,222	830,843
Employer contributions subsequent to the measurement date	<u>5,710,358</u>	<u>-</u>
Total	<u><u>\$ 9,406,688</u></u>	<u><u>\$ 7,554,451</u></u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. 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 \$5,710,358 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, 2024. 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>
2024	\$ (1,429,272)
2025	(1,609,559)
2026	(2,912,144)
2027	2,092,854
2028	-
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, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u><b>Teacher Employee Retirement Plan</b></u>
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	<u>45,211,731</u>
Employers' Net Pension Liability (Asset)	<u><u>\$ 9,520,598</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 82.61%

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 14. 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 was calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 60,245,307	\$ 33,730,529	\$ 12,141,669

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023, approximately \$830,600 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 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, 2023**

**Note 15. 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, 2023**

**Note 15. 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, 2023.

**Net OPEB Liability**

At June 30, 2023, the City and WPA reported liabilities of \$2,369,063 and \$24,467, respectively for their proportionate shares of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2023, 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, 2023, 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	\$ 8,024,638	\$ 476,037	\$ 8,500,675
Plan fiduciary net position	5,631,108	334,048	5,965,156
Employers' net OPEB liability	<u>\$ 2,393,530</u>	<u>\$ 141,989</u>	<u>\$ 2,535,519</u>
Plan fiduciary net position as a percentage of total OPEB liability	70.17%	70.17%	70.17%

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Changes in Net OPEB Liability – Entire Plan**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) – (b)</b>
Balances at June 30, 2022	\$ 8,324,188	\$ 5,538,653	\$ 2,785,535
Changes for the year:			
Service cost	177,243	-	177,243
Interest	524,017	-	524,017
Experience losses (gains)	56,866	-	56,866
Contributions – employer	-	581,639	(581,639)
Net investment income	-	426,503	(426,503)
Changes in assumptions	-	-	-
Benefit payments	(581,639)	(581,639)	-
Net changes	176,487	426,503	(250,016)
Balances at June 30, 2023	\$ 8,500,675	\$ 5,965,156	\$ 2,535,519

**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, 2023**

**Note 15. 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.

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Capital Market Assumptions</b>	<b>Expected Long-term Return (Net of Inflation)</b>
Domestic Equity	39.00 %	7.20 %	4.70 %
International Developed Equity	15.00	8.50	6.00
International Emerging Markets Equity	6.00	7.90	5.40
Core Fixed	20.00	4.50	2.00
Investment Grade Corporate Debt	10.00	5.50	3.00
Emerging Markets Debt	5.00	6.90	4.40
High Yield	5.00	7.50	5.00
<b>Total</b>	<b>100.00 %</b>		
	<b>Inflation</b>		<b>2.50 %</b>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. 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 was 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:

	<b>1.00% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1.00% Increase (7.50%)</b>
Net OPEB liability – City	\$ 3,086,721	\$ 2,369,063	\$ 1,719,089
Net OPEB liability – WPA	31,878	24,467	17,754
Net OPEB liability – Other Employers	185,002	141,989	103,033
Total	<u>\$ 3,303,601</u>	<u>\$ 2,535,519</u>	<u>\$ 1,839,876</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 was 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:

	<b>1.00% Decrease (2.94%)</b>	<b>Current Healthcare Cost Trend Rates (3.94%)</b>	<b>1.00% Increase (4.94%)</b>
Net OPEB liability – City	\$ 1,492,597	\$ 2,369,063	\$ 3,395,314
Net OPEB liability – WPA	15,415	24,467	35,065
Net OPEB liability – Other Employers	89,458	141,989	203,498
Total	<u>\$ 1,597,470</u>	<u>\$ 2,535,519</u>	<u>\$ 3,633,877</u>

(Continued)



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 15. 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, 2023, the City, WPA, and other participating employers recognized OPEB expenses of \$463,487, \$4,787, and \$32,147, respectively. At June 30, 2023, 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	\$ 1,565,997	\$ 4,523	\$ 16,173	\$ 47
Net difference between projected and actual earnings on OPEB plan investments	321,113	-	3,316	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	15,824	-	163
Changes of assumptions	-	1,715,971	-	17,722
Total	<u>\$ 1,887,110</u>	<u>\$ 1,736,318</u>	<u>\$ 19,489</u>	<u>\$ 17,932</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
2024	146,925	1,517
2025	135,630	1,401
2026	234,210	2,419
2027	(193,509)	(1,998)
2028	(180,053)	(1,860)
Thereafter	7,589	78

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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 multiemployer 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, 2023**

**Note 16. 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 multiemployer agent plan.

As of the June 30, 2021, 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	54	1	14
Inactive members:			
Vested inactive members	10	-	-
Total inactive members	64	1	14
Active members	372	5	83
Total covered employees	<u>436</u>	<u>6</u>	<u>97</u>

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 Fiscal Year 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, 2023**

**Note 16. 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, 2021, (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.

	<b>City</b>	<b>WPA</b>	<b>Schools</b>
June 30, 2023 Contribution	\$163,933	\$1,737	\$214,180
June 30, 2022 Contribution	\$143,173	\$1,550	\$195,138

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

**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, 2023 Contribution	\$440,120
June 30, 2022 Contribution	\$403,319

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act and is classified as a non-employer contribution.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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.

	<b>City</b>	<b>WPA</b>	<b>Schools</b>
June 30, 2023 Contribution	\$16,211	\$225	\$8,553
June 30, 2022 Contribution	\$19,639	\$287	\$8,659

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:	\$681.84 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2023 Contribution	\$117,106
June 30, 2022 Contribution	\$122,301

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

The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, 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, 2023**

**Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

Group Life Insurance Program

	<b>City</b>	<b>WPA</b>	<b>Schools</b>
June 30, 2023 proportionate share of liability	\$1,469,535	\$15,569	\$1,996,633
June 30, 2022 proportion	0.13%	0.001%	0.17%
June 30, 2021 proportion	0.13%	0.001%	0.16%
June 30, 2023 expense	\$11,649	\$123	\$47,923

Teacher Health Insurance Credit Program

June 30, 2023 proportionate share of liability	\$4,458,472
June 30, 2022 proportion	0.36%
June 30, 2021 proportion	0.35%
June 30, 2023 expense	\$318,957

Line of Duty Act Program

June 30, 2023 proportionate share of liability	\$3,385,284
June 30, 2022 proportion	0.89%
June 30, 2021 proportion	0.87%
June 30, 2023 expense	\$437,956

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.

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) – (b)</b>
Balances at June 30, 2021	\$ 499,160	\$ 485,013	\$ 14,147
Changes for the year:			
Service cost	13,462	-	13,462
Interest	34,268	-	34,268
Benefit changes	-	-	-
Differences between expected and actual experience	(11,350)	-	(11,350)
Changes of assumptions	129,749	-	129,749
Contributions – employer	-	19,748	(19,748)
Net investment income	-	920	(920)
Benefit payments	(34,426)	(34,426)	-
Administrative expenses	-	(855)	855
Other changes	-	11,385	(11,385)
Net changes	131,703	(3,228)	134,931
Balances at June 30, 2022	\$ 630,863	\$ 481,785	\$ 149,078

In addition, for the year ended June 30, 2023, the City recognized OPEB expense of \$4,401 related to the General Employee Health Insurance Credit Program.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) – (b)</b>
Balances at June 30, 2021	\$ 5,904	5,697	\$ 207
Changes for the year:			
Service cost	187	-	187
Interest	476	-	476
Benefit changes	-	-	-
Differences between expected and actual experience	(158)	-	(158)
Changes of assumptions	1,801	-	1,801
Contributions – employer	-	274	(274)
Net investment income	-	13	(13)
Benefit payments	(478)	(478)	-
Administrative expenses	-	(12)	12
Other changes	-	169	(169)
Net changes	1,828	(34)	1,862
Balances at June 30, 2022	\$ 7,732	5,663	\$ 2,069

In addition, for the year ended June 30, 2023, the WPA recognized OPEB expense of \$61 related to the General Employee Health Insurance Credit Program.

(Continued)



**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) – (b)</b>
Balances at June 30, 2021	\$ 129,486	\$ 110,691	\$ 18,795
Changes for the year:			
Service cost	4,864	-	4,864
Interest	8,813	-	8,813
Benefit changes	-	-	-
Differences between expected and actual experience	(13,754)	-	(13,754)
Changes of assumptions	4,789	-	4,789
Contributions – employer	-	8,659	(8,659)
Net investment income	-	87	(87)
Benefit payments	(7,567)	(7,567)	-
Administrative expenses	-	(198)	198
Other changes	-	3,444	(3,444)
Net changes	(2,855)	4,425	(7,280)
Balances at June 30, 2022	\$ 126,631	\$ 115,116	\$ 11,515

In addition, for the year ended June 30, 2023, the Schools recognized OPEB benefit of \$(475) related to the General Employee Health Insurance Credit Program.

At June 30, 2023, 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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 116,368	\$ 58,954
Changes of assumptions	54,811	143,139
Net difference between projected and actual earnings on OPEB plan investments		91,825
Changes in proportion	47,035	30,445
Employer contributions subsequent to the measurement date	163,933	-
Total	\$ 382,147	\$ 324,363

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

Group Life Insurance Program - WPA

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,233	\$ 625
Changes of assumptions	581	1,516
Net difference between projected and actual earnings on OPEB plan investments	-	973
Changes in proportion	498	323
Employer contributions subsequent to the measurement date	1,737	-
Total	<u>\$ 4,049</u>	<u>\$ 3,437</u>

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 158,108	\$ 80,100
Changes of assumptions	74,472	194,480
Net difference between projected and actual earnings on OPEB plan investments	-	124,760
Changes in proportion	31,301	41,763
Employer contributions subsequent to the measurement date	214,180	-
Total	<u>\$ 478,061</u>	<u>\$ 441,103</u>

Teacher Health Insurance Credit Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 181,734
Change in assumptions	130,255	11,385
Net difference between projected and actual earnings on OPEB plan investments	-	4,475
Changes in proportion	51,913	131,428
Employer contributions subsequent to the measurement date	440,120	-
Total	<u>\$ 622,288</u>	<u>\$ 329,022</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

General Employee Health Insurance Credit Program - City

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,752	\$ 52,030
Changes of assumptions	122,703	4,403
Net difference between projected and actual earnings on OPEB plan investments	-	12,927
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	16,211	-
Total	<u>\$ 143,666</u>	<u>\$ 69,360</u>

General Employee Health Insurance Credit Program - WPA

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 66	\$ 772
Changes of assumptions	1,703	61
Net difference between projected and actual earnings on OPEB plan investments	-	179
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	225	-
Total	<u>\$ 1,994</u>	<u>\$ 1,012</u>

General Employee Health Insurance Credit Program - Schools

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,582	\$ 19,421
Changes of assumptions	6,664	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,513
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	8,553	-
Total	<u>\$ 16,799</u>	<u>\$ 21,934</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

<u>Line of Duty Act Program</u>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 260,082	\$ 632,702
Changes of assumptions	944,062	834,969
Net difference between projected and actual earnings on OPEB plan investments	-	14,477
Changes in proportion	193,285	333,136
Employer contributions subsequent to the measurement date	117,106	-
Total	<u><u>\$ 1,514,535</u></u>	<u><u>\$ 1,815,284</u></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, 2024. 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>	
<b>Year Ended June 30,</b>	<b>Increase (Decrease) to OPEB Expense</b>
2024	\$ (20,780)
2025	(15,563)
2026	(72,552)
2027	9,983
2028	(7,237)
Thereafter	-

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

Group Life Insurance Program - WPA

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to OPEB Expense</b>
2024	\$ (220)
2025	(165)
2026	(769)
2027	106
2028	(77)
Thereafter	-

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

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to OPEB Expense</b>
2024	\$ (48,116)
2025	(40,445)
2026	(98,962)
2027	19,532
2028	(9,231)
Thereafter	-

Teacher Health Insurance Credit Program

<b>Year Ended June 30,</b>	<b>(Decrease) to OPEB Expense</b>
2024	\$ (50,962)
2025	(43,940)
2026	(31,493)
2027	(3,947)
2028	(9,140)
Thereafter	(7,372)

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

General Employee Health Insurance Credit Program - City

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to OPEB Expense</b>
2024	\$ 824
2025	630
2026	(799)
2027	18,769
2028	15,919
Thereafter	22,752

General Employee Health Insurance Credit Program - WPA

<b>Year Ended June 30,</b>	<b>Increase (Decrease) to OPEB Expense</b>
2024	\$ 11
2025	9
2026	(11)
2027	260
2028	221
Thereafter	267

General Employee Health Insurance Credit Program - Schools

<b>Year Ended June 30,</b>	<b>(Decrease) to OPEB Expense</b>
2024	\$ (3,144)
2025	(5,029)
2026	(4,658)
2027	(542)
2028	(315)
Thereafter	-

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

Line of Duty Act Program

Year Ended June 30,	(Decrease) to OPEB Expense
2024	\$ (17,315)
2025	(17,005)
2026	(16,676)
2027	(9,367)
2028	(18,242)
Thereafter	(339,250)

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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	5.25 – 4.75%

Investment rate of return, net of expenses, including inflation*	GLI & HIC: 6.75%; LODA 3.69%
---	------------------------------

\* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

Mortality rates used for 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 13.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>	<b>Teacher Employee HIC OPEB Plan</b>	<b>Line of Duty Act Program</b>
Total OPEB Liability	\$ 3,672,085	\$ 1,470,891	\$ 385,669
Plan fiduciary net position	2,467,989	221,845	7,214
Employers' net OPEB liability	\$ 1,204,096	\$ 1,249,046	\$ 378,455
Plan fiduciary net position as a percentage of total OPEB liability	67.21%	15.08%	1.87%

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, 2023**

**Note 16. 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
<b>Total</b>	<b>100.00 %</b>		<b>5.33 %</b>
	<b>Inflation</b>		<b>2.50 %</b>
			<b>7.83 %</b>
*Expected arithmetic nominal return			

- \* The above allocation provides for a one-year return of 7.83%. 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 6.72%, 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, 2023**

**Note 16. 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 3.69% 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 3.69% 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, 2022.

