FREDERICK-WINCHESTER
SERVICE AUTHORITY

Winchester, Virginia

FINANCIAL REPORT

JUNE 30, 2022

FREDERICK-WINCHESTER
SERVICE AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2022

DIRECTORS

John A. Willingham, Chairman
James R. Wilkins, III, Vice Chairman
Ned M. Cleland, PhD, P.E., Secretary/Treasurer
Corey Sullivan
Gary Oates
Eric R. Lawrence
Ronald Mislowsky
Mary Blowe
Perry Eisenach

EXECUTIVE DIRECTOR

Candice Perkins

INDEPENDENT AUDITORS

Yount, Hyde & Barbour, P.C.

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Frederick-Winchester Service Authority
Winchester, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the fiduciary activity of Frederick-Winchester Service Authority (the Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 business-type activities and the fiduciary activity of Frederick-Winchester Service Authority, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority and to meet our other ethical responsibilities, in accordance with the ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 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 GAAS 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 GAAS 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 Authority’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 Authority’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.

Other Matters

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information includes the supplementary schedules of capital assets and future debt requirements 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 in in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2022 on our consideration of the Frederick-Winchester Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Frederick-Winchester Service Authority's internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
December 5, 2022

FREDERICK-WINCHESTER SERVICE AUTHORITY

Management's Discussion and Analysis
Year Ended June 30, 2022

The following Management's Discussion and Analysis (MD&A) of the Frederick-Winchester Service Authority's (FWSA) financial performance provides the reader with an overview to the financial position and activities of the FWSA for the fiscal year ended June 30, 2022.

As an introduction to the FWSA's activities and purpose, the following narrative provides an overview of the organization and the role that the FWSA plays in providing, to the region, an essential environmental service of wastewater treatment and water reclamation.

Introduction – Frederick-Winchester Service Authority's Purpose

The Frederick-Winchester Service Authority was created in 1974 by action taken by the City of Winchester and the County of Frederick, Virginia. The Authority is a public body existing under the provisions of the Virginia Water and Waste Authorities Act that is part of the Code of Virginia (1950) as amended.

At its inception, the Authority had three distinct purposes for its creation. Those purposes were to provide water production, wastewater treatment, and refuse disposal for the City of Winchester and Frederick County. Those purposes were restricted to exclude water distribution, sewage collection, and garbage and refuse collection. The Authority can be viewed to this day as a "wholesaler" of environmental services. Through addendums made to the original resolution that brought the Frederick-Winchester Service Authority into existence, all responsibilities for supplying drinking water have been eliminated.

Although the City of Winchester and the County of Frederick established the Frederick-Winchester Service Authority, they do not exercise any oversight responsibilities. All policy and financial responsibilities lay in the hands of the Board of the Frederick-Winchester Service Authority.

The Board of the Frederick-Winchester Service Authority is made up of nine members. The Common Council of the City of Winchester and the Board of Supervisors of the County of Frederick make appointments to the Board. Presently the City appoints five members and the County three members. The City and County appoint the ninth member jointly.

The Board may exercise all powers granted to it under the provisions of the Virginia Water and Waste Authorities Act. Some of the significant powers are:

1. Adopt, amend or repeal bylaws, rules and regulations
2. Issue revenue bonds of the authority
3. Fix, charge and collect rates, fees and charges
4. Enter into contracts.

Overview of Activities

The Authority's activities are greatly influenced by the growth of the region and the need for additional wastewater treatment capacity to accommodate this growth in an environmental responsible manner. Through agreements with the City of Winchester and the Frederick County Sanitation Authority, which cover operations of facilities, capital cost recovery and the manner in which the FWSA will provide additional infrastructure, the FWSA serves as the planning agency for wastewater facilities.

To accomplish its set forth purpose, FWSA analyzes capacity needs, undertakes design, and construction of facility improvements and/or expansion to meet needs and regulatory requirements. The FWSA also acquires the financing and sets agreement terms, fees and charges that will provide adequate funds to satisfy debt and operational costs.

Through the foresight of the Frederick-Winchester Service Authority, the City of Winchester and Frederick Water, which is responsible for water and wastewater service for residents, the parties unanimously approved and endorsed undertaking of a state of the art Waste to Energy facility. This undertaking progressed to the construction phase starting in May 2014. The facility became fully operational in April 2018. To fuel the Waste to Energy process, this facility began the acceptance of high strength waste, fats oils and grease wastes along with outside municipal sludge. The receiving capacity for high strength waste was expanded and enhanced in 2021.

The acceptance and treatment of these types of waste is bringing two benefits to reality. FWSA will have created a new outside revenue stream through tipping fees charged. At present, FWSA has entered long term contracts with a number of local and regional businesses which are on course to bring in over a million dollars in new revenue annually. It is also envisioned that the Waste to Energy Facility will promote economic development for the community and region.

Secondly, the Waste to Energy Project will allow FWSA to treat “green waste” materials outside of the traditional wastewater treatment process. This addition to the Opequon Water Reclamation Facility will allow for the facility to utilize “energy packed” waste to produce electricity and heat energy that will have a significant long-term impact on controlling the operating expense of the treatment facility. These savings will be derived from reduction heating fuel for processing and in electrical purchases from the electric grid with onsite electrical generation.

Financial Analysis – Frederick-Winchester Service Authority

The FWSA Board presents three basic financial statements for the purpose of analyzing the financial position of the FWSA as of June 30, 2022. These are: (1) Statements of Net Position; (2) Statements of Revenues, Expenses and Changes in Net Position; and (3) Statements of Cash Flows. With the implementation of GASB 84, FWSA also presents the Statements of Fiduciary Net Position Other Post-Employment Benefit Trust Fund, and Statements of Changes in Fiduciary Net Position Other Post-Employment Trust Fund, as it relates to the OPEB Trust Fund established for the Retiree Health Plan.

FWSA’s financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30. This information is reflected in the Statements of Net Position. It can be seen from the following Summary Statement of Net Position that the FWSA has had a significant investment in facilities and an increase in net position, but a major portion of those assets are restricted and will, for years, be reflected in debt obligations of FWSA.

With an environment for growth in the community, FWSA debt obligations will start to be shared by a broader base of existing and new customers that are connecting to the wastewater systems owned and operated by the City of Winchester and Frederick Water. This is an encouraging sign that will turn excess capacity, built during the Chesapeake Bay Initiative, into productive capacity that will bring revenue to the City and County through impact fees that will recover capital investment in the treatment facilities and start the generation of service fees to offset operational expenditures.