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 3.69%. 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, 2022, 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, 2023**

**Note 16. 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 was calculated using a discount rate that is one percentage point lower (5.75% HIC; GLI/2.69% LODA) or one percentage point higher (7.75% HIC; GLI/4.69% LODA) than the current discount rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
GLI Net OPEB liability – City	\$ 2,138,346	\$ 1,469,535	\$ 929,045
GLI Net OPEB liability – WPA	22,654	15,569	9,843
GLI Net OPEB liability – Schools	2,905,335	1,996,633	1,262,278
Teacher HIC Net OPEB liability	\$ 5,024,749	\$ 4,458,472	\$ 3,978,453
General Employee HIC Net OPEB liability – City	\$ 228,577	\$ 149,078	\$ 82,589
General Employee HIC Net OPEB liability – WPA	3,172	2,069	1,146
General Employee HIC Net OPEB liability – Schools	24,733	11,515	148
	<b>(2.69 %)</b>	<b>(3.69 %)</b>	<b>(4.69 %)</b>
LODA Net OPEB liability	\$ 3,864,270	\$ 3,385,284	\$ 2,993,418

**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 was 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:

	<b>1.00% Decrease (6.00% decreasing to 3.75%)</b>	<b>Current Healthcare Cost Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1.00% Increase (8.00% decreasing to 5.75%)</b>
LODA Net OPEB liability	\$ 2,852,838	\$ 3,385,284	\$ 4,053,586

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 16. 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 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 17. Summary of Other Postemployment Benefits**

	<b>Deferred Outflows of Resources</b>	<b>Net OPEB Liability</b>	<b>Deferred Inflows of Resources</b>	<b>OPEB Expense</b>
City – Local Plan	\$ 1,887,110	\$ 2,369,063	\$ 1,736,318	\$ 463,487
City – GLI	382,147	1,469,535	324,363	11,649
City – HIC	143,666	149,078	69,360	4,401
City – LODA	1,514,535	3,385,284	1,815,284	437,956
	<u>\$ 3,927,458</u>	<u>\$ 7,372,960</u>	<u>\$ 3,945,325</u>	<u>\$ 917,493</u>
WPA – Local Plan	19,489	24,467	17,932	4,787
WPA – GLI	4,049	15,569	3,437	123
WPA – HIC	1,994	2,069	1,012	61
	<u>\$ 25,532</u>	<u>\$ 42,105</u>	<u>\$ 22,381</u>	<u>\$ 4,971</u>
Schools Non				
Professional – HIC	16,799	11,515	21,934	(475)
Teachers – HIC	622,288	4,458,472	329,022	318,957
Schools Non				
Professional – GLI	49,465	155,088	33,849	8,084
Teachers – GLI	428,596	1,841,545	407,254	39,839
	<u>\$ 1,117,148</u>	<u>\$ 6,466,620</u>	<u>\$ 792,059</u>	<u>\$ 366,405</u>

**Note 18. 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.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 18. 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.

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 19. 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:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>
Nonspendable:			
Inventories	\$ 6,706	\$ -	\$ -
Total nonspendable	<u>6,706</u>	<u>-</u>	<u>-</u>
Restricted for:			
Revenue for public safety programs	426,011	-	-
Debt proceeds not yet spent for projects	<u>-</u>	<u>3,378,376</u>	<u>-</u>
Total restricted	<u>426,011</u>	<u>3,378,376</u>	<u>-</u>
Committed to:			
Public works	-	1,662,269	-
Public safety	99,234	-	-
Parks, recreation, and cultural	187,701	-	-
Other capital projects	<u>2,000,000</u>	<u>-</u>	<u>-</u>
Total committed	<u>2,286,935</u>	<u>1,662,269</u>	<u>-</u>
Assigned to:			
Judicial administration	22,227	-	23,340
Public safety	73,449	-	449,997
Public works	-	16,315	377,404
Health and welfare	-	-	22,518
Education	759,459	-	-
Parks, recreation, and cultural	-	-	475,739
Subsequent year appropriation	<u>3,184,800</u>	<u>-</u>	<u>-</u>
Total assigned	<u>4,039,935</u>	<u>16,315</u>	<u>1,348,998</u>
Unassigned	<u>25,846,975</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 32,606,562</u>	<u>\$ 5,056,960</u>	<u>\$ 1,348,998</u>

(Continued)

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 20. Subsequent Events**

Management has evaluated subsequent events through December 6, 2023, the date the financial statements were available to be issued.

**Note 21. New Accounting Standards**

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

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.

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.

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## **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, 2023

	Primary Government and Winchester Parking Authority Plan Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 2,704,596	\$ 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	8,021,634	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	(5,331,938)	(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	(2,475,215)	(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	2,919,077	6,546,143	7,135,292	8,757,685	4,071,203	3,520,779	4,194,502	1,933,499	3,799,982
<b>Total pension liability - beginning</b>	<b>117,073,310</b>	<b>110,527,167</b>	<b>103,391,875</b>	<b>94,634,190</b>	<b>90,562,987</b>	<b>87,042,208</b>	<b>82,847,706</b>	<b>80,914,207</b>	<b>77,114,225</b>
<b>Total pension liability - ending</b>	<b>\$ 119,992,387</b>	<b>\$ 117,073,310</b>	<b>\$ 110,527,167</b>	<b>\$ 103,391,875</b>	<b>\$ 94,634,190</b>	<b>\$ 90,562,987</b>	<b>\$ 87,042,208</b>	<b>\$ 82,847,706</b>	<b>\$ 80,914,207</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 2,568,299	\$ 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	1,250,779	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	(126,218)	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	(5,331,938)	(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	(73,906)	(63,756)	(60,203)	(58,925)	(52,294)	(51,704)	(44,712)	(43,206)	(50,971)
Other changes	2,713	(203,436)	198,071	(169,802)	(10,114)	(22,965)	63,874	(47,957)	502
Net change in plan fiduciary net position	(1,710,271)	24,181,774	643,284	4,659,266	5,147,748	8,367,008	1,246,990	3,212,826	9,174,004
<b>Plan fiduciary net position - beginning</b>	<b>117,042,763</b>	<b>92,860,989</b>	<b>92,217,705</b>	<b>87,558,439</b>	<b>82,410,691</b>	<b>74,043,683</b>	<b>72,796,693</b>	<b>69,583,867</b>	<b>60,409,863</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 115,332,492</b>	<b>\$ 117,042,763</b>	<b>\$ 92,860,989</b>	<b>\$ 92,217,705</b>	<b>\$ 87,558,439</b>	<b>\$ 82,410,691</b>	<b>\$ 74,043,683</b>	<b>\$ 72,796,693</b>	<b>\$ 69,583,867</b>
<b>Net pension liability - ending</b>	<b>\$ 4,659,895</b>	<b>\$ 30,547</b>	<b>\$ 17,666,178</b>	<b>\$ 11,174,170</b>	<b>\$ 7,075,751</b>	<b>\$ 8,152,296</b>	<b>\$ 12,998,525</b>	<b>\$ 10,051,013</b>	<b>\$ 11,330,340</b>
Plan fiduciary net position as a percentage of total pension liability	96%	100%	84%	89%	93%	91%	85%	88%	86%
Covered payroll	\$ 26,743,991	\$ 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	17.42%	0.12%	69%	47%	32%	37%	59%	47%	55%

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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, 2023

	Schools - Nonprofessional Employees Plan Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 262,310	\$ 273,865	\$ 260,986	\$ 242,727	\$ 239,752	\$ 229,749	\$ 239,831	\$ 232,607	\$ 234,274
Interest on total pension liability	621,593	577,687	557,813	527,051	508,391	503,177	487,897	460,720	432,031
Benefit payments, including refunds of employee contributions	(408,967)	(426,816)	(407,534)	(423,662)	(378,664)	(336,811)	(317,220)	(291,762)	(221,176)
Difference between actual and expected experience	(396,474)	(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	78,462	379,227	304,069	726,544	289,066	95,406	228,093	400,968	445,129
<b>Total pension liability - beginning</b>	<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>	<u>6,282,464</u>
<b>Total pension liability - ending</b>	<u>\$ 9,229,428</u>	<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>
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 161,593	\$ 144,042	\$ 133,747	\$ 127,371	\$ 140,978	\$ 142,642	\$ 182,973	\$ 182,430	\$ 202,866
Contributions - employee	129,832	116,047	118,764	111,012	108,249	109,305	104,368	104,329	100,009
Net investment income	(12,390)	2,291,593	158,448	534,183	562,499	839,313	118,191	298,135	884,655
Benefit payments, including refunds of employee contributions	(408,967)	(426,816)	(407,534)	(423,662)	(378,664)	(336,811)	(317,220)	(291,762)	(221,176)
Administrative expenses	(6,514)	(5,701)	(5,476)	(5,338)	(4,863)	(4,829)	(4,204)	(4,031)	(4,659)
Other changes	244	216	(190)	(336)	(501)	(748)	(51)	(62)	46
Net change in plan fiduciary net position	(136,202)	2,119,381	(2,241)	343,230	427,698	748,872	84,057	289,039	961,741
<b>Plan fiduciary net position - beginning</b>	<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>	<u>5,565,810</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 10,401,385</u>	<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>
<b>Net pension liability (asset) - ending</b>	<u>\$ (1,171,957)</u>	<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)	<u>113%</u>	<u>115%</u>	<u>96%</u>	<u>99%</u>	<u>104%</u>	<u>103%</u>	<u>94%</u>	<u>96%</u>	<u>97%</u>
Covered payroll	<u>\$ 2,842,683</u>	<u>\$ 2,467,380</u>	<u>\$ 2,509,199</u>	<u>\$ 2,342,029</u>	<u>\$ 2,278,347</u>	<u>\$ 2,245,349</u>	<u>\$ 2,127,334</u>	<u>\$ 2,109,954</u>	<u>\$ 2,044,072</u>
Net pension liability (asset) as a percentage of covered payroll	<u>-41%</u>	<u>-56%</u>	<u>14%</u>	<u>2%</u>	<u>-15%</u>	<u>-9%</u>	<u>21%</u>	<u>15%</u>	<u>10%</u>

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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, 2023

School Division Fiscal Year Ended June 30	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.35%	\$ 33,730,529	\$ 33,769,087	99.89%	82.61%
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%
2020	0.35%	46,466,019	29,750,334	156.19%	73.51%
2019	0.36%	42,860,000	29,604,640	144.77%	74.81%
2018	0.37%	45,450,000	29,329,091	154.97%	72.92%
2017	0.38%	53,014,000	28,839,427	183.82%	68.28%
2016	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, 2023**

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
<b>Primary Government and Winchester Parking Authority</b>					
2023	\$ 2,967,458	\$ 2,967,458	\$ -	\$ 30,717,949	9.66%
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%
<b>Schools - Nonprofessional Employees</b>					
2023	\$ 135,665	\$ 135,665	\$ -	\$ 3,289,520	4.12%
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%
<b>Schools - VRS Teacher Retirement Plan</b>					
2023	\$ 5,710,358	\$ 5,710,358	\$ -	\$ 36,668,606	15.57%
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%

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## CITY OF WINCHESTER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**June 30, 2023**

VRS Health Insurance Credit - City and WPA	VRS Health Insurance Credit Par King Authority Plan Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 13,649	\$ 13,801	\$ 14,218	\$ 14,221	\$ 13,397	\$ 14,030
Interest on total OPEB liability	34,744	32,041	32,014	34,748	33,879	32,993
Difference between expected and actual experience	(11,508)	6,524	(17,299)	(46,940)	(25,089)	-
Changes of assumptions	131,550	5,568	-	13,750	-	(17,997)
Benefit payments, including refunds of employee contributions	(34,904)	(33,115)	(32,656)	(22,827)	(25,595)	(11,878)
Net change in total OPEB liability	133,531	24,819	(3,723)	(7,048)	(3,408)	17,148
<b>Total OPEB liability - beginning</b>	<b>505,064</b>	<b>480,245</b>	<b>483,968</b>	<b>491,016</b>	<b>494,424</b>	<b>477,276</b>
<b>Total OPEB liability - ending</b>	<b>638,595</b>	<b>505,064</b>	<b>480,245</b>	<b>483,968</b>	<b>491,016</b>	<b>494,424</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	20,022	19,164	23,214	22,855	21,761	22,286
Net investment income	933	106,192	8,184	25,415	25,719	36,848
Benefit payments	(34,904)	(33,115)	(32,656)	(22,827)	(25,595)	(11,878)
Administrative expenses	(867)	(1,224)	(777)	(557)	(606)	(615)
Other	11,554	(712)	1,687	(3,306)	(2,466)	1,819
Net change in plan fiduciary net position	(3,262)	90,305	(348)	21,580	18,813	48,460
<b>Plan fiduciary net position - beginning</b>	<b>490,710</b>	<b>400,405</b>	<b>400,753</b>	<b>379,173</b>	<b>360,360</b>	<b>311,900</b>
<b>Plan fiduciary net position - ending</b>	<b>487,448</b>	<b>490,710</b>	<b>400,405</b>	<b>400,753</b>	<b>379,173</b>	<b>360,360</b>
<b>Net OPEB liability - ending</b>	<b>\$ 151,147</b>	<b>\$ 14,354</b>	<b>\$ 79,840</b>	<b>\$ 83,215</b>	<b>\$ 111,843</b>	<b>\$ 134,064</b>
Plan fiduciary net position as a percentage of total OPEB liability	<u>76%</u>	<u>97%</u>	<u>83%</u>	<u>83%</u>	<u>77%</u>	<u>73%</u>
Covered payroll	<u>\$ 20,436,216</u>	<u>\$ 19,021,853</u>	<u>\$ 19,818,132</u>	<u>\$ 18,532,932</u>	<u>\$ 17,312,179</u>	<u>\$ 17,226,470</u>
Net OPEB liability as a percentage of covered payroll	<u>0.74%</u>	<u>0.08%</u>	<u>0.40%</u>	<u>0.45%</u>	<u>0.65%</u>	<u>0.78%</u>

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

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## CITY OF WINCHESTER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**June 30, 2023**

	VRS Health Insurance Credit Schools Nonprofessional Employees Plan Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
<b>VRS Health Insurance Credit - Schools Nonprofessional Employees</b>						
<b>Total OPEB Liability</b>						
Service cost	\$ 4,864	\$ 4,582	\$ 4,460	\$ 3,547	\$ 3,227	\$ 3,096
Interest on total OPEB liability	8,813	8,481	8,314	7,414	7,425	7,360
Changes in benefit terms	-	-	4,016	-	-	-
Difference between expected and actual experience	(13,754)	(9,106)	(6,898)	10,142	(3,657)	-
Changes of assumptions	4,789	3,752	-	2,930	-	(4,270)
Benefit payments, including refunds of employee contributions	(7,567)	(7,738)	(7,090)	(6,477)	(7,819)	(2,701)
Net change in total OPEB liability	(2,855)	(29)	2,802	17,556	(824)	3,485
<b>Total OPEB liability - beginning</b>	<b>129,486</b>	<b>129,515</b>	<b>126,713</b>	<b>109,157</b>	<b>109,981</b>	<b>106,496</b>
<b>Total OPEB liability - ending</b>	<b>125,594</b>	<b>129,486</b>	<b>129,515</b>	<b>126,713</b>	<b>109,157</b>	<b>109,981</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	8,659	7,621	6,016	5,607	5,669	5,614
Net investment income	87	23,063	1,739	5,329	5,875	8,159
Benefit payments	(7,567)	(7,738)	(7,090)	(6,477)	(7,819)	(2,701)
Administrative expenses	(198)	(275)	(167)	(116)	132	(135)
Other	3,444	-	(1)	(6)	(914)	401
Net change in plan fiduciary net position	4,425	22,671	497	4,337	2,943	11,338
<b>Plan fiduciary net position - beginning</b>	<b>110,691</b>	<b>88,020</b>	<b>87,523</b>	<b>83,186</b>	<b>80,243</b>	<b>68,905</b>
<b>Plan fiduciary net position - ending</b>	<b>115,116</b>	<b>110,691</b>	<b>88,020</b>	<b>87,523</b>	<b>83,186</b>	<b>80,243</b>
<b>Net OPEB liability - ending</b>	<b>\$ 10,478</b>	<b>\$ 18,795</b>	<b>\$ 41,495</b>	<b>\$ 39,190</b>	<b>\$ 25,971</b>	<b>\$ 29,738</b>
Plan fiduciary net position as a percentage of total OPEB liability	92%	85%	68%	69%	76%	73%
Covered payroll	\$ 2,842,683	\$ 2,464,994	\$ 2,509,199	\$ 2,336,297	\$ 2,267,717	\$ 2,245,349
Net OPEB liability as a percentage of covered payroll	0%	1%	2%	2%	1%	1%

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## CITY OF WINCHESTER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**June 30, 2023**

	Local Plan Total for all Employers Plan Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
<b>Local Plan - Totals for all employers</b>						
<b>Total OPEB Liability</b>						
Service cost	\$ 177,243	\$ 253,318	\$ 243,481	\$ 235,248	\$ 222,257	\$ 214,120
Interest on total OPEB liability	524,017	592,600	566,667	456,740	395,825	374,376
Difference between expected and actual experience	56,866	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	(581,639)	(466,582)	(381,094)	(360,870)	(294,359)	(253,650)
Net change in total OPEB liability	176,487	(1,009,551)	421,420	1,735,055	957,643	331,481
<b>Total OPEB liability - beginning</b>	<b>8,324,188</b>	<b>9,333,739</b>	<b>8,912,319</b>	<b>7,177,264</b>	<b>6,219,621</b>	<b>5,888,140</b>
<b>Total OPEB liability - ending</b>	<b>8,500,675</b>	<b>8,324,188</b>	<b>9,333,739</b>	<b>8,912,319</b>	<b>7,177,264</b>	<b>6,219,621</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	581,639	466,582	799,094	677,870	688,359	3,763,727
Net investment income	426,503	(873,807)	1,294,260	218,216	253,647	7,260
Benefit payments	(581,639)	(466,582)	(381,094)	(360,870)	(294,359)	(253,650)
Net change in plan fiduciary net position	426,503	(873,807)	1,712,260	535,216	647,647	3,517,337
<b>Plan fiduciary net position - beginning</b>	<b>5,538,653</b>	<b>6,412,460</b>	<b>4,700,200</b>	<b>4,164,984</b>	<b>3,517,337</b>	<b>-</b>
<b>Plan fiduciary net position - ending</b>	<b>5,965,156</b>	<b>5,538,653</b>	<b>6,412,460</b>	<b>4,700,200</b>	<b>4,164,984</b>	<b>3,517,337</b>
<b>Net OPEB liability - ending</b>	<b>\$ 2,535,519</b>	<b>\$ 2,785,535</b>	<b>\$ 2,921,279</b>	<b>\$ 4,212,119</b>	<b>\$ 3,012,280</b>	<b>\$ 2,702,284</b>
Plan fiduciary net position as a percentage of total OPEB liability	70%	67%	69%	53%	58%	57%
Covered payroll	\$ 33,331,814	\$ 29,203,858	\$ 26,954,995	\$ 25,706,956	\$ 24,341,867	\$ 23,926,081
Net OPEB liability as a percentage of covered payroll	8%	10%	11%	16%	12%	11%
<b>Schedule of Investment Returns</b>						
Annual money-weighted rate of return, net of investment expense	8.06%	-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, 2023**

<b>Plan Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability</b>	<b>Employer's Proportionate Share of the Net OPEB Liability</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>Local Plan - City and WPA</b>					
2023	94.40%	\$ 2,393,530	\$ 33,331,814	7.18%	70.17%
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%
<b>Virginia Retirement System - Group Life Insurance - City and WPA</b>					
2022	0.14%	\$ 1,485,104	\$ 26,829,324	5.54%	67.21%
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%
<b>Virginia Retirement System - Line of Duty Act - City</b>					
2022	0.89%	\$ 3,385,284	\$ 10,685,910	31.68%	1.87%
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%
<b>Virginia Retirement System - Group Life Insurance - Schools (Teacher and Non-professional)</b>					
2022	0.17%	\$ 1,996,633	\$ 36,585,755	5.46%	67.21%
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%
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2022	0.36%	\$ 4,458,472	\$ 33,731,893	13.22%	15.08%
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, 2023

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
<b>VRS Health Insurance Credit - City and WPA</b>					
2023	\$ 16,436	\$ 16,436	\$ -	\$ 23,579,650	0.07%
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%
<b>Virginia Retirement System - Group Life Insurance - City and WPA</b>					
2023	\$ 165,670	\$ 165,670	\$ -	\$ 30,779,349	0.54%
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%
<b>Virginia Retirement System - Line of Duty Act - City</b>					
2023	\$ 117,106	\$ 117,106	\$ -	\$ 11,810,959	0.99%
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
<b>Local Plan - City and WPA</b>					
2023	\$ 94,400	\$ -	\$ 94,400	\$ 33,331,814	0.00%
2022	399,312	-	399,312	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, 2023

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
<b>VRS Health Insurance Credit - Schools Nonprofessional Employees</b>					
2023	\$ 8,553	\$ 8,553	\$ -	\$ 3,289,520	0.26%
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%
<b>Virginia Retirement System - Group Life Insurance - Schools (Teacher and Non-professional)</b>					
2023	\$ 214,180	\$ 214,180	\$ -	\$ 39,958,126	0.54%
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%
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2023	\$ 440,120	\$ 440,120	\$ -	\$ 36,668,606	1.20%
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, 2023**

**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, 2021, 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 age 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, 2023

#### 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 age 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 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age 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, 2023

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
<b>ASSETS</b>								
Cash and cash equivalents	\$ 487	\$ 373,141	\$ 604,353	\$ 451,491	\$ 13,944	\$ 607	\$ -	\$ 1,444,023
Investments	34	26,291	42,581	31,811	983	43	-	101,743
Accounts receivable, net	-	97	271,300	-	1,147	5,400	-	277,944
Cash and cash equivalents - restricted	-	-	-	-	-	-	3,762,306	3,762,306
Investments - restricted	-	-	-	-	-	-	265,082	265,082
Due from other governments	1,208,719	41,394	-	40,929	12,163	1,755,287	-	3,058,492
Total assets	<u>\$ 1,209,240</u>	<u>\$ 440,923</u>	<u>918,234</u>	<u>\$ 524,231</u>	<u>\$ 28,237</u>	<u>\$ 1,761,337</u>	<u>\$ 4,027,388</u>	<u>\$ 8,909,590</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 758,962	\$ 57,716	228,437	\$ 36,742	\$ 4,897	\$ 103,860	337,153	\$ 1,527,767
Accrued payroll	192,760	60,159	-	11,750	-	56,121	12,045	332,835
Due to other funds	235,000	-	-	-	-	1,547,000	-	1,782,000
Unearned revenue	-	-	-	-	-	-	3,678,190	3,678,190
Total liabilities	<u>1,186,722</u>	<u>117,875</u>	<u>228,437</u>	<u>48,492</u>	<u>4,897</u>	<u>1,706,981</u>	<u>4,027,388</u>	<u>7,320,792</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	-	-	239,800	-	-	-	-	239,800
Fund balances:								
Assigned	22,518	323,048	449,997	475,739	23,340	54,356	-	1,348,998
Total fund balances	<u>22,518</u>	<u>323,048</u>	<u>449,997</u>	<u>475,739</u>	<u>23,340</u>	<u>54,356</u>	<u>-</u>	<u>1,348,998</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,209,240</u>	<u>\$ 440,923</u>	<u>\$ 918,234</u>	<u>\$ 524,231</u>	<u>\$ 28,237</u>	<u>\$ 1,761,337</u>	<u>\$ 4,027,388</u>	<u>\$ 8,909,590</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, 2023**

**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
<b>REVENUES</b>								
Revenues from use of money and property	\$ -	\$ 31	\$ 1,722	\$ 1,506	\$ 79	\$ 27	\$ -	\$ 3,365
Charges for services	-	-	1,383,703	-	24,790	30,720	-	1,439,213
Miscellaneous	1,828	13,461	-	92,086	-	-	-	107,375
Recovered costs	-	-	-	-	-	21,892	-	21,892
Intergovernmental:								
Frederick County	-	-	-	609,929	-	-	-	609,929
Commonwealth	4,161,152	4,033,597	-	-	-	380,929	-	8,575,678
Federal	3,845,756	37,009	-	65,000	-	1,782,675	5,234,569	10,965,009
Total revenues	<u>8,008,736</u>	<u>4,084,098</u>	<u>1,385,425</u>	<u>768,521</u>	<u>24,869</u>	<u>2,216,243</u>	<u>5,234,569</u>	<u>21,722,461</u>
<b>EXPENDITURES</b>								
Current:								
General administration	-	-	-	-	-	-	285,590	285,590
Judicial administration	-	-	-	-	46,395	-	-	46,395
Public safety	-	-	1,385,425	-	-	-	536,532	1,921,957
Public works	-	3,899,369	-	-	-	1,849,814	76,538	5,825,721
Health and welfare	11,574,719	-	-	-	-	-	634,481	12,209,200
Community development	-	-	-	773,619	-	-	-	773,619
Capital outlay	30,866	178,558	-	-	-	505,047	3,701,428	4,415,899
Debt service:								
Principal	58,624	1,364	-	-	-	-	-	59,988
Interest and fiscal charges	41,029	3	-	-	-	-	-	41,032
Total expenditures	<u>11,705,238</u>	<u>4,079,294</u>	<u>1,385,425</u>	<u>773,619</u>	<u>46,395</u>	<u>2,354,861</u>	<u>5,234,569</u>	<u>25,579,401</u>
Excess (deficiency) of revenues over expenditures	<u>(3,696,502)</u>	<u>4,804</u>	<u>-</u>	<u>(5,098)</u>	<u>(21,526)</u>	<u>(138,618)</u>	<u>-</u>	<u>(3,856,940)</u>
<b>OTHER FINANCING SOURCES</b>								
Transfers in	3,671,924	105,000	-	150,500	-	146,500	-	4,073,924
Total other financing sources	<u>3,671,924</u>	<u>105,000</u>	<u>-</u>	<u>150,500</u>	<u>-</u>	<u>146,500</u>	<u>-</u>	<u>4,073,924</u>
Net change in fund balances	(24,578)	109,804	-	145,402	(21,526)	7,882	-	216,984
Fund balance - beginning	<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>
Fund balance - ending	<u>\$ 22,518</u>	<u>\$ 323,048</u>	<u>\$ 449,997</u>	<u>\$ 475,739</u>	<u>\$ 23,340</u>	<u>\$ 54,356</u>	<u>\$ -</u>	<u>\$ 1,348,998</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, 2023

	Social Services Fund				Highway Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>								
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31	\$ 31
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	1,828	1,828	-	-	13,461	13,461
Intergovernmental:								
Commonwealth	4,588,499	4,667,720	4,161,152	(506,568)	3,561,000	3,990,000	4,033,597	43,597
Federal	3,994,843	3,870,228	3,845,756	(24,472)	4,000	4,000	37,009	33,009
Total revenues	<u>8,493,342</u>	<u>8,537,948</u>	<u>8,006,736</u>	<u>(529,212)</u>	<u>3,565,000</u>	<u>3,994,000</u>	<u>4,084,098</u>	<u>90,098</u>
<b>EXPENDITURES</b>								
Current:								
General	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	3,565,000	3,917,600	3,899,369	18,231
Health and welfare	11,982,000	11,938,087	11,574,719	363,368	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Capital Outlay	30,000	30,900	30,866	34	105,000	180,000	178,558	1,442
Debt service:								
Principal	-	58,900	58,624	276	-	1,400	1,364	36
Interest and fiscal charges	-	41,100	41,029	71	-	-	3	(3)
Total expenditures	<u>12,012,000</u>	<u>12,068,987</u>	<u>11,705,238</u>	<u>363,749</u>	<u>3,670,000</u>	<u>4,099,000</u>	<u>4,079,294</u>	<u>19,706</u>
Excess (deficiency) of revenues over expenditures	<u>(3,518,658)</u>	<u>(3,531,039)</u>	<u>(3,696,502)</u>	<u>(165,463)</u>	<u>(105,000)</u>	<u>(105,000)</u>	<u>4,804</u>	<u>109,804</u>
<b>OTHER FINANCING SOURCES</b>								
Transfers in	3,518,658	3,531,039	3,671,924	140,885	105,000	105,000	105,000	-
Appropriation of fund balance	-	-	-	-	-	-	-	-
Total other financing sources	<u>3,518,658</u>	<u>3,531,039</u>	<u>3,671,924</u>	<u>140,885</u>	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,578)</u>	<u>\$ (24,578)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,804</u>	<u>\$ 109,804</u>