With an environment for growth in the community, FWSA debt obligations will start to be shared by a broader base of existing and new customers that are connecting to the wastewater systems owned and operated by the City of Winchester and Frederick Water. This is an encouraging sign that will turn excess capacity, built during the Chesapeake Bay Initiative, into productive capacity that will bring revenue to the City and County through impact fees that will recover capital investment in the treatment facilities and start the generation of service fees to offset operational expenditures.

Financial Position: A summary of FWSA's Statements of Net Position for fiscal years 2022, 2021 and 2020 is presented below.

	2022	2021	2020
Current assets	$ 5,597,670	$ 5,434,569	$ 5,893,083
Current restricted assets	16,058,774	15,799,409	13,832,966
Noncurrent assets	1,000	1,000	1,000
Noncurrent restricted assets	- -	- -	2,394,256
Capital assets	119,487,945	124,236,178	128,445,492
Deferred outflows	3,213,654	3,554,381	1,452,502
Total assets and deferred outflows	$ 144,359,043	$ 149,025,537	$ 152,019,299
Current liabilities	$ 949,507	$ 901,895	$ 928,885
Current liabilities payable from current restricted assets	6,575,070	6,344,269	6,094,793
Long-term liabilities	84,211,419	91,103,472	95,191,022
Deferred inflows	585,334	24,128	60,852
Total liabilities and deferred inflows	$ 92,321,330	$ 98,373,764	$ 102,275,552
Net Assets:			
Invested in capital assets	$ 32,313,120	$ 31,402,942	$ 29,781,386
Restricted	15,415,409	15,128,078	15,278,712
Unrestricted	4,309,184	4,120,753	4,683,649
Total net assets	$ 52,037,713	$ 50,651,773	$ 49,743,747
Total liabilities, deferred inflows and net assets	$ 144,359,043	$ 149,025,537	$ 152,019,299

he financial position of the FWSA remains strong and stable as of June 30, 20222. With both biological and flow capacities expanded along with enhancements dictated by regulatory requirements the FWSA has put in place adequate capital assets to address system growth over the next 15 years.

Information presented in the Statements of Revenues, Expenses and Changes in Net Position reflects the result of operations during the fiscal years 2022, 2021 and 2020 as reported. This statement reflects total revenues and total expenses for the fiscal years ended June 30, 2022, 2021 and 2020 and reflect excess or deficiency of revenue over expenses for each year.

Revenues, Expenses and Changes in Net Position: A summary of FWSA's Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2022, 2021 and 2020 is presented below.

	2022	2021	2020
Service fees	$ 12,988,144	$ 12,972,918	$ 13,546,616
Operating expenses	11,388,182	11,375,771	11,190,709
Operating income	$ 1,599,962	$ 1,597,147	$ 2,355,907
Net non-operating income (expense)	(214,022)	(689,121)	(579,142)
Change in net position	$ 1,385,940	$ 908,026	$ 1,776,765

Operating income is generated by providing wastewater treatment services to the City of Winchester and Frederick Water along with collecting revenues from septage hauler fees and industrial surcharges and High Strength Waste customers. High Strength Waste revenue for FY20 was $949,871 and FY21 was $877,790. High Strength Waste billings for FY22 were $1,020,761.

Although FWSA has been able to contain operating expenses, the FWSA will need to continue to evaluate and improve operational efficiencies and techniques to relieve upward pressure on future rates. Concentrated efforts, both internal and with outside engineering support, are under way to evaluate and improve the use and expense of chemicals, the finished water content of sludge and the optimal level of High Strength Waste that affords financial health while protecting the core operation of the OWRF. The Board continues to review rates and the organizational structure to assure our customers that they are being efficiently served.

Questions concerning information provided in this report or requests for additional financial information should be directed to the FWSA's Executive Director at 540-722-3579 or by mail to Frederick-Winchester Service Authority, P.O. Box 43, Winchester, Virginia 22604.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Statements of Net Position
June 30, 2022 and 2021

Assets	**2022**	**2021**
Current Assets		
Cash and cash equivalents	$ 4,827,779	$ 4,627,253
Accounts receivable, net of allowance	679,804	801,016
Prepaid expenses	90,087	6,300
Total current assets	$ 5,597,670	$ 5,434,569
Current Restricted Assets		
Bond principal and interest funds held by trustee	$ 14,981,594	$ 14,718,631
Cash and cash equivalents - Parkins Mill reserve fund	1,077,179	1,080,697
Interest receivable	1	81
Total current restricted assets	$ 16,058,774	$ 15,799,409
Noncurrent Assets, security deposit	$ 1,000	$ 1,000
Noncurrent Restricted Assets		
Cash and investment funds held by trustee:	$ 14,981,594	$ 14,718,631
Less: Amount included in current restricted assets	(14,981,594)	(14,718,631)
Net noncurrent restricted assets	$ - -	$ - -
Capital Assets		
Land	$ 482,405	$ 482,405
Property, plant, and equipment	219,849,844	219,735,416
Total	$ 220,332,249	$ 220,217,821
Less: Accumulated depreciation	(100,844,304)	(95,981,643)
Net capital assets	$ 119,487,945	$ 124,236,178
Total assets	$ 141,145,389	$ 145,471,156
Deferred Outflows of Resources		
Collective deferred outflows related to OPEB	$ 56,347	$ 48,550
Collective deferred outflows related to pension	270,921	340,247
Unamortized amounts from loss on refunding of debt	2,886,386	3,165,584
Total deferred outflows of resources	$ 3,213,654	$ 3,554,381
Total assets and deferred outflows	$ 144,359,043	$ 149,025,537

See Notes to Financial Statements.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Statements of Net Position

June 30, 2022 and 20201

Liabilities	**2022**	**2021**
Current Liabilities (payable from current assets)		
Accounts payable	$ 881,472	$ 820,614
Accrued vacation pay	68,035	81,281
Total current liabilities (payable from unrestricted assets)	$ 949,507	$ 901,895
Current Liabilities (payable from restricted assets)		
Bonds payable - current	$ 5,931,705	$ 5,672,938
Interest payable	643,365	671,331
Total current liabilities (payable from restricted assets)	$ 6,575,070	$ 6,344,269
Long-Term Liabilities		
Bonds payable - less current portion	$ 84,129,506	$ 90,325,882
Net pension liability	1,098	667,766
Net other post-employment benefits (OPEB) liability	80,815	109,824
Total long-term liabilities	$ 84,211,419	$ 91,103,472
Total liabilities	$ 91,735,996	$ 98,349,636
Deferred Inflows of Resources		
Collective deferred inflows related to OPEB	$ 51,441	$ 20,266
Collective deferred inflows related to pension	533,893	3,862
Total deferred inflows of resources	$ 585,334	$ 24,128
Net Position		
Invested in capital assets, net of related debt	$ 32,313,120	$ 31,402,942
Restricted	15,415,409	15,128,078
Unrestricted	4,309,184	4,120,753
Total net position	$ 52,037,713	$ 50,651,773
Total liabilities, deferred inflows of resources and net position	$ 144,359,043	$ 149,025,537