	Win-Fred Convention and Visitors Bureau Fund				Law Library Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>								
Revenues from use of money and property	\$ 150	\$ 150	\$ 1,506	\$ 1,356	\$ -	\$ -	\$ 79	\$ 79
Charges for services	-	-	-	-	33,000	33,000	24,790	(8,210)
Miscellaneous	68,500	68,500	92,086	23,586	-	-	-	-
Recovered costs	-	-	-	-	-	-	-	-
Intergovernmental:								
Frederick County	476,850	476,850	609,929	133,079	-	-	-	-
Commonwealth	-	-	-	-	-	-	-	-
Federal	-	47,000	65,000	18,000	-	-	-	-
Total revenues	<u>545,500</u>	<u>592,500</u>	<u>766,521</u>	<u>176,021</u>	<u>33,000</u>	<u>33,000</u>	<u>24,869</u>	<u>(8,131)</u>
<b>EXPENDITURES</b>								
Current:								
Judicial administration	-	-	-	-	50,000	50,000	46,395	3,605
Public works	-	-	-	-	-	-	-	-
Community development	696,000	743,000	773,619	(30,619)	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>696,000</u>	<u>743,000</u>	<u>773,619</u>	<u>(30,619)</u>	<u>50,000</u>	<u>50,000</u>	<u>46,395</u>	<u>3,605</u>
Excess (deficiency) of revenues over expenditures	<u>(150,500)</u>	<u>(150,500)</u>	<u>(5,098)</u>	<u>145,402</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>(21,526)</u>	<u>(4,526)</u>
<b>OTHER FINANCING SOURCES</b>								
Transfers in	150,500	150,500	150,500	-	-	-	-	-
Appropriation of fund balance	-	-	-	-	17,000	17,000	-	(17,000)
Total other financing sources	<u>150,500</u>	<u>150,500</u>	<u>150,500</u>	<u>-</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>	<u>(17,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,402</u>	<u>\$ 145,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,526)</u>	<u>\$ (21,526)</u>

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)
\$ 2,000	\$ 2,000	\$ 1,722	\$ (278)	\$ -	\$ -	\$ -	\$ -
1,148,000	1,350,000	1,383,703	33,703	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,141,000	8,141,000	5,234,569	(2,906,431)
1,150,000	1,352,000	1,385,425	33,425	8,141,000	8,141,000	5,234,569	(2,906,431)
-	-	-	-	330,000	462,400	285,590	176,810
1,150,000	1,352,000	1,385,425	(33,425)	580,000	608,070	536,532	71,538
-	-	-	-	41,000	77,400	76,538	862
-	-	-	-	800,000	800,000	634,481	165,519
-	-	-	-	25,000	25,000	-	25,000
-	-	-	-	6,365,000	6,168,130	3,701,428	2,466,702
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,150,000	1,352,000	1,385,425	(33,425)	8,141,000	8,141,000	5,234,569	2,906,431
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transit Fund							
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)				
\$ -	\$ -	\$ 27	\$ 27				
30,000	30,000	30,720	720				
-	-	-	-				
-	-	21,892	21,892				
-	-	-	-				
396,500	396,500	380,929	(15,571)				
2,639,000	2,639,000	1,782,675	(856,325)				
3,065,500	3,065,500	2,216,243	(849,257)				
-	-	-	-				
1,787,050	1,934,050	1,849,814	84,236				
-	-	-	-				
1,424,950	1,277,950	505,047	772,903				
3,212,000	3,212,000	2,354,861	857,139				
(146,500)	(146,500)	(138,618)	7,882				
146,500	146,500	146,500	-				
-	-	-	-				
146,500	146,500	146,500	-				
\$ -	\$ -	\$ 7,882	\$ 7,882				

**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, 2023**

**Exhibit 21**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 300,789	\$ 300,789
Miscellaneous	-	-	25,000	25,000
Recovered costs	730,000	730,000	16,749	(713,251)
Intergovernmental:				
Commonwealth	1,000,000	4,029,700	264,077	(3,765,623)
Federal	3,000,000	4,230,000	472,331	(3,757,669)
Total revenues	<u>4,730,000</u>	<u>8,989,700</u>	<u>1,078,946</u>	<u>(7,910,754)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	-	-	760,949	(760,949)
Public safety	300,000	300,000	1,006,580	(706,580)
Public works	2,380,000	13,953,783	7,763,234	6,190,549
Parks, recreation, and culture	4,420,000	6,860,000	422,325	6,437,675
Total expenditures	<u>7,100,000</u>	<u>21,113,783</u>	<u>9,953,088</u>	<u>11,160,695</u>
Excess (deficiency) of revenues over expenditures	<u>(2,370,000)</u>	<u>(12,124,083)</u>	<u>(8,874,142)</u>	<u>3,249,941</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of leases	-	-	366,118	366,118
Issuance of financed equipment purchase	-	-	980,044	980,044
Issuance of subscriptions	-	-	760,949	760,949
Proceeds from premium on bond issuance	-	-	-	-
Transfers in	1,270,000	2,267,383	2,352,963	85,580
Appropriation of fund balance	1,100,000	9,856,700	-	(9,856,700)
Total other financing sources	<u>2,370,000</u>	<u>12,124,083</u>	<u>4,460,074</u>	<u>(7,664,009)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,414,068)</u>	<u>\$ (4,414,068)</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.

**Maintenance 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, 2023**

**Exhibit 22**

	<b>Employee Benefits Fund</b>	<b>Maintenance Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 995,965	\$ 84,210	\$ 1,080,175
Investments	70,173	5,933	76,106
Accounts receivable, net	7,812	139	7,951
Due from other governments, net	-	-	-
Prepays	2,434	-	2,434
Inventories	-	115,772	115,772
Cash and cash equivalents - restricted	325,985	-	325,985
Total current assets	<u>1,402,369</u>	<u>206,054</u>	<u>1,608,423</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	111,764	111,764
Total assets	<u>1,402,369</u>	<u>317,818</u>	<u>1,720,187</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	-	144,487	144,487
Other postemployment benefit related deferred outflows	-	77,750	77,750
Total deferred outflows of resources	<u>-</u>	<u>222,237</u>	<u>222,237</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	793,899	111,932	905,831
Accrued payroll	-	62,499	62,499
Compensated absences - current	-	7,115	7,115
Subscription liability - current	-	3,717	3,717
Total current liabilities	<u>793,899</u>	<u>185,263</u>	<u>979,162</u>
Noncurrent liabilities:			
Compensated absences	-	62,511	62,511
Subscription liability	-	11,310	11,310
Net pension liability	-	140,509	140,509
Net other postemployment benefit liability	-	127,714	127,714
Total noncurrent liabilities	<u>-</u>	<u>342,044</u>	<u>342,044</u>
Total liabilities	<u>793,899</u>	<u>527,307</u>	<u>1,321,206</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	-	184,849	184,849
Other postemployment benefit related deferred inflows	-	68,062	68,062
Total deferred inflows of resources	<u>-</u>	<u>252,911</u>	<u>252,911</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	96,737	96,737
Unrestricted	608,470	(336,900)	271,570
Total net position	<u>\$ 608,470</u>	<u>\$ (240,163)</u>	<u>\$ 368,307</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, 2023**

**Exhibit 23**

	<b>Employee Benefits Fund</b>	<b>Maintenance Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 738,739	\$ 3,600,187	\$ 4,338,926
Total operating revenues	<u>738,739</u>	<u>3,600,187</u>	<u>4,338,926</u>
<b>OPERATING EXPENSES</b>			
Personal services	-	1,710,395	1,710,395
Contractual services	-	412,019	412,019
Other supplies and expenses	-	1,720,111	1,720,111
Insurance claims and expenses	708,891	-	708,891
Depreciation	-	11,586	11,586
Total operating expenses	<u>708,891</u>	<u>3,854,111</u>	<u>4,563,002</u>
Operating income (loss)	<u>29,848</u>	<u>(253,924)</u>	<u>(224,076)</u>
<b>NONOPERATING REVENUES</b>			
Investment earnings	1,147	33	1,180
Gain on disposal of capital assets	-	7,088	7,088
Loss before transfers	<u>30,995</u>	<u>(246,803)</u>	<u>(215,808)</u>
Change in net position	30,995	(246,803)	(215,808)
Total net position - beginning	<u>577,475</u>	<u>6,640</u>	<u>584,115</u>
Total net position - ending	<u>\$ 608,470</u>	<u>\$ (240,163)</u>	<u>\$ 368,307</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2023**

**Exhibit 24**

	<b>Employee Benefits Fund</b>	<b>Maintenance Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from internal services provided	\$ 741,672	\$ 3,600,218	\$ 4,341,890
Cash paid to suppliers	-	(2,035,220)	(2,035,220)
Cash paid to employees	-	(1,551,967)	(1,551,967)
Premiums paid	(635,697)	-	(635,697)
Net cash provided by operating activities	<u>105,975</u>	<u>13,031</u>	<u>119,006</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(50,131)	(50,131)
Principal payments on long-term liabilities	-	(1,968)	(1,968)
Proceeds from sale of capital assets	-	7,088	7,088
Net cash used in capital and related financing activities	<u>-</u>	<u>(45,011)</u>	<u>(45,011)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments, net	(37,366)	(1,890)	(39,256)
Investment income	1,147	33	1,180
Net cash used in investing activities	<u>(36,219)</u>	<u>(1,857)</u>	<u>(38,076)</u>
Net increase (decrease) in cash and cash equivalents	69,756	(33,837)	35,919
Cash and cash equivalents - beginning of year	<u>1,252,194</u>	<u>118,047</u>	<u>1,370,241</u>
Cash and cash equivalents - end of year	<u>\$ 1,321,950</u>	<u>\$ 84,210</u>	<u>\$ 1,406,160</u>
Cash and cash equivalents at end of year is comprised of the following:			
Cash and cash equivalents	\$ 995,965	\$ 84,210	\$ 1,080,175
Cash and cash equivalents - restricted	325,985	-	325,985
Total	<u>\$ 1,321,950</u>	<u>\$ 84,210</u>	<u>\$ 1,406,160</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 29,848	\$ (253,924)	\$ (224,076)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	11,586	11,586
Pension expense, net of employer contributions	-	82,178	82,178
Other postemployment benefit expense, net of employer contributions	-	62,887	62,887
(Increase) decrease in:			
Accounts receivable	2,933	31	2,964
Prepays	(2,434)	-	(2,434)
Due from other governments	-	-	-
Inventories	-	21,809	21,809
Increase (decrease) in:			
Accounts payable	75,628	75,101	150,729
Accrued payroll	-	14,304	14,304
Compensated absences	-	(941)	(941)
Total adjustments	<u>76,127</u>	<u>266,955</u>	<u>343,082</u>
Net cash provided by operating activities	<u>\$ 105,975</u>	<u>\$ 13,031</u>	<u>\$ 119,006</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, 2023**

**Exhibit 25**

	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents - restricted	\$ 595	\$ -	\$ 1,692,215	\$ 1,692,810
Investments - restricted	-	1,388,374	119,229	1,507,603
Accounts receivable	-	-	47,401	47,401
Total assets	<u>\$ 595</u>	<u>\$ 1,388,374</u>	<u>\$ 1,858,845</u>	<u>\$ 3,247,814</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	13,577	13,577
Accrued payroll	-	-	111,838	111,838
Total liabilities	<u>-</u>	<u>-</u>	<u>125,415</u>	<u>125,415</u>
<b>NET POSITION</b>				
Restricted for:				
Individuals, organizations, and other governments	<u>\$ 595</u>	<u>\$ 1,388,374</u>	<u>\$ 1,733,430</u>	<u>\$ 3,122,399</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**CUSTODIAL FUNDS**  
**For the Year Ended June 30, 2023**

Exhibit 26

	<b>Special Welfare Fund</b>	<b>Northwestern Regional Jail Authority Construction Fund</b>	<b>Northwestern Regional Juvenile Detention Center Fund</b>	<b>Total</b>
<b>ADDITIONS</b>				
Member contributions	\$ 14,698	\$ -	\$ -	\$ 14,698
Payments collected from other local governments	-	1,227,675	2,071,358	3,299,033
Payments collected from Federal government	-	-	274,429	274,429
Grant proceeds	-	-	906,678	906,678
Miscellaneous	-	-	71,997	71,997
<b>INVESTMENT INCOME:</b>				
Interest and dividends	-	40,682	4,714	45,396
Net investment income	-	40,682	4,714	45,396
Total additions	<u>\$ 14,698</u>	<u>\$ 1,268,357</u>	<u>\$ 3,329,176</u>	<u>\$ 4,612,231</u>
<b>DEDUCTIONS</b>				
Payments made to welfare recipients	\$ 14,884	\$ -	\$ -	\$ 14,884
Bond principal payments	-	865,000	-	865,000
Bond interest payments	-	362,675	-	362,675
Payroll	-	-	3,025,976	3,025,976
Administrative	-	-	328,874	328,874
Total deductions	<u>\$ 14,884</u>	<u>\$ 1,227,675</u>	<u>\$ 3,354,850</u>	<u>\$ 4,597,409</u>
Change in fiduciary net position	(186)	40,682	(25,674)	14,822
Total net position - beginning	<u>781</u>	<u>1,347,692</u>	<u>1,759,104</u>	<u>3,107,577</u>
Total net position - ending	<u>\$ 595</u>	<u>\$ 1,388,374</u>	<u>\$ 1,733,430</u>	<u>\$ 3,122,399</u>

## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

### **GENERAL FUND**

**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 for 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.

### **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, 2023**

**Exhibit 27**

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,473,654	\$ 690,404	\$ 6,195,717	\$ 573,013	\$ 2,678,347	\$ 12,611,135
Investments	174,287	48,587	436,533	40,373	135,337	835,117
Receivables, net:						
Accounts	1,983	-	-	-	-	1,983
Promises to give	-	2,381	-	-	-	2,381
Due from other funds	4,530,829	-	-	-	453,961	4,984,790
Due from other governments	937,574	-	59,745	-	5,428,413	6,425,732
Inventories	-	-	-	-	90,547	90,547
Total assets	<u>\$ 8,118,327</u>	<u>\$ 741,372</u>	<u>\$ 6,691,995</u>	<u>\$ 613,386</u>	<u>\$ 8,786,605</u>	<u>\$ 24,951,685</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 722,879	\$ 49	\$ 1,268,188	\$ 367,000	\$ 518,641	\$ 2,876,757
Accrued payroll	6,385,251	-	-	-	771,408	7,156,659
Due to other funds	391,849	-	62,112	-	4,530,829	4,984,790
Total liabilities	<u>7,499,979</u>	<u>49</u>	<u>1,330,300</u>	<u>367,000</u>	<u>5,820,878</u>	<u>15,018,206</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	2,381	-	-	-	2,381
Total deferred inflows of resources	<u>-</u>	<u>2,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,381</u>
Fund balances:						
Nonspendable	-	-	-	-	90,547	90,547
Assigned	618,348	738,942	5,361,695	246,386	3,091,729	10,057,100
Unassigned	-	-	-	-	(216,549)	(216,549)
Total fund balances	<u>618,348</u>	<u>738,942</u>	<u>5,361,695</u>	<u>246,386</u>	<u>2,965,727</u>	<u>9,931,098</u>
Total liabilities and fund balances	<u>\$ 8,118,327</u>	<u>\$ 741,372</u>	<u>\$ 6,691,995</u>	<u>\$ 613,386</u>	<u>\$ 8,786,605</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.						140,836,515
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						2,381
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.						25,316
Long-term liabilities, including debt, leases, and subscriptions payable, are not due and payable in the current period and, therefore, are not reported in the funds.						
Leases						(490,462)
Compensated absences						(3,008,298)
Subscription liabilities						(155,819)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.						
Pension related deferred outflows						9,631,224
Pension related deferred inflows						(8,205,566)
Net pension asset						1,171,957
Net pension liability						(33,730,529)
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						1,117,148
Other postemployment benefit related deferred inflows						(792,059)
Net other postemployment benefit liability						(6,466,620)
Net position of governmental activities						<u>\$ 109,866,286</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, 2023**

**Exhibit 28**

	School Operating Fund	School Fundraising Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Revenues from use of money and property	\$ 58,789	\$ 2,771	\$ 19,678	\$ -	\$ 5,871	\$ 87,109
Charges for services	496,922	-	-	-	953,681	1,450,603
Miscellaneous	308,800	76,001	46,000	-	38,573	469,374
Recovered costs	1,817	-	157,556	-	-	159,373
Intergovernmental revenues:						
Local	31,279,643	-	3,348,062	-	-	34,627,705
Commonwealth	32,942,428	-	1,966,290	-	50,099	34,958,817
Federal	530,781	-	-	-	13,192,949	13,723,730
Total revenues	<u>65,619,180</u>	<u>78,772</u>	<u>5,537,586</u>	<u>-</u>	<u>14,241,173</u>	<u>85,476,711</u>
<b>EXPENDITURES</b>						
Current:						
Education	65,171,722	4,885	488,570	-	13,541,235	79,206,412
Capital outlay	159,135	1,832,476	6,859,621	1,124,911	760,575	10,736,718
Debt service:						
Principal retirement	-	-	222,356	-	51,966	274,322
Interest and other fiscal charges	-	-	4,652	-	383	5,035
Total expenditures	<u>65,330,857</u>	<u>1,837,361</u>	<u>7,575,199</u>	<u>1,124,911</u>	<u>14,354,159</u>	<u>90,222,487</u>
Excess (deficiency) of revenues over expenditures	<u>288,323</u>	<u>(1,758,589)</u>	<u>(2,037,613)</u>	<u>(1,124,911)</u>	<u>(112,986)</u>	<u>(4,745,776)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of subscriptions	-	-	71,161	-	153,797	224,958
Issuance of leases	-	-	282,683	-	-	282,683
Transfers in	-	-	600,000	-	-	600,000
Transfers out	-	-	-	-	(600,000)	(600,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>953,844</u>	<u>-</u>	<u>(446,203)</u>	<u>507,641</u>
Net change in fund balances	288,323	(1,758,589)	(1,083,769)	(1,124,911)	(559,189)	(4,238,135)
Fund balances - beginning, restated (Note 12)	<u>330,025</u>	<u>2,497,531</u>	<u>6,445,464</u>	<u>1,371,297</u>	<u>3,524,916</u>	
Fund balances - ending	<u>\$ 618,348</u>	<u>\$ 738,942</u>	<u>\$ 5,361,695</u>	<u>\$ 246,386</u>	<u>\$ 2,965,727</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, \$10,663,941, exceeded depreciation and amortization, \$4,476,225, in the current period. 6,187,716

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. (27,371)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (10,690)

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. (46,643)

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 (339,045)

The issuance of long-term debt, including leases and subscriptions, 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 274,322  
Issuance of leases (282,683)  
Issuance of subscriptions (224,958)

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 5,846,022  
Pension expense 574,981 6,421,003

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 662,853  
OPEB expense (274,166) 388,687

Change in net position of governmental activities \$ 8,102,203

**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, 2023**

**Exhibit 29**

	School Operating Fund				Variance with Final Budget - Favorable (Unfavorable)
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES					
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 58,789	\$ 3,789	
Charges for services	202,400	202,400	496,922	294,522	
Miscellaneous	284,999	440,408	308,800	(131,608)	
Recovered costs	-	-	1,817	1,817	
Intergovernmental:					
Local	33,011,919	32,099,840	31,279,643	(820,197)	
Federal	-	-	530,781	530,781	
Commonwealth	32,590,165	33,277,672	32,942,428	(335,244)	
Total revenues	66,144,483	66,075,320	65,619,180	(456,140)	
EXPENDITURES					
Current:					
Education	65,739,560	65,720,955	65,171,722	549,233	
Capital outlay	404,923	354,365	159,135	195,230	
Total expenditures	66,144,483	66,075,320	65,330,857	744,463	
Net change in fund balances	\$ -	\$ -	\$ 288,323	\$ 288,323	

**CITY OF WINCHESTER, VIRGINIA  
COMBINING BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
OTHER GOVERNMENTAL FUNDS  
June 30, 2023**

**Exhibit 30**

	Special Revenue				
	School Cafeteria Fund	School Federal Grants Fund	School Textbook Fund	School Activity Funds	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,517,752	\$ -	\$ 403,960	\$ 756,635	\$ 2,678,347
Investments	106,875	-	28,462	-	135,337
Accounts receivable	-	-	-	-	-
Due from other governments	9,306	5,419,107	-	-	5,428,413
Due from other funds	453,961	-	-	-	453,961
Inventories	90,547	-	-	-	90,547
Total assets	<u>\$ 2,178,441</u>	<u>\$ 5,419,107</u>	<u>\$ 432,422</u>	<u>\$ 756,635</u>	<u>\$ 8,786,605</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,481	\$ 506,157	\$ 11,003	\$ -	\$ 518,641
Accrued payroll	172,738	598,670	-	-	771,408
Due to other funds	-	4,530,829	-	-	4,530,829
Total liabilities	<u>174,219</u>	<u>5,635,656</u>	<u>11,003</u>	<u>-</u>	<u>5,820,878</u>
Fund balances:					
Nonspendable	90,547	-	-	-	90,547
Assigned	1,913,675	-	421,419	756,635	3,091,729
Unassigned	-	(216,549)	-	-	(216,549)
Total fund balances	<u>2,004,222</u>	<u>(216,549)</u>	<u>421,419</u>	<u>756,635</u>	<u>2,965,727</u>
Total liabilities and fund balances	<u>\$ 2,178,441</u>	<u>\$ 5,419,107</u>	<u>\$ 432,422</u>	<u>\$ 756,635</u>	<u>\$ 8,786,605</u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**OTHER GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

**Exhibit 31**

	<b>Special Revenue</b>				
	<b>School Cafeteria Fund</b>	<b>School Federal Grants Fund</b>	<b>School Textbook Fund</b>	<b>School Activity Funds</b>	<b>Total Other Governmental Funds</b>
<b>REVENUES</b>					
Revenues from use of money and property	\$ 4,965	\$ -	\$ 906	\$ -	\$ 5,871
Charges for services	165,745	-	-	787,936	953,681
Miscellaneous	38,573	-	-	-	38,573
Intergovernmental revenues:					
Commonwealth	50,099	-	-	-	50,099
Federal	2,511,305	10,681,644	-	-	13,192,949
Total revenues	<u>2,770,687</u>	<u>10,681,644</u>	<u>906</u>	<u>787,936</u>	<u>14,241,173</u>
<b>EXPENDITURES</b>					
Current:					
Education	2,614,810	10,022,517	71,221	832,687	13,541,235
Capital outlay	-	760,575	-	-	760,575
Debt service:					
Principal	-	51,966	-	-	51,966
Interest and fiscal charges	-	383	-	-	383
Total expenditures	<u>2,614,810</u>	<u>10,835,441</u>	<u>71,221</u>	<u>832,687</u>	<u>14,354,159</u>
Excess (deficiency) of revenues over expenditures	<u>155,877</u>	<u>(153,797)</u>	<u>(70,315)</u>	<u>(44,751)</u>	<u>(112,986)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of subscriptions	-	153,797	-	-	153,797
Transfers out	-	-	(600,000)	-	(600,000)
Total other financing sources (uses)	<u>-</u>	<u>153,797</u>	<u>(600,000)</u>	<u>-</u>	<u>(446,203)</u>
Net change in fund balances	155,877	-	(670,315)	(44,751)	(559,189)
Fund balance - beginning, restated (Note 12)	<u>1,848,345</u>	<u>(216,549)</u>	<u>1,091,734</u>	<u>801,386</u>	<u>3,524,916</u>
Fund balance - ending	<u>\$ 2,004,222</u>	<u>\$ (216,549)</u>	<u>\$ 421,419</u>	<u>\$ 756,635</u>	<u>\$ 2,965,727</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**  
**OTHER GOVERNMENTAL SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2023**

	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	\$ 4,965	\$ 2,965
Charges for services	590,000	590,000	165,745	(424,255)
Miscellaneous	15,000	15,000	38,573	23,573
Intergovernmental:				
Commonwealth	28,138	28,138	50,099	21,961
Federal	1,986,981	1,986,981	2,511,305	524,324
Total revenues	2,622,119	2,622,119	2,770,687	148,568
EXPENDITURES				
Current:				
Education	2,582,119	2,622,119	2,614,810	7,309
Capital outlay	40,000	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,622,119	2,622,119	2,614,810	7,309
Excess (deficiency) of revenues over expenditures	-	-	155,877	155,877
OTHER FINANCING SOURCES				
Issuance of subscriptions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 155,877	\$ 155,877

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906	\$ 906
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,467,695	20,101,197	10,681,644	(9,419,553)	-	-	-	-
19,467,695	20,101,197	10,681,644	(9,419,553)	-	-	906	906
19,378,672	18,168,908	10,022,517	8,146,391	1,000,000	400,000	71,221	328,779
89,023	1,232,289	760,575	471,714	-	-	-	-
-	500,000	51,966	448,034	-	-	-	-
-	200,000	383	199,617	-	-	-	-
19,467,695	20,101,197	10,835,441	9,265,756	1,000,000	400,000	71,221	328,779
-	-	(153,797)	(153,797)	(1,000,000)	(400,000)	(70,315)	329,685
-	-	153,797	153,797	-	-	-	-
-	-	-	-	1,000,000	1,000,000	-	(1,000,000)
-	-	-	-	-	(600,000)	(600,000)	-
-	-	153,797	153,797	1,000,000	400,000	(600,000)	(1,000,000)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (670,315)	\$ (670,315)

**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, 2023**

	School Fundraising Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 2,771	\$ 2,771
Miscellaneous	220,000	220,000	76,001	(143,999)
Recovered costs	-	-	-	-
Intergovernmental:				
Local	-	-	-	-
Commonwealth	-	-	-	-
Total revenues	<u>220,000</u>	<u>220,000</u>	<u>78,772</u>	<u>(141,228)</u>
<b>EXPENDITURES</b>				
Education	-	5,000	4,885	115
Capital outlay	1,862,475	1,857,475	1,832,476	24,999
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>1,862,475</u>	<u>1,862,475</u>	<u>1,837,361</u>	<u>25,114</u>
Excess (deficiency) of revenues over expenditures	<u>(1,642,475)</u>	<u>(1,642,475)</u>	<u>(1,758,589)</u>	<u>(116,114)</u>
<b>OTHER FINANCING SOURCES</b>				
Issuance of subscriptions	-	-	-	-
Issuance of leases	-	-	-	-
Transfers in	<u>1,642,475</u>	<u>1,642,475</u>	<u>-</u>	<u>(1,642,475)</u>
Total other financing sources	<u>1,642,475</u>	<u>1,642,475</u>	<u>-</u>	<u>(1,642,475)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,758,589)</u>	<u>\$ (1,758,589)</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	
\$ -	\$ -	\$ 19,678	\$ 19,678	\$ -	\$ -	\$ -	\$ -
-	26,000	46,000	20,000	-	-	-	-
-	-	157,556	157,556	-	-	-	-
-	2,238,636	3,348,062	1,109,426	1,127,835	1,127,835	-	(1,127,835)
-	1,905,545	1,966,290	60,745	-	-	-	-
-	4,170,181	5,537,586	1,367,405	1,127,835	1,127,835	-	(1,127,835)
500,000	1,124,900	488,570	636,330	-	-	-	-
5,694,945	8,740,226	6,859,621	1,880,605	1,127,835	1,127,835	1,124,911	2,924
-	450,000	222,356	227,644	-	-	-	-
-	50,000	4,652	45,348	-	-	-	-
6,194,945	10,365,126	7,575,199	2,789,927	1,127,835	1,127,835	1,124,911	2,924
(6,194,945)	(6,194,945)	(2,037,613)	4,157,332	-	-	(1,124,911)	(1,124,911)
-	-	71,161	71,161	-	-	-	-
-	-	282,683	282,683	-	-	-	-
6,194,945	6,194,945	600,000	(5,594,945)	-	-	-	-
6,194,945	6,194,945	953,844	(5,241,101)	-	-	-	-
\$ -	\$ -	\$ (1,083,769)	\$ (1,083,769)	\$ -	\$ -	\$ (1,124,911)	\$ (1,124,911)