See Notes to Financial Statements.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues		
Opequon service fees, City of Winchester	$ 6,015,891	$ 6,086,622
Opequon service fees, Frederick Water	5,118,972	5,273,353
Other	1,853,281	1,612,943
Total operating revenues	$ 12,988,144	$ 12,972,918
Operating Expenses		
Personnel compensation	$ 1,357,812	$ 1,354,413
Fringe benefits	285,445	523,734
Repairs and maintenance	1,255,506	1,108,912
Electric power	397,895	463,404
Insurance	15,550	15,682
Property insurance	79,844	77,465
Landfill fees	1,039,764	900,516
Chemicals	1,230,337	1,097,394
Other operating expenses	314,959	263,226
General and administrative	548,409	151,777
Depreciation expense	4,862,661	5,419,248
Total operating expenses	$ 11,388,182	$ 11,375,771
Operating income	$ 1,599,962	$ 1,597,147
Nonoperating Revenues (Expenses)		
Parkins Mill service fees, Frederick Water	$ 2,493,964	$ 2,493,964
Interest and investment income	5,400	4,330
Interest expense, Opequon	(2,264,952)	(2,435,814)
Interest expense, Parkins Mill	(448,434)	(499,024)
Bond issuance expense	- -	(252,577)
Total nonoperating (expenses)	$ (214,022)	$ (689,121)
Change in net position	$ 1,385,940	$ 908,026
Net position, beginning of year	50,651,773	49,743,747
Net position, end of year	$ 52,037,713	$ 50,651,773

See Notes to Financial Statements.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	$ 15,603,320	$ 16,176,228
Cash payments to suppliers for goods and services	(4,882,251)	(4,091,378)
Cash payments to employees for services	(1,752,387)	(1,761,063)
Net cash provided by operating activities	$ 8,968,682	$ 10,323,787
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	$ (114,428)	$ (1,209,934)
Principal payments on long-term debt	(5,672,938)	(5,830,870)
Payments of bond issuance costs	- -	(252,577)
Interest on long-term debt	(2,726,825)	(3,212,017)
Net cash (used in) capital and related financing activities	$ (8,514,191)	$ (10,505,398)
Cash Flows from Investing Activities		
Interest and investment income received	$ 5,480	$ 5,001
Net (purchases) sales of investments	(262,963)	577,412
Net cash (used in) provided by investing activities	$ (257,483)	$ 582,413
Net increase in cash and cash equivalents	$ 197,008	$ 400,802
Cash and cash equivalents, beginning of year	5,707,950	5,307,148
Cash and cash equivalents, end of year	$ 5,904,958	$ 5,707,950
Reconciliation of Cash and Cash Equivalents		
Unrestricted	$ 4,827,779	$ 4,627,253
Restricted: Parkins Mill reserve	1,077,179	1,080,697
Total cash and cash equivalents	$ 5,904,958	$ 5,707,950

See Notes to Financial Statements.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Statements of Cash Flows (continued)
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,599,962	$ 1,597,147
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,862,661	5,419,248
Nonoperating service fees	2,493,964	2,493,964
Net change in pension related adjustments	599,357	(180,431)
Net change in OPEB related adjustments	23,378	6,041
Changes in assets and liabilities:		
Decrease in accounts receivable	121,212	709,346
(Increase) in prepaid expenses	(83,787)	(300)
(Decrease) increase in pension plan liability	(666,668)	306,798
Increase (decrease) in accounts payable	60,858	(33,145)
(Decrease) increase in accrued vacation pay	(13,246)	6,155
(Decrease) in net OPEB liability	(29,009)	(1,036)
Net cash provided by operating activities	$ 8,968,682	$ 10,323,787
Supplemental Schedule of Noncash Capital and Financing Activities, refunding of long-term debt	$ - -	$ 27,480,000

See Notes to Financial Statements.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Statements of Fiduciary Net Position
Other Post-Employment Benefit Trust Fund
June 30, 2022 and 2021

Assets	**2022**	**2021**
Investments:		
Money markets	$ 3,662	$ 108
Domestic equity securities	19,730	21,890
Domestic fixed income securities	21,766	16,325
International equity securities	8,013	15,542
Total investments	$ 53,171	$ 53,865
Net Position		
Net position restricted for OPEB	$ 53,171	$ 53,865

FREDERICK-WINCHESTER SERVICE AUTHORITY

Statements of Changes in Fiduciary Net Position
Other Post-Employment Benefit Trust Fund
For the Fiscal Years Ended June 30, 2021 and 2020

	2022	**2021**
Changes		
Contributions from employer, net of benefits paid to participants	$ - -	$ 3,511
Investment income:		
Net increase in fair value of investments	(9,379)	10,172
Interest and dividends	1,118	866
Less: investment costs	(128)	(166)
Net investment earnings	$ (8,389)	$ 10,872
Change in allocation	$ 7,695	$ - -
Total changes	$ (694)	$ 14,383
Change in net position	(694)	14,383
Net position, beginning of year	53,865	39,482
Net position, end of year	$ 53,171	$ 53,865

Note: Above balances and activity represents Frederick-Winchester Service Authority's proportionate share of the City of Winchester's OPEB Fund.

See Notes to Financial Statements.

Note 1. Nature of Business and Reporting Entity

Nature of Business

The Frederick-Winchester Service Authority (the Authority) is a Virginia corporation organized and existing under the provisions of the Virginia Water and Sewer Authorities Act, (Sec. 15.2-5100) Code of Virginia, 1950, (as amended). As such, the Authority is in the business to acquire, construct, operate and maintain facilities for providing regional sewage treatment and solid waste disposal services.

Reporting Entity

The Authority is considered a related organization of the City of Winchester (the City) and the County of Frederick (the County) for financial reporting purposes. The Authority's Board members are appointed by the respective localities; however, the City and County exercise no oversight responsibility and the Authority's Board approves its own budget and appoints management. The City and County accountability for the Authority does not extend beyond making the appointments to the Board. No other entities are included in this report since the Board has no oversight or management control over any other entities.

Note 2. Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

Basis of Accounting

The Authority utilizes the enterprise fund method of accounting for financial reporting purposes. Enterprise fund accounting uses the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when incurred, regardless of when the cash flows occur.

The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include unrestricted cash on hand, certificates of deposit, and money market funds.

Investments

Investments are reported at fair value, with changes in fair value recognized as unrealized gains or losses. Fair value is determined by reference to quoted market prices.