**CITY OF WINCHESTER, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**INTERNAL SERVICE FUND**  
**June 30, 2023**

**Exhibit 34**

	<b>School Insurance Fund</b>
<hr/>	
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 21,706
Investments	1,529
Receivables, net	<u>2,081</u>
Total current assets	<u>25,316</u>
 <b>NET POSITION</b>	
Unrestricted	<u><u>\$ 25,316</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, 2023**

**Exhibit 35**

	<b>School Insurance Fund</b>
<hr/>	
<b>OPERATING REVENUES</b>	
Charges for services	\$ 6,176,626
Total operating revenues	<u>6,176,626</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	<u>6,223,780</u>
Total operating expenses	<u>6,223,780</u>
Operating loss	<u>(47,154)</u>
<b>NONOPERATING REVENUES</b>	
Investment earnings	<u>511</u>
Total nonoperating revenues	<u>511</u>
Change in net position	(46,643)
Total net position - beginning	<u>71,959</u>
Total net position - ending	<u><u>\$ 25,316</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, 2023**

**Exhibit 36**

	<b>School Insurance Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from internal services provided	\$ 6,174,545
Cash paid to suppliers	(16,494)
Premiums paid	<u>(6,223,780)</u>
Net cash used in operating activities	<u>(65,729)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments, net	1,400
Interest and dividends received	<u>511</u>
Net cash provided by investing activities	<u>1,911</u>
Net decrease in cash and cash equivalents	(63,818)
Cash and cash equivalents - beginning of year	<u>85,524</u>
Cash and cash equivalents - end of year	<u><u>\$ 21,706</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	<u>\$ (47,154)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease (increase) in accounts receivable	(2,081)
Increase (decrease) in accounts payable	<u>(16,494)</u>
Total adjustments	<u>(18,575)</u>
Net cash used in operating activities	<u><u>\$ (65,729)</u></u>

**CITY OF WINCHESTER, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**June 30, 2023**

**Exhibit 37**

	<b>Private-Purpose Trust Funds</b>			
	<b>School Scholarship Fund</b>	<b>Newton B. Shingleton Scholarship Fund</b>	<b>M. Louise Cooper Scholarship Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents - restricted	\$ 65,868	\$ 4,323	\$ 95,691	\$ 165,882
Investments - restricted	437,339	28,093	35,551	500,983
Total assets	<u>\$ 503,207</u>	<u>\$ 32,416</u>	<u>\$ 131,242</u>	<u>\$ 666,865</u>
<b>NET POSITION</b>				
Restricted for scholarships	\$ 503,207	\$ 32,416	\$ 131,242	\$ 666,865
Total net position	<u>\$ 503,207</u>	<u>\$ 32,416</u>	<u>\$ 131,242</u>	<u>\$ 666,865</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, 2023**

**Exhibit 38**

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
<b>ADDITIONS</b>				
Gifts and contributions	\$ 33,335	\$ 3,150	\$ 36,333	\$ 72,818
Investment earnings:				
Interest	600	-	11	611
Dividends	12,376	-	-	12,376
Realized and unrealized losses on investments	3,600	-	-	3,600
Total additions	<u>49,911</u>	<u>3,150</u>	<u>36,344</u>	<u>89,405</u>
<b>DEDUCTIONS</b>				
Administrative expenses	3,175	100	-	3,275
Scholarships awarded	19,760	2,000	25,000	46,760
Total deductions	<u>22,935</u>	<u>2,100</u>	<u>25,000</u>	<u>50,035</u>
Change in net position	26,976	1,050	11,344	39,370
Net position - beginning	<u>476,231</u>	<u>31,366</u>	<u>119,898</u>	<u>627,495</u>
Net position - ending	<u><u>\$ 503,207</u></u>	<u><u>\$ 32,416</u></u>	<u><u>\$ 131,242</u></u>	<u><u>\$ 666,865</u></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, 2023**

**Exhibit 39**

	<b>Parking Authority Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,136,496
Investments	80,074
Accounts receivable, net	<u>20,767</u>
Total current assets	<u>1,237,337</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	11,685
Depreciable, net	<u>6,643,355</u>
Total capital assets, net	<u>6,655,040</u>
Total noncurrent assets	<u>6,655,040</u>
Total assets	<u>7,892,377</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	44,720
Other postemployment benefit related deferred outflows	<u>25,532</u>
Total deferred outflows of resources	<u>70,252</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	21,803
Accrued payroll	17,789
Accrued interest payable	55,471
Compensated absences - current	4,403
Revenue bonds payable - current	<u>338,418</u>
Total current liabilities	<u>437,884</u>
Noncurrent liabilities:	
Net pension liability	43,488
Net other postemployment benefit liability	42,105
Compensated absences	38,696
Revenue bonds payable	<u>5,611,348</u>
Total noncurrent liabilities	<u>5,735,637</u>
Total liabilities	<u>6,173,521</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred charges on refunding	72,274
Pension related deferred inflows	57,212
Other postemployment benefit related deferred inflows	<u>22,381</u>
Total deferred inflows of resources	<u>151,867</u>
<b>NET POSITION</b>	
Net investment in capital assets	633,000
Unrestricted	<u>1,004,241</u>
Total net position	<u>\$ 1,637,241</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, 2023**

**Exhibit 40**

	<b>Parking Authority Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,638,800
Miscellaneous	15,238
Total operating revenues	<u>1,654,038</u>
<b>OPERATING EXPENSES</b>	
Personal services	467,619
Contractual services	168,210
Other supplies and expenses	144,673
Depreciation	261,105
Total operating expenses	<u>1,041,607</u>
Operating income	<u>612,431</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	3,214
Interest and fiscal charges	(129,697)
Loss on disposal of asset	(181)
Total nonoperating expenses	<u>(126,664)</u>
Change in net position	485,767
Total net position - beginning	<u>1,151,474</u>
Total net position - ending	<u><u>\$ 1,637,241</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, 2023**

	<b>Exhibit 41</b>
	<b>Parking Authority Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 1,649,259
Cash paid to suppliers	(301,112)
Cash paid to employees	(484,850)
Net cash provided by operating activities	863,297
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(25,376)
Principal paid on capital debt	(335,234)
Interest paid on capital debt	(137,642)
Net cash used in capital and related financing activities	(498,252)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(51,980)
Investment income	3,214
Net cash used in investing activities	(48,766)
Net increase in cash and cash equivalents	316,279
Cash and cash equivalents - beginning of year	820,217
Cash and cash equivalents - end of year	\$ 1,136,496
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 612,431
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	261,105
Pension expense, net of employer contributions	(18,240)
Other postemployment benefit expense, net of employer contributions	(4,727)
(Increase) decrease in:	
Accounts receivable	(4,779)
Increase (decrease) in:	
Accounts payable	11,771
Accrued payroll	3,936
Compensated absences	1,800
Total adjustments	250,866
Net cash provided by operating activities	\$ 863,297

## 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.

<b>Contents</b>	<b>Pages</b>
<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. ....	141-147
<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. ....	148-151
<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. ....	152-156
<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 .....	157-158
<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. ....	159-161

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**

	<b>2014 (1)</b>	<b>2015 (2)</b>	<b>2016</b>	<b>2017</b>	<b>2018 (3)</b>	<b>2019</b>	<b>2020</b>	<b>2021 (4)</b>	<b>2022 (5)</b>	<b>2023 (6)</b>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 91,991,133
Restricted	-	-	-	364,378	180,235	161,576	150,594	335,969	213,733	426,011
Unrestricted	(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)	(23,927,353)
Total governmental activities net position	<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>	<u>\$ 68,489,791</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 73,252,599
Unrestricted	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	14,310,070
Total business-type activities net position	<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>	<u>\$ 87,562,669</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 108,823,194	\$ 116,770,868	\$ 123,902,879	\$ 127,671,907	\$ 130,056,707	\$ 140,655,471	\$ 141,878,984	\$ 152,670,244	\$ 159,263,443	\$ 165,243,732
Restricted	-	-	-	364,378	180,235	161,576	150,594	335,969	213,733	426,011
Unrestricted	(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)	(9,617,283)
Total primary government net position	<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>\$ 104,348,665</u>	<u>\$ 133,730,931</u>	<u>\$ 156,052,460</u>
<b>School Board Component Unit</b>										
Net investment in capital assets	\$ 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	\$ 139,454,344
Restricted	20,371,300	13,403,506	821,630	300,258	1,831,921	-	6,937,921	6,404,579	2,255,139	1,171,957
Unrestricted	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)	(30,760,015)
Total governmental activities net position	<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>	<u>\$ 109,866,286</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.  
(6) GASB Statement No. 96 was adopted in fiscal year 2023.

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

**Table 2**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 8,469,542
Judicial administration	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	5,045,416
Public safety	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	29,351,218
Public works	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	14,879,716
Health and welfare	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	12,935,322
Education	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	34,689,831
Parks, recreation, and culture	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	5,030,423
Community development	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	2,849,563
Interest on long-term debt	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	2,136,450
Bond issuance costs	183,567	179,468	75,256	55,800	-	-	-	-	-	-
Total governmental activities expenses	101,786,146	83,639,813	87,023,609	91,184,999	94,259,405	94,998,024	112,497,304	118,807,114	106,191,577	115,387,481
Business-type activities:										
Water and sewer	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	32,850,505
Total business-type activities expenses	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	32,850,505
Total primary government expenses	\$ 123,080,813	\$ 104,276,324	\$ 108,480,063	\$ 113,356,657	\$ 118,481,701	\$ 122,741,351	\$ 139,535,294	\$ 149,280,017	\$ 135,606,130	\$ 148,237,986
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 147,384	\$ 154,503	\$ 237,474	\$ 173,246	\$ 235,862	\$ 201,368	\$ 291,934	\$ 206,699	\$ 189,525	\$ 434,282
Judicial administration	634,692	653,086	707,512	624,795	698,834	701,643	659,418	362,568	697,127	722,022
Public safety	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	1,680,070
Public works	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	2,395,654
Health and welfare	52,008	55,214	67,621	73,984	80,057	2,716	96,171	107,915	125,250	133,089
Parks, recreation, and culture	833,837	874,561	839,602	913,764	889,174	961,009	801,765	315,020	682,153	892,043
Community development	316,428	390,299	352,184	390,131	387,336	387,420	299,136	328,168	589,024	2,452,874
Operating grants and contributions	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	22,373,550
Capital grants and contributions	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	4,975,746
Total governmental activities revenues	17,777,783	19,004,941	24,226,911	20,542,104	21,844,424	21,346,126	25,538,788	28,488,104	36,820,170	36,059,330
Business-type activities:										
Charges for services:										
Water and sewer	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	37,007,115
Operating grants and contributions	-	-	-	269,348	270,721	233,366	428,676	120,975	125,417	
Capital grants and contributions	2,809,805	1,400,500	1,237,760	252,812	17,280	1,208,398	2,695,234	397,297	300,400	1,200,168
Total business-type activities revenues	25,221,048	26,215,247	26,924,461	27,062,028	29,079,916	32,572,373	34,023,773	31,883,958	36,617,234	38,332,700
Total primary government revenues	\$ 42,998,831	\$ 45,220,188	\$ 51,151,372	\$ 47,604,132	\$ 50,924,340	\$ 53,918,499	\$ 59,562,561	\$ 60,372,062	\$ 73,437,404	\$ 74,392,030

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

**Table 2 (Continued)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (79,328,151)
Business-type activities	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	5,482,195
Total primary government net expense	<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>	<u>\$ (73,845,956)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 52,035,189
Sales taxes	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	12,761,030
Utility taxes	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	1,894,282
Business license taxes	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	9,016,430
Franchise taxes	402,711	407,787	417,860	408,904	488,219	516,131	541,248	511,022	546,449	500,811
Hotel and meals taxes	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	12,335,873
Communication sales taxes	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	1,482,628
Other local taxes	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	2,275,087
Gain on sale of capital assets	-	-	11,250	(6,210)	-	-	-	1,928	-	-
Unrestricted grants and contributions	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	3,219,471
Investment earnings	70,590	78,070	159,131	98,245	144,080	313,472	244,789	41,212	1,212	399,613
Miscellaneous	33,441	16,349	139,712	51,170	32,996	106,450	22,672	41,085	47,670	124,744
Special item	3,451,777	-	-	-	-	-	-	-	-	-
Transfers	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	1,250,000
Total governmental activities	<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>	<u>97,295,158</u>
Business-type activities:										
Investment earnings	426	1,833	7,565	4,443	105,567	957,384	378,324	64,293	12,777	114,056
Miscellaneous	6,694	2,858	3,280	9,299	18,393	39,196	67,151	50,383	31,473	8,271
Transfers	(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)	(1,250,000)
Total business-type activities	<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>	<u>(1,127,673)</u>
Total primary government	<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>	<u>\$ 96,167,485</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (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	\$ 17,967,007
Business-type activities	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	4,354,522
Total primary government	<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>	<u>\$ 22,321,529</u>

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

**Table 2 (Continued)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
School Board Component Unit:										
Education	\$ 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	\$ 77,364,329
Total School Board component unit expenses	<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>	<u>77,364,329</u>
<b>Program Revenues</b>										
School Board Component Unit:										
Charges for services:										
Education	697,971	773,193	711,854	795,911	848,227	792,653	699,290	558,525	1,096,932	1,450,603
Operating grants and contributions	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	48,682,547
Capital grants and contributions	248,673	335,570	542,786	389,555	490,731	474,697	880,769	1,032,663	980,336	458,684
Total School Board component unit revenues	<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>	<u>50,591,834</u>
<b>Net Expense</b>										
School Board Component Unit	<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>	<u>(26,772,495)</u>
<b>General Revenues and Other Changes in Net Position</b>										
School Board Component Unit:										
Payment from City of Winchester	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	34,627,705
Investment earnings	115,791	105,585	133,071	61,775	86,982	208,516	220,650	45,184	27,965	87,620
Miscellaneous	243,541	220,122	136,115	138,369	156,157	76,639	67,107	193,920	120,613	159,373
Transfers	-	-	-	-	-	-	-	-	-	-
Total School Board Component Unit	<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>	<u>34,874,698</u>
<b>Change in Net Position</b>										
School Board Component Unit	<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>	<u>\$ 8,102,203</u>