Capital Assets

The Authority's land, property, and equipment are capitalized at cost in the year incurred. The Authority utilizes a capitalization threshold of $5,000 for the recording of capital assets. Normal repairs and maintenance are expensed as incurred. Any gain or loss on the sale or disposition of property is recognized in the current period. Projects not in service are carried as construction in progress. Interest is capitalized on construction costs, where applicable. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Plant	30-40
Trunk line	40
Facilities plan	20
Design	20
Other engineering fees	20
Structures and improvements	10-20
Equipment, furniture and fixtures	5-7
Vehicles	4-7

Use of Estimates

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

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are defined as those items that result from providing services, and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment income and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement 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.

Fair Value of Financial Instruments

The Authority categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. See Note 4 for additional fair value detail.

Level 1 – Inputs are quoted prices in active markets for identical assets.

Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.

Level 3 – These are unobservable inputs, such as property valuation or an appraisal.

Note 3. Deposits and Investments

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

The Code of Virginia authorizes the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptance, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

The Authority’s investments are subject to interest rate, credit, concentration of credit, and custodial credit risk as described herein.

Interest Rate Risk

The Authority’s restricted investments as of June 30, 2022 and 2021 are classified by interest rate risk as detailed below:

2022

Investment Type	Fair Value	Less Than One Year
U.S. Treasury bonds and notes	$ 14,502,527	$ 14,502,527
Virginia State Non-Arbitrage Program	479,067	479,067
Total	$ 14,981,594	$ 14,981,594

Reconciliation of Investments	
Investments	
Current restricted assets - funds held by trustee	$ 14,981,594

2021

Investment Type	Fair Value	Less Than One Year
U.S. Treasury bonds and notes	$ 14,181,218	$ 14,181,218
Virginia State Non-Arbitrage Program	537,413	537,413
Total	$ 14,718,631	$ 14,718,631

Reconciliation of Investments	
Investments	
Current restricted assets - funds held by trustee	$ 14,718,631

Credit Risk of Debt Securities

The Authority's rated debt investments as of June 30, 2022 and 2021 are presented below using Standard and Poor's rating scale. U.S. Treasury securities are not rated.

2022

	Fair Quality Ratings		
Investment Type	**Credit Quality (Rating)**	**Rating Agency(ies)**	**Credit Exposure as a % of Total Investments**
U.S. Treasury bonds and notes	*	N/A	96.80%
Virginia State Non-Arbitrage Program	N/A	N/A	3.20%
Total			100.00%

* Backed by the full faith and credit of the US government.

2021

	Fair Quality Ratings		
Investment Type	**Credit Quality (Rating)**	**Rating Agency(ies)**	**Credit Exposure as a % of Total Investments**
U.S. Treasury bonds and notes	*	N/A	96.35%
Virginia State Non-Arbitrage Program	N/A	N/A	3.65%
Total			100.00%

* Backed by the full faith and credit of the US government.

Concentration of Credit Risk

The Authority does not have an investment policy regarding the concentration of credit risk.

Investments which were more than 5% of the Authority's total investments at June 30, 2022 and 2021 were:

	2022	**2021**
U.S. Treasury bonds and notes	96.80%	96.35%

Custodial Credit Risk

To protect the Authority against potential fraud, the Authority requires the investment assets of the Authority to be secured through third-party custody and safekeeping procedures.

Note 4. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	Balance as of June 30, 2022	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Levels (Level 2)	Significant Other Unobservable Levels (Level 3)
U.S. Treasury bonds and notes	$ 14,502,527	$ 14,502,527	$ - -	$ - -
Virginia State Non-Arbitrage Program	479,067	479,067	- -	- -
Total	$ 14,981,594	$ 14,981,594	$ - -	$ - -

	Balance as of June 30, 2021	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Levels (Level 2)	Significant Other Unobservable Levels (Level 3)
U.S. Treasury bonds and notes	$ 14,181,218	$ 14,181,218	$ - -	$ - -
Virginia State Non-Arbitrage Program	537,413	537,413	- -	- -
Total	$ 14,718,631	$ 14,718,631	$ - -	$ - -

Note 5. Accounts Receivable

Accounts receivable consist of the following at June 30, 2022 and 2021:

	2022	2021
City of Winchester	$ 273,200	$ 261,630
Frederick Water	156,445	166,709
National Fruit Product Company, Inc.	18,827	129,053
Merritt Sanitation Service	31,096	71,550
HP Hood	64,535	33,985
Others	157,701	188,089
	$ 701,804	$ 851,016
Less: allowance for doubtful accounts	(22,000)	(50,000)
Total	$ 679,804	$ 801,016

Note 6. Capital Assets

Capital asset activity was as follows for the years ending June 30, 2022 and 2021:

	Beginning Balance 7/1/2021	Increases/ Transfers	Decreases/ Transfers	Ending Balance 6/30/2022
Capital assets, not being depreciated				
Land	$ 482,405	$ - -	$ - -	$ 482,405
Total capital assets, not being depreciated	$ 482,405	$ - -	$ - -	$ 482,405
Capital assets, being depreciated:				
Structures and improvements	$ 205,579,130	$ 73,913	$ - -	$ 205,653,043
Plant expansion	12,821,184	- -	- -	12,821,184
Equipment, furniture and fixtures	658,212	6,601	- -	664,813
Master plan	190,735	- -	- -	190,735
Vehicles	486,155	33,914	- -	520,069
Total capital assets, being depreciated	$ 219,735,416	$ 114,428	$ - -	$ 219,849,844
Less: accumulated depreciation	$ 95,981,643	$ 4,862,661	$ - -	$ 100,844,304
Total capital assets	$ 124,236,178	$ (4,748,233)	$ - -	$ 119,487,945

	Beginning Balance 7/1/2020	Increases/ Transfers	Decreases/ Transfers	Ending Balance 6/30/2021
Capital assets, not being depreciated				
Land	$ 482,405	$ - -	$ - -	$ 482,405
Construction in progress	445,930	- -	(445,930)	- -
Total capital assets, not being depreciated	$ 928,335	$ - -	$ (445,930)	$ 482,405
Capital assets, being depreciated:				
Structures and improvements	$ 203,923,266	$ 1,655,864	$ - -	$ 205,579,130
Plant expansion	12,821,184	- -	- -	12,821,184
Equipment, furniture and fixtures	658,212	- -	- -	658,212
Master plan	190,735	- -	- -	190,735
Vehicles	486,155	- -	- -	486,155
Total capital assets, being depreciated	$ 218,079,552	$ 1,655,864	$ - -	$ 219,735,416
Less: accumulated depreciation	$ 90,562,395	$ 5,419,248	$ - -	$ 95,981,643
Total capital assets	$ 128,445,492	$ (3,763,384)	$ (445,930)	$ 124,236,178

Depreciation expense was $4,862,661 and $5,419,248 for the years ended June 30, 2022 and 2021, respectively.