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

**Table 3**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Post-GASB 54 implementation:</b>										
General Fund										
Nonspendable	\$ 11,916	\$ 12,488	\$ 23,986	\$ 40,261	\$ 4,299	\$ 7,603	\$ 10,942	\$ 9,658	\$ 4,974	\$ 6,706
Restricted	495,790	457,025	444,950	359,898	180,235	161,576	150,594	335,969	213,733	426,011
Committed	1,926,988	1,811,912	1,678,662	816,327	758,966	802,452	1,629,059	1,568,721	2,288,502	2,286,935
Assigned	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	4,039,935
Unassigned	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	25,846,975
Total general fund	<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>	<u>\$ 32,606,562</u>
All Other Governmental Funds										
Nonspendable	\$ 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	3,378,376
Committed	-	-	-	-	-	-	-	-	426,435	1,662,269
Assigned	1,493,250	4,134,658	2,319,870	1,316,253	880,491	1,467,063	983,346	972,105	1,148,328	1,365,313
Unassigned	-	-	-	-	(11,814)	(15,109)	(17,481)	(666,405)	-	-
Total all other governmental funds	<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>	<u>\$ 6,405,958</u>

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

Table 4

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
General property taxes	\$ 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	\$ 51,341,576
Sales taxes	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	12,761,030
Other local taxes	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	27,505,050
Permits, privilege fees, and regulatory licenses	300,089	409,230	359,045	406,597	374,275	366,388	294,552	345,145	655,791	840,874
Fines and forfeitures	149,170	135,749	103,149	80,424	151,034	124,210	93,011	62,821	81,641	98,451
Revenues from use of money and property	194,025	212,093	309,350	275,080	331,454	530,560	491,370	139,194	290,260	850,502
Charges for services	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	3,338,497
Miscellaneous	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	1,193,723
Recovered costs	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	3,181,556
Intergovernmental	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	29,156,629
Total revenues	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	130,267,888
<b>Expenditures</b>										
General government administration	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	7,595,705
Judicial administration	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	4,950,370
Public safety	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	28,610,856
Public works	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	11,604,928
Health and welfare	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	13,157,098
Education	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	34,689,831
Parks, recreation, and culture	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	4,307,764
Community development	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	2,886,645
Capital outlay	-	-	-	5,480,740	8,556,040	6,960,346	11,712,403	9,039,041	18,582,038	15,116,580
Debt service:										
Principal retirement	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	10,214,237
Interest and fiscal charges	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	2,950,254
Bond issuance costs	183,567	179,468	75,256	55,800	254,708	23,720	284,345	525,696	232,681	-
Total expenditures	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	136,084,268
Deficiency of revenues (under) expenditures	(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)	(5,816,380)

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

**Table 4 (Continued)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Other Financing Sources (Uses)</b>										
Sale of property	\$ -	\$ -	\$ 11,250	\$ 795,000	\$ 3,443	\$ 5,117	\$ 62,000	\$ 1,928	\$ 5,218	\$ -
Insurance recoveries	33,437	16,349	139,712	51,170	32,996	106,450	22,672	41,085	47,670	124,744
Bonds and other long-term liabilities issued	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	2,107,111
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	-	(12,373,771)	-	-	(19,151,899)	-	-	(29,010,186)	-	-
Transfers in	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	7,676,887
Transfers out	(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)	(6,426,887)
Total other financing sources and uses	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	3,481,855
Net change in fund balances	\$ 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	\$ (2,334,525)
Debt service as a percentage of noncapital expenditures	9.5%	11.6%	11.0%	11.4%	10.4%	10.8%	10.0%	9.7%	10.7%	10.9%

**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		
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
2023	(2) 2,969,117,862	1,347,501,206	0.83	86,036,046	0.83		674,666,461	4.80	23,401	4.80	116,927,156	1.30	225,985	0.83	5,194,498,117	1.36

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**

<b>Fiscal Year</b>	<b>City Direct Rates (2)</b>				<b>Total Direct Rate</b>
	<b>Real Estate</b>	<b>Public Service Real Estate</b>	<b>Motor Vehicles and Tangibles</b>	<b>Machinery &amp; Tools</b>	
2014	0.81	0.02	0.37	0.06	1.26
2015	0.78	0.02	0.36	0.05	1.21
2016	0.78	0.02	0.37	0.06	1.23
2017	0.78	0.02	0.35	0.05	1.20
2018	0.78	0.02	0.40	0.05	1.25
2019	0.79	0.02	0.43	0.05	1.29
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
2023	0.69	0.01	0.62	0.03	1.35

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><b>Taxpayer</b></u>	<u><b>December 31, 2022</b></u>			<u><b>December 31, 2013</b></u>		
	<u><b>Taxable Assessed Value</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total Taxable Assessed Value</b></u>	<u><b>Taxable Assessed Value</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total Taxable Assessed Value</b></u>
Mayflower Apple Blossom LP	\$ 39,318,700	1	1.40%	\$ 48,943,400	1	1.76%
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	0.61%	21,322,200	4	0.77%
Newell Brand Ind(Rubbermaid)	20,389,000	5	0.59%	20,122,300	5	0.72%
Canterbury Hill LLC	20,180,700	6	0.59%			
Wal-Mart Realty Company	19,477,400	7	0.57%	23,733,000	2	0.85%
DDRM Apple Blossom Corners LLC	18,405,900	8	0.54%	16,440,400	6	0.59%
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	0.52%
Lowe's Home Center Inc				12,283,600	9	0.44%
Pleasant Valley Market Place LLC				12,510,500	8	0.45%
G W Development LLC						0.00%
Winchester Medical Center						
Stuart Hill Apartments				12,147,000	10	0.44%
Loveless Home X LLC J A						0.00%
Cole MT Winchester LC				21,952,800	3	0.79%
<b>Total</b>	<u><u>\$ 217,471,800</u></u>		<u><u>6.60%</u></u>	<u><u>\$ 204,044,600</u></u>		<u><u>7.33%</u></u>

Source:

City of Winchester, Commissioner of the Revenue Office

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

**Table 8**

Year	Taxes Levied for the Tax Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections (Refunds) in Subsequent Years	Total Collections to Date						
					Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy					
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		58,913		38,527,656		37,485,391	97.44%		710,263		38,195,654	99.14%
2017		41,131,840		(3,130)		41,128,710		39,976,381	97.19%		793,266		40,769,647	99.13%
2018		41,417,336		(226,209)		41,191,127		40,093,397	96.80%		719,086		40,812,483	99.08%
2019		42,062,215		(47,488)		42,014,727		38,788,843	92.22%		795,179		39,584,022	94.21%
2020		42,729,722		33,771		42,763,493		41,533,134	97.20%		673,602		42,206,736	98.70%
2021		45,801,924		36,221		45,838,145		44,447,662	97.04%		494,069		44,941,731	98.04%
2022		47,661,751		(79,464)		47,582,287		45,612,710	95.70%		425,794		46,038,504	96.76%
2023		42,801,181		(146,416)		42,654,765		21,379,277	49.95%		(4,735)		21,374,542	50.11%

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, Leases and Subscriptions Payable	General Obligation Bonds (2)	Revenue Bonds (2)	Obligations, Leases and Subscriptions Payable			
2014	\$ 105,525,330	\$ 600,000	\$ 19,806,474	\$ 66,997,071	\$ 16,202,542	\$ 209,131,417	20.79%	\$ 7,684
2015	99,712,411	400,000	17,963,960	65,703,296	14,597,808	198,377,475	18.96%	7,202
2016	100,191,106	200,000	16,131,797	62,598,576	38,040,155	217,161,634	19.49%	7,884
2017	99,842,184	-	14,021,066	59,832,770	37,505,134	211,201,154	17.94%	7,613
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
2023	93,758,815	3,037,228	3,091,743	117,213,924	30,557,226	247,658,936	15.47%	8,748

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**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
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	3.15%	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
2023	96,850,558	-	96,850,558	1.86%	3,421

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, 2023**

**Table 11**

<b>Jurisdiction</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable to City of Winchester</b>	<b>Amount Applicable to City of Winchester</b>
City of Winchester	\$ 96,796,043	100%	\$ 96,796,043

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**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 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	\$ 440,265,511
Total net debt applicable to limit	<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>	<u>88,390,044</u>
Legal debt margin	<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>	<u>\$ 351,875,467</u>
Total net debt applicable to the limit as a percentage of debt limit	40.30%	35.62%	35.35%	34.82%	29.77%	26.71%	27.55%	27.56%	28.06%	20.08%

**Legal Debt Margin Calculation for Fiscal Year 2022**

Assessed Value of Real Property	\$ 4,402,655,114
Debt Limit - 10%	440,265,511
Amount of Debt Applicable to Debt Limit	
General obligation bonds	<u>88,390,044</u>
Legal Debt Margin	<u>\$ 351,875,467</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**

<b>Water and Sewer Revenue Bonds</b>							
<b>Fiscal Year</b>	<b>Water and Sewer</b>		<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
	<b>Charges and Other</b>				<b>Principal</b>	<b>Interest</b>	
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
2023	37,015,386		20,949,782	16,065,604	4,812,109	4,443,304	1.74

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**

<b>Fiscal Year</b>	<b>Popu- lation(1)</b>	<b>Personal Income (amounts expressed in thousands)</b>	<b>Per capita income(2)</b>	<b>Median age(4)</b>	<b>Educational attainment (4) High School Graduate or higher</b>	<b>Bachelor's Degree or higher</b>	<b>School enrollment(5)</b>	<b>Unemployment rate (3)</b>
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%
2023	28,310	1,600,761	56,544	36.6	87.3%	33.7%	3,950	2.50%

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, 2022</u>			<u>December 31, 2013</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	6.54%	1,000 and over	1	7.16%
WalMart	1,000 and over	2	6.54%	500 -999	5	3.58%
Winchester Public Schools	500 - 999	3	3.27%	500 - 999	3	3.58%
Shenandoah University	500 - 999	4	3.27%	500 - 999	2	3.58%
Newell Brand Industries- Rubbermaid	500 - 999	5	3.27%	500 - 999	4	3.58%
City of Winchester	500 - 999	6	3.27%	500 -999	6	3.58%
US Federal Bureau of Investigation	500 - 999	7	3.27%	250 -499	8	1.79%
County of Frederick	500 - 999	8	3.27%			
U.S. Department of Defense	250 - 499	9	1.64%	500 - 999	7	3.58%
O'Sullivan Films Inc	250 - 499	10	1.64%	250 -499	9	1.79%
Grafton School Inc				250 - 499	10	1.79%
Axiom Staffing Group						
<b>Total</b>	<b>5,250</b>		<b>35.98%</b>	<b>4,750</b>		<b>34.01%</b>

Source: Virginia Employment Commission

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

**CITY OF WINCHESTER, VIRGINIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

Table 16

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Function/Program</b>										
General government administration	44	41	42	43	42	43	42	56	43	49
Judicial administration	45	48	50	50	49	47	51	47	53	49
Public safety	216	234	233	226	223	240	215	227	237	239
Public works	56	53	59	71	58	62	58	85	102	111
Health and welfare	43	46	45	46	39	45	49	53	64	61
Parks, recreation, and culture	46	42	39	36	38	35	33	22	22	30
Community development	12	19	21	12	11	12	12	12	14	19
Water and sewer	61	65	70	63	58	59	78	79	82	70
Bus service	18	19	21	13	18	21	22	14	27	28
Parking authority	6	6	6	6	3	5	6	6	7	7
Schools	674	689	703	707	700	703	703	707	746	757
Total	1,221	1,262	1,289	1,273	1,239	1,272	1,269	1,308	1,397	1,420

**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

<b>Function</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
General Government										
Building permits issued	1,709	1,732	1,787	1,898	1,913	3,949*	4,286*	1,855	1,819	1,740
Building inspections conducted (commercial and residential)	7,408	8,150	8,858	8,829	8,902	11,645*	5,114	4,166	3,777	5,053
Police										
Physical arrests	3,802	2,838	4,113	2,653	2,796	2,325	1,976	1,207	1,428	2,334
Parking violations	4,226	3,542	3,013	3,634	3,941	10,107	8,316	4,055	5,664	1,122
Traffic violations	4,580	4,543	4,534	5,190	5,021	7,947	5,378	6,368	3,657	5,989
Fire										
Emergency responses	5,804	6,022	6,282	6,784	6,588	6,142	5,854	6,116	6,779	6,501
Structure fires	55	54	52	48	56	54	45	33	42	34
On-site fire inspections	486	333	918	809	457	881	666	275****	895	888
Fire suppression inspection tests	82	63	136	116	111	171	68	44****	74	113
Refuse Collection										
Refuse collected (tons per year -- residential and non-residential)	6,608	6,451	6,534	6,629	6,561	6,719	6,794	7,109	7,217	7,108
Recyclables collected (tons per year -- does not include cardboard or yard waste)	3,068	3,076	3,094	3,051	2,931	2,850	2,190	2,154	1,972	1,850
Recyclable scrap	13.00	10.00	8.00	19.37	34.00	3.39	16.50	20.51	23.26	12.59
Other Public Works										
Street resurfacing (miles)	5.10	21.38	7.00	11.98	10.00	9.59	10.23	1.39	5.58	18.35
Parks and Recreation										
Shelter permits issued	493	352	390	386	420	293	221**	239***	359	395
Indoor/Outdoor pool attendance (does not include user groups e.g., teams, etc.)	25,776	23,349	33,515	33,163	36,236	36,797	26,111**	4,109***	15,978	18,364
Racquetball court users (1)	2,445	2,711	1,980	1,824	2,550	2,402	1,340**	738***	701**	**N/A
Indoor fitness room users (1)	6,067	5,797	2,535	3,128	3,808	3,335	1,944**	7***	1,019**	**N/A
Total Park Memberships										1,572
Total Non-Member Visits (Inc Pool Attendance)										21,245
Water										
Average daily production	5.95mgd	6.43 mgd	6.55mgd	7.09 mgd	6.17 mgd	6.10mgd	5.82mgd	5.76mgd	5.54mgd	5.36mgd
New connections	28	38	44	41	24	16	18	38	23	37
Total connections	11,075	11,113	11,157	11,198	11,222	11,238	11,256	11,294	11,317	11,354
Water main breaks	42	48	33	37	42	25	32	38	29	19
Average daily consumption	5.09mgd	5.4 mgd	6.12 mgd	5.75 mgd	5.21 mgd	4.79mgd	3.83mgd	3.84mgd	3.91mgd	4.89mgd
Wastewater										
Average daily flow (12 month period)	4.87mgd	4.70 mgd	4.96 mgd	4.97 mgd	5.09 mgd	4.72 mgd	4.11mgd	4.82mgd	4.75mgd	4.89mgd
Peak Flow (12 month period)	25.9mgd	25.47 mgd	18.49 mgd	20.1 mgd	20.05 mgd	21.14mgd	20.04mgd	20.50mgd	21.27mgd	20.22mgd
Transit										
Passenger trips	120,758	126,122	138,961	143,208	139,998	134,832	110,844**	85,334***	134,223	180,625
Schools (2)										
Number of teachers, Elementary (K-4)	147	150	159	157	156	154	146	157	166	168
Number of teachers, Middle 5-8)	98	104	107	108	105	103	110	121	113	119
Number of teachers, Secondary (9-12)	99	101	102	104	102	102	101	111	114	120
Number of students, Elementary (K-4)	1,707	1,688	1,698	1,677	1,598	1,576	1,742	1,502	1,446	1,485
Number of students, Middle (5-8)	1,177	1,287	1,306	1,343	1,304	1,287	1,313	1,265	1,213	1,184
Number of students, Secondary (9-12)	1,263	1,190	1,259	1,269	1,297	1,258	1,297	1,315	1,326	1,348