Note 7. Long-Term Obligations

The following is a summary of long-term debt transactions for the years ended June 30, 2022 and 2021:

	2022	2021
Balance, beginning	$ 94,064,592	$ 96,160,876
Add: debt issuance	- -	27,480,000
Deduct: principal payments	(5,672,938)	(29,576,284)
Total outstanding long-term debt	$ 88,391,654	$ 94,064,592
Unamortized premiums and discounts, net	1,669,557	1,934,228
Balance, ending	$ 90,061,211	$ 95,998,820

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

Year Ending June 30,	Principal	Interest	Total
2023	$ 5,931,705	$ 2,311,762	$ 8,243,467
2024	6,096,261	2,138,484	8,234,745
2025	6,281,739	1,957,718	8,239,457
2026	6,468,157	1,764,705	8,232,862
2027	6,640,528	1,595,968	8,236,496
2028-2032	28,078,264	5,816,242	33,894,506
2033-2037	20,035,000	2,798,531	22,833,531
2038-2042	8,860,000	272,131	9,132,131
Total	$ 88,391,654	$ 18,655,541	$ 107,047,195

Details of Long-Term Debt

2007 Virginia Resources Authority Sewer System Revenue Bonds (Parity Indebtedness)

In June 2007, the Authority issued a $39,000,000 Virginia Resources Authority Sewer System Revenue for the construction of the expansion of the Parkins Mill Wastewater Treatment Plant, secured by revenue from the Opequon Wastewater Reclamation Facility. The Authority is only responsible for the amount of bond funds actually received. The final funds were fully drawn in fiscal year 2011 resulting in a final issue amount of $37,930,386. In 2014, the bond was refinanced with semiannual installments of $1,246,982, including interest at 2.77%, through September 2029. In 2022, the bond was refinanced with semiannual installments of $1,205,770, including interest at 1.45%, through September 2029. The balance of this bond was $16,946,633 and $18,975,124 at June 30, 2022 and 2021, respectively.

2009 Virginia Resources Authority Sewer System Revenue Bonds (Parity Indebtedness)

In May 2009, the Authority issued a $19,870,089 Virginia Resources Authority Sewer System Revenue bond, due in semiannual installments of $658,400 to $698,000, including interest at 2.65% to 3.35% through March 2031, secured by revenue from the Opequon Wastewater Reclamation Facility. The debt proceeds were used to expand and upgrade the facility. The Authority is only responsible for the amount of funds actually received. In 2022, the bond was refinanced with semiannual installments of $632,418, including interest at 1.55%, through March 2031. The balance of this bond was $10,490,021 and $11,509,469 at June 30, 2022 and 2021, respectively.

2014A Virginia Resources Authority Revenue Bonds (Parity Indebtedness)

In April 2014, the Authority issued a $30,110,000 Taxable Regional Sewer System Bond, due in annual installments of $395,000 to $2,085,000, beginning in October 2017, plus interest payable semi-annually ranging from 2.74% and 4.83%, through October 2038, secured by revenue from the Opequon Wastewater Reclamation Facility. The debt proceeds were used for plant upgrades and construction of the Green Waste to Energy Project. The balance of this bond was $16,685,000 and $17,730,000 at June 30, 2022 and 2021, respectively.

2014B Virginia Resources Authority Revenue Bonds (Parity Indebtedness)

In August 2014, the Authority issued a $20,075,000 Taxable Regional Sewer System Bond due in annual installments of $215,000 to $1,425,000, beginning in October 2017, plus interest payable semi-annually ranging between 3.65% and 5.13%, through October 2038, secured by revenue from the Opequon Wastewater Reclamation Facility. The debt proceeds were used for the construction of the Green Waste to Energy Project. The balance of this bond was $5,855,000 and $6,530,000 at June 30, 2022 and 2021, respectively.

2015A Virginia Resources Authority Revenue Refunding Bonds (Parity Indebtedness)

In May 2015, the Authority issued a $12,270,000 Taxable Regional Sewer System Bond due in annual installments of $15,000 to $845,000, plus interest payable semi-annually ranging between 3.13% and 5.16%, through October 2038, secured by revenue from the Opequon Wastewater Reclamation Facility. The debt proceeds were used to refund a portion of the 2008 Virginia Resources Authority Revenue Bonds. The balance of this bond was $7,600,000 and $8,145,000 at June 30, 2022 and 2021, respectively.

2016B Virginia Resources Authority Revenue Refunding Bonds (Parity Indebtedness)

In August 2016, the Authority issued a $3,760,000 Taxable Regional Sewer System Bond due in annual installments of $5,000 to $575,000, plus interest payable semi-annually ranging between 2.71% and 5.16%, through October 2038, secured by revenue from the Opequon Wastewater Reclamation Facility. The debt proceeds were used to refund a portion of the 2008 Virginia Resources Authority Revenue Bonds. The balance of this bond was $3,690,000 and $3,695,000 at June 30, 2022 and 2021, respectively.

2021A Virginia Resources Authority Revenue Refunding Bonds (Parity Indebtedness)

In April 2021, the Authority issued a $27,480,000 Taxable Regional Sewer System Bond due in annual installments of $355,000 to $3,295,000, plus interest payable semi-annually ranging between 0.31% and 2.79%, through October 2038, secured by revenue from the Opequon Wastewater Reclamation Facility. The debt proceeds were used to refund a portion of the 2014A, 2014B, and 2015 Virginia Resources Authority Revenue Bonds. The balance of this bond was $27,125,000 and $27,480,000 at June 30, 2022 and 2021, respectively.

Bond Premium

Unamortized bond premium on the 2014A Virginia Resources Authority Revenue Bond issue in the original amount of $2,042,899 is amortized over the life of the bond issue using the effective interest method. Amortization of the premium amounted to $86,895 and $116,763 for the years ended June 30, 2022 and 2021, respectively. The balance of the unamortized premium was $655,473 and $742,368 at June 30, 2022 and 2021, respectively.

Unamortized bond premium on the 2014B Virginia Resources Authority Revenue Bond issue in the original amount of $2,187,908 is amortized over the life of the bond issue using the effective interest method. Amortization of the premium amounted to $75,821 and $123,365 for the years ended June 30, 2022 and 2021, respectively. The balance of the unamortized premium was $360,263 and $436,084 at June 30, 2022 and 2021, respectively.

Unamortized bond premium on the 2015A Virginia Resources Authority Revenue Bond issue in the original amount of $1,416,461 is amortized over the life of the bond issue using the effective interest method. Amortization of the premium amounted to $86,461 and $89,576 for the years ended June 30, 2022 and 2021, respectively. The balance of the unamortized premium was $450,225 and $536,686 at June 30, 2022 and 2021, respectively.

Unamortized bond premium on the 2016B Virginia Resources Authority Revenue Refunding Bond issue in the original amount of $320,662 is amortized over the life of the bond issue using the effective interest method. Amortization of the premium amounted to $16,914 and $16,937 for the years ended June 30, 2022 and 2021, respectively. The balance of the unamortized premium was $218,832 and $235,746 at June 30, 2022 and 2021, respectively.

Bond Discount

Unamortized bond discount on the 2021A Virginia Resources Authority Revenue Refunding Bond issue in the original amount of $16,656 is amortized over the life of the bond issue using the effective interest method. Amortization of the bond discount was $1,420 for the year ended June 30, 2022. There was no amortization of the bond discount for the year ended June 30, 2021. The balance of the unamortized discount was $15,236 and $16,656 at June 30, 2022 and 2021, respectively.

Note 8. Deferred Outflows of Resources

The loss on refunding in fiscal year 2015 totaled $1,535,978. This cost has been deferred and is amortized over 24 years. Amortization is based on the principal retirements of the refunding bond issue, and amounted to $85,417 and $88,679 for the years ended June 30, 2022 and 2021, respectively. The unamortized balance at June 30, 2022 and 2021 was $769,664 and $855,081, respectively, and is reflected as a deferred outflow of resources on the Statement of Net Position.

The loss on refunding in fiscal year 2017 totaled $326,914. This cost has been deferred and is amortized over 22 years. Amortization is based on the principal retirements of the refunding bond issue, and amounted to $17,244 and $17,268 for the years ended June 30, 2022 and 2021, respectively. The unamortized balance at June 30, 2022 and 2021 was $223,099 and $240,343, respectively, and is reflected as a deferred outflow of resources on the Statement of Net Position.

The loss on refunding in fiscal year 2021 totaled $2,083,970. This cost has been deferred and is amortized over 18 years. Amortization is based on the principal retirements of the refunding bond issue, and amounted to $176,538 and $13,810 for the years ended June 30, 2022 and 2021, respectively. The unamortized balance at June 30, 2022 and 2021 was $1,893,622 and $2,070,160, respectively, and is reflected as a deferred outflow of resources on the Statement of Net Position.

Note 9. Major Customers and Related Party Transactions

The Authority entered into an agreement with the City of Winchester and Frederick Water on September 12, 1983 for the construction of the Opequon Water Reclamation Facility. This agreement provided for the financing, operation and maintenance of the facilities treating sewage delivered by the City and Frederick Water. This agreement was amended on June 22, 1998 and April 17, 2008 to provide for the expansion and upgrade of the Opequon facility to accommodate additional treatment capacity. The amended Intermunicipal Agreement established ownership of the facility treatment capacity and apportioning of the existing and new debt based on ownership. The agreement also established the manner in which operational costs would be recovered from the City and Frederick Water based on the quantity and strength of sewage delivered to the Opequon facility.

The Authority has agreements with the City of Winchester and Frederick Water which provide for the operation of its facilities. The total charges to the Authority by the City amounted to $6,372,031 and $5,945,410 for the years ending June 30, 2022 and 2021, respectively. The Authority owed the City $833,251 and $767,736 at June 30, 2022 and 2021, respectively.

Note 10. Leases

On May 16, 2019, the Authority entered into a multi-year lease agreement for office space through May 31, 2021. After the initial term, the lease was extended on a month to month basis. Total rent expense was $12,600 and $12,050 for the years ended June 30, 2022 and 2021, respectively.

Note 11. Risk Management

The Authority contracts with private insurance carriers to provide against the risk of loss from property damage and related liability coverages. The Authority’s risk of loss is generally limited to settlements in excess of insured coverages and policy deductibles. There have been no settlements in excess of insurance coverages in the last three years.

Note 12. Commitments and Contingencies

Line of Credit

The Authority has a line of credit in the amount of $5 million with Truist Bank. Interest is accrued and payable monthly on the outstanding balance. Interest is calculated at the Daily Simple SOFR plus 2%, with a minimum rate of 3%. The line of credit was renewed on August 17, 2021 through February 7, 2023. As of June 30, 2022 and 2021, there were no amounts outstanding on the line of credit.

Note 13. Upcoming Accounting Pronouncements

The Authority will adopt the following new accounting standards issued by GASB by the required effective dates:

GASB Statement No. 91, *Conduit Debt Obligations,* provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. An issuer should not recognize a conduit debt obligation as a liability, however, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain criteria are met. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement will be effective for the year ending June 30, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections* – An Amendment of GASB Statement No. 62, This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting— understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The statement will become effective for the fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences,* This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The statement will become effective for the fiscal year ending June 30, 2024.

Management has not yet determined the effect these Statements will have on its financial statements.

Note 14. Other Post-Employment Benefits

RETIREE HEALTH PLAN

Other post-employment benefits (OPEB) provided by the Authority through the City of Winchester (the City) include a retiree health plan. The Authority's portion of the City's OPEB plan was 0.96% and 0.84% for the years ended June 30, 2022 and 2021, respectively. Separate financial statements for the City of Winchester may be obtained from City Hall at 15 N. Cameron Street, Winchester, VA 22601.

Plan Description and Benefits Provided

The City of Winchester administers a cost-sharing defined benefit healthcare plan (the "Retiree Health Plan"). The Plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees under age 65 have the option of choosing three medical plans including a prescription program for retail and a mail order program. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. 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.

The Authority's membership in the Plan as of the last valuation was 22 active employees and 0 (zero) retirees. The Plan was closed to new participants hired on or after July 1, 2017.

Contributions

The Authority establishes employer contribution rates for plan participants. The Authority has chosen to fund the medical benefits on a pay as you go basis.

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. 40% of participants currently covering a spouse are assumed to elect to continue spousal coverage upon retirement/disability.

Demographic Assumptions – Demographic assumptions mirror those used for the State of Virginia Retirement System.

Economic Assumptions – The medical trend assumption was changed from developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The updated SOA Model was released in 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.

Long-Term Expected Rate of Return

The long-term expected rate 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.