Source: Various Departments in the City

Notes:

\* Increase in Building permits and inspections 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

(1) \*\*For FY23 these specific numbers will not be tracked in the new software



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

**Table 18**

<b>Function</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
SubStations				2	1	1	1	-	-	-
Patrol cars	73	69	74	85	81	85	81	81	85	85
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection Trucks	7	8	8	8	8	8	8	8	8	11
Other Public Works										
Streets (miles)	221.00	221.00	221.00	221.00	219.34	219.34	223.66	222.72	222.72	223
Streetlights	63	63	126	121	121	121	121	121	121	121
Traffic signals	56	57	59	55	54	54	55	55	57	57
Parks and Recreation										
Number of parks	14	14	14	14	15	15	15	15	15	15
Acreage	247	247	247	247	248	271	271	271	271	271
Miles of Trails							6.1	*7.1	*7.1	7
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	8	8	8	8	8
Soccer/football fields	9	9	9	9	9	10	10	10	10	10
Basketball courts	7	7	7	7	8	8	8	8	8	7
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	127	127	127	127	128	128	129	130
Fire hydrants	1,085	1,085	1,088	1,290	1,290	1,316	1,316	1,316	1,345	1,364
Water storage capacity	12 mg	12 mg	12 mg	12 mg	12 mg	12mg	10.3mg	10.1mg	10.1mgd	10.1mgd
Wastewater										
Miles of storm sewers	82	82	83	83	83	83	83	83	84	85
Miles of sanitary sewers	122	122	123	123	123	123	123	123	124	124
Opequon wastewater treatment capacity (1)	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1 mgd	7.1mgd	7.1mgd	7.1mgd	7.1mgd	7.1mgd
Transit										
Minibuses	7	6	6	6	6	5	5	5	5	6
Trolleys	2	1	1	1	1	1	1	1	1	1
Vans	1	2	2	4	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	168	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	115	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, 2023, 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 6, 2023.

**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. However, material weaknesses or significant deficiencies may exist that have not been identified.**

## 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 one 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 2023-002.**

## City's Response to Findings

*Government Auditing Standards* require 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
December 6, 2023

**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, 2023. 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, 2023.

*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 judgment 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 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* require 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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. **Given these limitation, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control may exist that have not been identified.**

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.

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 6, 2023

**CITY OF WINCHESTER, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2023**

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  
Stormwater Management Program  
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, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding related to major programs**.
7. The programs tested as major were:

Name of Program	Assistance <u>Listing Number</u>
Child Nutrition Cluster	10.555, 10.553
Title I – Grants to Local Educational Agencies	84.010
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 **\$787,477**.
9. The City of Winchester was determined to be a **low-risk auditee**.

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2023**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**None.**

**CITY OF WINCHESTER, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2023**

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

**2023-001: Procurement – Elementary and Secondary School Emergency Relief (ESSER) – AL# 84.425D, 84.425U**

***Condition:***

During our review of ESSER expenditures, we noted a bid bond was not obtained as part of the bidding process related to their HVAC project for Frederick Douglas Elementary School. The total contract is \$6.35 million.

***Criteria:***

Per §200.326(a) of the Uniform Guidance, bid bonds must be obtained for construction contracts over the Simplified Acquisition Threshold of \$250,000.

***Cause:***

The Schools' current procurement policy does not include all of the Uniform Guidance requirements.

***Effect:***

The Schools did not obtain all of the necessary bonding documentation when going out to bid for the HVAC contract.

***Questioned Cost Amount:***

N/A

***Perspective Information:***

One finding related to the one contract tested.

***Context:***

The individuals overseeing the project were not aware of this procurement requirement.

***Recommendation:***

We recommend updating the Federal procurement policy to adhere to current Uniform Guidance requirements. Additionally, we recommend that management and purchasing agents remain familiar with procurement guidelines.

***Views of Responsible Officials and Planned Corrective Action:***

Management of Winchester Public Schools will update their current procurement policy to be in compliance with federal requirements under §200 of the Uniform Guidance.

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2023**

**D. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2023-002: Virginia Public Procurement Act (the Act) - Schools**

***Condition:***

During our review of ESSER expenditures, we noted a bid bond was not obtained as part of the bidding process related to their HVAC project for Frederick Douglas Elementary School. The total contract is for \$6.35 million. This is consistent with §2.2-4336 of the Act.

***Recommendation:***

We recommend following purchasing and procurement guidelines set forth by the Code of Virginia, Chapter 43, Virginia Public Procurement Act. In addition, we recommend that management and purchasing agents remain familiar with the Act.

***Views of Responsible Officials and Planned Corrective Action:***

Management of Winchester Public Schools will update their current procurement policy to be in compliance with state requirements under Chapter 43 of the Code of Virginia.

**CITY OF WINCHESTER, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2023**

**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.

***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.

***Current Status:***

No such items noted during 2023 ESSER testing. Appears to be resolved.

**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.

***Recommendation:***

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

***Current Status:***

No such items noted during 2023 ESSER testing. Appears to be resolved.

**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.

***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 the appropriate levels of management on an annual basis.

***Current Status:***

No such items were noted during 2023 social services testing. Appears to be resolved.

**CITY OF WINCHESTER, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)**  
**Year Ended June 30, 2023**

**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.

***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 needed accounting attention in preparing for the 2023 audit.

***Current Status:***

Adjusting journal entries proposed during the 2023 audit do not rise to the level of a significant deficiency. Appears to be resolved.

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Amounts Passed Thru to Sub- recipients</b>	<b>Cluster Expenditures</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>					
Pass-through payments:					
Department of Social Services:					
SNAP Cluster - State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010122, 0010123, 0030122, 0040123, 0050123			\$ 1,043,733
Department of Forest Service:					
Cooperative Forestry Assistance	10.664	00032650			37,009
Department of Education:					
State Pandemic Electronic Benefit Transfer (EBT) Administrative Costs	10.649	DOE865560000			3,135
National School Lunch Program	10.555	APE411080000, APE411060000, APE402540000		1,912,879	
School Breakfast Program	10.553	APE411100000, APE402530000		595,291	
Department of Agriculture and Consumer Services:					
National School Lunch Program - Commodities	10.555	00-650		221,693	
Department of Corrections:					
National School Lunch Program	10.555	38171, 39191, 39267, 39990, 00040822		24,736	
Total Child Nutrition Cluster					<u>2,754,599</u>
Total U.S. Department of Agriculture					<u>3,838,476</u>
<b>U.S. Department of Homeland Security</b>					
Direct payments:					
Assistance to Firefighters Grant Program	97.044	N/A			71,932
Pass-through payments:					
Department of Emergency Management:					
Emergency Management Performance Grant	97.042	17156			8,905
		00019525, 17946, 17157, 16856, 17524, 18325, 18373, 18372, 18832			
State Homeland Security Grant Program	97.073				<u>109,015</u>
Total U.S. Department of Homeland Security					<u>189,852</u>
<b>U.S. Department of Housing and Urban Development</b>					
Direct payments:					
Community Development Block Grants:					
Entitlement Grants Cluster	14.218	N/A			<u>27,533</u>
Total U.S. Department of Housing and Urban Development					<u>27,533</u>
<b>U.S. Department of Justice</b>					
Direct payments:					
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	N/A			82,143
Bulletproof Vest Partnership Program	16.607	N/A			9,600
Equitable Sharing Program	16.922	N/A			2,041
Pass-through payments:					
Department of Criminal Justice Services					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	64066086			3,611
Juvenile Justice and Delinquency Prevention Title II - Alternative Interventions for Status Offenders	16.540	118457, 116418			309,804
Crime Victim Assistance	16.575	33057999, 54400864, 32392108, 18873823			<u>109,029</u>
Total U.S. Department of Justice					<u>516,228</u>
<b>U.S. Department of Transportation</b>					
Direct payments:					
Federal Transit Cluster - Capital Investment Grants	20.500	N/A		239,583	
COVID-19 - Federal Transit Cluster - Formula Grants	20.507	N/A		1,420,532	
COVID-19 - Federal Transit Cluster - Formula Grants	20.507	N/A		122,560	
Total Federal Transit Cluster					1,782,675
Pass-through payments:					
Virginia Department of Motor Vehicles					
Highway Safety Cluster - Alcohol Traffic Safety and Drunk Driving Prevention	20.600	38031025, 38031238, 38031805, 38032158			21,170
Virginia Department of Transportation					
		01417849, 01420185, 01421618, 01421658, 01492796, 01498413			
Highway Planning and Construction	20.205				<u>472,331</u>
Total U.S. Department of Transportation					<u>2,276,176</u>
<b>National Endowment for the Arts</b>					
Direct payments:					
Promotion of the Arts Partnership Agreement	45.025	N/A			<u>4,500</u>

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

Federal Granting Agency/Recipient State Agency/Grant Program	Assistance Listing Number	Pass-through Entity Identifying Number	Amounts Passed Thru to Sub-recipients	Cluster Expenditures	Federal Expenditures
<b>U.S. Department of Education</b>					
Direct payments:					
McKinney-Vento Education for Homeless Children & Youth	84.387	N/A			96,249
Education Innovation and Research	84.411C	N/A			754,345
Teacher and School Leader Incentive Program	84.374A	N/A			2,864,559
Mental Health Service Professional Demonstration Grant Program	84.184X	N/A			178,971
Pass-through payments:					
Commonwealth of Virginia Department of Education:					
Title I Part A Cluster - Grants to Local Educational Agencies	84.010	APE42901			1,647,350
Special Education Cluster - Grants to States	84.027	APE43071		1,145,616	
COVID-19 - Special Education Cluster - Grants to States	84.027X	APE40287		38,101	
Special Education - Preschool Grants	84.173	APE62521		35,369	
Total Special Education Cluster					1,219,086
English Language Acquisition Grants	84.365	APE60512			122,233
Supporting Effective Instruction State Grants	84.367	APE61480			194,661
Vocational Education - Basic Grants to States	84.048	APE60031			88,579
Student Support and Academic Enrichment Grants	84.424	APE60022			103,120
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	APE60177		1,003,416	
COVID-19 - Elementary and Secondary School Emergency Relief	84.425U	APE60177		1,709,756	
COVID-19 - Unfinished Learning	84.425D	APE50185		467,756	
Total for Elementary and Secondary School Emergency Relief and Unfinished Learning					3,180,928
Department of Behavioral Health and Developmental Services					
Early Intervention	84.181	APE60885			232,479
Safe and Drug-Free Schools and Communities	84.184	N/A			166,564
Total U.S. Department of Education					10,849,124
<b>Department of Health and Human Services:</b>					
Direct payments:					
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A			51,843
Pass-through Payments:					
Department of Education:					
COVID-19 - Public Health Emergency Response	93.354	APE40297			28,240
Department of Social Services:					
Guardianship Assistance	93.090	1110122, 1110123			15,990
Title IV-E Prevention Program	93.472	1140122, 1140123			8,926
Promoting Safe and Stable Families	93.556	0950121, 0950122, 0950221, 0960122			57,501
Temporary Assistance to Needy Families	93.558	0400122, 0400123			321,054
Refugee and Entrant Assistance	93.566	0500122, 0500123			39,624
Low Income Home Energy Assistance	93.568	0600422, 0600423			58,630
CCDF Cluster - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760122, 0760123			75,408
Chafee Education and Training Vouchers Program	93.599	9160121, 9162121			800
Adoption and Legal Guardianship Incentive Payments	93.603	1130119, 1130120			4,973
Child Welfare Services	93.645	0900121, 0900122			357
Foster Care - Title IV-E	93.658	1100122, 1100123			394,364
Adoption Assistance	93.659	1120122, 1120123			743,811
Social Service Block Grant	93.667	1000122, 1000123			270,990
Chafee Foster Care Independence Program	93.674	9150121, 9150122, 9152121			6,461
State Children's Insurance Program	93.767	0540122, 0540123			4,753
Medicaid Cluster - Medical Assistance Program	93.778	1200122, 1200123			539,356
Low Income Household Water Assistance Program	93.499	N/A			16,233
Total U.S. Department of Health and Human Services					2,639,314
<b>Department of the Treasury:</b>					
Direct Payments:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	614,899		5,234,569
Pass-through Payments:					
Department of Education:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	APE60054, APE60053			515,698
Virginia Tourism Corporation:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A			65,000
Total Department of Treasury					5,815,267
Total Expenditures of Federal Awards					\$ 26,156,470

**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 Minimis Indirect Cost Rate**

The City did not elect to use the 10% de minimis 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	AIDS Response Effort, Inc	\$ 37,814
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Congregational Community Action Plan	38,315
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Blue Ridge Habitat for Humanity	320,682
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Laurel Center	50,000
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Dr. Terry Sinclair Health Clinic	40,020
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	United Way of Northern Shenandoah Valley	103,918
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Winchester Area Temporary Thermal Shelter	24,150
			\$ 614,899

**Note 5: Outstanding Loan Balances**

At June 30, 2023, the City had no outstanding loan balances requiring continuing disclosure.