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.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) - (b)**
Balances at June 30, 2021	$ 78,403	$ 53,865	$ 24,538
Increase (decrease) for the year:			
Service cost	$ 2,432	$ - -	$ 2,432
Interest	5,689	- -	5,689
Experience losses/(gains)	7,874	- -	7,874
Contributions - employer	- -	4,479	(4,479)
Net investment income	- -	(8,389)	8,389
Change in assumptions	(21,208)	- -	(21,208)
Benefit payments (net of retiree contributions)	(4,479)	(4,479)	- -
Changes in annual allocation	11,201	7,695	3,506
Net changes	$ 1,509	$ (694)	$ 2,203
Balances at June 30, 2022	$ 79,912	$ 53,171	$ 26,741

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

The following presents the Net OPEB liability of the Authority using the discount rate of 6.50%, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Authority's net OPEB liability	$ 34,080	$ 26,741	$ 20,118

The following presents the Net OPEB liability of the Authority using the health care cost trend rate of 3.94%, as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current rate:

	1% Decrease (2.94%)	Medical Trend Rate (3.94%)	1% Increase (4.94%)
Authority's net OPEB liability	$ 18,535	$ 26,741	$ 36,328

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

For the fiscal year ended June 30, 2022, the Authority recognized an OPEB expense of $6,377. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,368	$ 61
Change in assumptions	- -	21,488
Change in proportion	4,151	2,072
Net difference between projected and actual earnings on OPEB plan investments	4,513	- -
Employer contributions subsequent to the measurement date	- -	- -
Total	$ 29,032	$ 23,621

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

Year Ended June 30:		
2022	$	2,053
2023		2,076
2024		1,956
2025		2,360
2026		(1,520)
Thereafter		(1,514)

Information about the RMI Contribution Plan OPEB is available in the separately issued City of Winchester Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 City of Winchester Annual Report may be downloaded from the City of Winchester website at https://www.winchesterva.gov/finance/budget-and-cafr, or by writing to the City's Chief Financial Officer at 15 North Cameron Street, Winchester, VA, 22601.

Health Insurance Credit Program and Plan Provisions

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to § 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program (HIC) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. The HIC is a multiple-employer, agent defined benefit plan. 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.

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees participating are enrolled automatically upon employment which includes full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision's Retiree HIC Program provides the following benefits for eligible employees:

> **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
>
> **Disability Retirement** – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

Health Insurance Credit Program Notes

The monthly HIC benefit cannot exceed the individual premium amount.

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) 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. The Authority's contractually required employer contribution rate for the year ended June 30, 2022 was 0.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the Political Subdivision HIC Program were $1,072 and $1,094 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the additional of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately $2.5 million of additional employer contributions in FY2021.

Net HIC OPEB Liability

The Authority's net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

Mortality Rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service

Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2021, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2021, on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2020	$ 25,364	$ 21,205	$ 4,159
Increase (decrease) for the year:			
Service cost	$ 698	$ - -	$ 698
Interest	1,621	- -	1,621
Changes of assumptions	282	- -	282
Differences between expected and actual experience	330	- -	330
Contributions - employer	- -	970	(970)
Contributions - employee	- -	- -	- -
Net investment income	- -	5,374	(5,374)
Benefit payments	(1,676)	(1,676)	- -
Administrative expenses	- -	(62)	62
Other changes	- -	- -	- -
Changes in annual allocation	(504)	(422)	(82)
Net changes	$ 751	$ 4,184	$ (3,433)
Balances at June 30, 2021	$ 26,115	$ 25,389	$ 726

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Authority's net HIC OPEB liability	$ 4,023	$ 726	$ (2,027)

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

For the year ended June 30, 2022, the Authority recognized Health Insurance Credit Program OPEB expense of $(264). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to Political Subdivision HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 286	$ 2,735
Change in assumptions	666	343
Net difference between projected and actual earnings on HIC OPEB plan investments	- -	2,577
Employer contributions subsequent to the measurement date	1,072	- -
Total	$ 2,024	$ 5,655

The Authority reported $1,072 as deferred outflows of resources related to the HIC OPEB resulting from the Authority's contributions subsequent to the measurement date which will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2023	$ (1,117)
2024	(1,111)
2025	(1,121)
2026	(1,194)
2027	(195)
Thereafter	36

Information about the VRS OPEB plan fiduciary net position is available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

GROUP LIFE INSURANCE (GLI) PROGRAM AND PLAN PROVISIONS

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to § 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

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.

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- *Natural Death Benefit:* The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- *Accidental Death Benefit:* The accidental death benefit is double the natural death benefit.
- *Other Benefit Provisions:* In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Seatbelt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were $14,742 and $14,825 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Authority reported a liability of $53,348 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Authority's proportion was 0.0013% as compared to 0.0049% at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized GLI OPEB expense of $2,041. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,085	$ 406
Change in assumptions	2,941	7,299
Change in proportion	1,522	1,725
Net difference between projected and actual earnings on GLI OPEB plan investments	- -	12,733
Employer contributions subsequent to the measurement date	14,742	- -
Total	$ 25,290	$ 22,164

$14,742 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date which will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(2,773)
2024		(2,062)
2025		(1,864)
2026		(4,007)
2027		(910)
Thereafter		- -

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

Mortality Rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2021, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	$ 163,917
Plan Fiduciary Net Position	110,569
Employers' Net OPEB Liability	$ 53,348
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

The total GLI OPEB 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 GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which was 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%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Authority's net GLI OPEB liability	$ 77,944	$ 53,348	$ 33,486

Note 15. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This 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 pays 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 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,
- http://www.varetirement.org/hybrid.html

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 Authority's contractually required contribution rate for the year ended June 30, 2022 was 10.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This 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 Authority were $112,602 and $113,339 for the years ended June 30, 2022 and 2021, respectively.

Net Pension Liability

The net pension liability (NPL) 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 the Authority, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculation the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total pension liability for employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality Rates

Non 10 Largest – Non-Hazardous Duty: 20% of deaths are assumed to be service-related.

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

Non 10 Largest – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.39%

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which was 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%.

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. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	$ 4,188,589	$ 3,520,823	$ 667,766
Increase (decrease) for the year:			
Service cost	$ 96,350	$ - -	$ 96,350
Interest	265,921	- -	265,921
Changes of assumptions	154,962	- -	154,962
Differences between expected and actual experience	(105,222)	- -	(105,222)
Contributions - employer	- -	86,420	(86,420)
Contributions - employee	- -	42,191	(42,191)
Net investment income	- -	926,688	(926,688)
Benefit payments, including refunds of employee contributions	- - (176,793)	- - (176,793)	- - - -
Administrative expenses	- -	(2,291)	2,291
Other changes	- -	64	(64)
Changes in annual allocation	(160,624)	(135,018)	(25,606)
Net changes	$ 74,593	$ 741,261	$ (666,668)
Balances at June 30, 2021	$ 4,263,182	$ 4,262,084	$ 1,098

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's net pension (asset)/ liability	$ 600,022	$ 1,098	$ (487,823)

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

For the year ended June 30, 2022, the Authority recognized pension expense of $35,425. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 36,371	$ 71,818
Change in assumptions	121,948	- -
Net difference between projected and actual earnings on pension plan investments	- -	462,075
Employer contributions subsequent to the measurement date	112,602	- -
Total	$ 270,921	$ 533,893

$112,602 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
2023	$ 49,071
2024	81,227
2025	105,306
2026	139,970
2027	- -
Thereafter	- -

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issues VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 16. Uncertainties Related to the Global Pandemic

During the year ended June 30, 2020, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel, size and duration of group meetings. Most industries have, and continue to, experience disruption to business operations and the impact of reduced consumer spending, including the Authority. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while it is difficult to quantify the effects on the Authority, is reasonably possible that there could be an effect on the Authority's operations in fiscal year 2023 and beyond.

Note 17. Subsequent Events

The Authority has evaluated all subsequent events through December 5, 2022 the date the financial statements were available to be issued.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Schedules of Capital Assets
Years Ended June 30, 2022 and 2021

2022	Opequon	Parkins Mill	Stephens Run	Crooked Run	Total
Land	$ 442,943	$ 31,000	$ 8,462	$ - -	$ 482,405
Structures and improvements	142,207,752	58,268,272	677,019	4,500,000	205,653,043
Equipment	664,813	- -	- -	- -	664,813
Vehicles	520,069	- -	- -	- -	520,069
Master plan	190,735	- -	- -	- -	190,735
Plant expansion - design costs and construction	12,821,184	- -	- -	- -	12,821,184
Total	156,847,496	58,299,272	685,481	4,500,000	220,332,249
Accumulated depreciation	(66,535,634)	(30,256,651)	(677,019)	(3,375,000)	(100,844,304)
Net capital assets	$ 90,311,862	$ 28,042,621	$ 8,462	$ 1,125,000	$ 119,487,945

2021	Opequon	Parkins Mill	Stephens Run	Crooked Run	Total
Land	$ 442,943	$ 31,000	$ 8,462	$ - -	$ 482,405
Structures and improvements	142,133,839	58,268,272	677,019	4,500,000	205,579,130
Equipment	658,212	- -	- -	- -	658,212
Vehicles	486,155	- -	- -	- -	486,155
Master plan	190,735	- -	- -	- -	190,735
Plant expansion - design costs and construction	12,821,184	- -	- -	- -	12,821,184
Total	156,733,068	58,299,272	685,481	4,500,000	220,217,821
Accumulated depreciation	(63,576,071)	(28,578,553)	(677,019)	(3,150,000)	(95,981,643)
Net capital assets	$ 93,156,997	$ 29,720,719	$ 8,462	$ 1,350,000	$ 124,236,178

See Independent Auditor's Report.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Schedule of Future Debt Requirements

At June 30, 2022

Fiscal Year Ending June 30	Principal Opequon	Parkins Mill	Energy Project	Total
2023	$ 1,990,991	$ 2,140,714	$ 1,800,000	$ 5,931,705
2024	2,035,079	2,176,182	1,885,000	6,096,261
2025	2,094,502	2,212,237	1,975,000	6,281,739
2026	2,144,267	2,248,890	2,075,000	6,468,157
2027	3,699,379	2,286,149	655,000	6,640,528
2028-2032	14,290,804	5,882,460	7,905,000	28,078,264
2033-2037	15,015,000	- -	5,020,000	20,035,000
2038-2042	7,635,000	- -	1,225,000	8,860,000
Total	$ 48,905,022	$ 16,946,632	$ 22,540,000	$ 88,391,654

Fiscal Year Ending June 30	Interest Opequon	Parkins Mill	Energy Project	Total
2023	$ 1,202,262	$ 270,825	$ 838,675	$ 2,311,762
2024	1,151,554	235,358	751,572	2,138,484
2025	1,098,281	199,303	660,134	1,957,718
2026	1,042,052	162,650	560,003	1,764,705
2027	974,056	125,390	496,522	1,595,968
2028-2032	3,796,499	146,390	1,873,353	5,816,242
2033-2037	2,042,725	- -	755,806	2,798,531
2038-2042	223,984	- -	48,147	272,131
Total	$ 11,531,413	$ 1,139,916	$ 5,984,212	$ 18,655,541

See Independent Auditor's Report.

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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 Board of Directors
Frederick-Winchester Service Authority
Winchester, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activity of the Frederick-Winchester Service Authority, which comprise the statement of net position as of June 30, 2022, and the related notes to the financial statements, which collectively comprise Frederick-Winchester Service Authority's basic financial statements, and have issued our report thereon dated December 5, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Frederick-Winchester Service Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Frederick-Winchester Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Frederick-Winchester Service Authority'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 charge with governance.

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

> The Authority's accounting department currently does not prepare its financial statements, including the notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Authority is unable to, and has not established internal controls over the preparation of financial statements. We are required to report this deficiency. The standards do not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. Accordingly, you may decide that curing the deficiency described above would not be cost effective and take no action.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
December 5, 2022

REQUIRED SUPPLEMENTARY INFORMATION

FREDERICK-WINCHESTER SERVICE AUTHORITY

Schedules of Changes in Employer's Proportionate Share of Net Pension Liability and Related Ratios

	Plan Years Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	$ 96,350	$ 103,292	$ 83,897	$ 119,189	$ 127,542	$ 121,838	$ 115,052
Interest	265,921	258,635	213,827	297,138	294,497	274,980	260,937
Differences between expected and actual experience	(105,222)	82,273	26,224	(26,709)	(28,344)	(12,125)	(122,978)
Changes in assumptions	154,962	- -	104,283	- -	(34,250)	- -	- -
Benefit payments, including refunds of employee contributions	(176,793)	(174,493)	(145,325)	(194,332)	(185,331)	(180,751)	(162,373)
Changes in annual allocation	(160,624)	508,645	(1,409,949)	(131,883)	77,999	118,330	(129,631)
Net change in total pension liability	$ 74,593	$ 778,353	$ (1,127,042)	$ 63,403	$ 252,113	$ 322,272	$ (38,993)
Total pension liability - beginning	4,188,589	3,410,236	4,537,278	4,473,875	4,221,762	3,899,490	3,938,483
Total pension liability - ending (a)	$ 4,263,182	$ 4,188,589	$ 3,410,236	$ 4,537,278	$ 4,473,875	$ 4,221,762	$ 3,899,490
Plan fiduciary net position							
Contributions - employer	$ 86,420	$ 80,068	$ 68,234	$ 100,128	$ 101,586	$ 124,051	$ 117,022
Contributions - employee	42,191	46,609	41,738	52,042	54,767	53,588	49,873
Net investment income	926,688	66,921	193,254	292,081	446,445	62,811	150,361
Benefit payments, including refunds of employee contributions	(176,793)	(174,493)	(145,325)	(194,332)	(185,331)	(180,751)	(162,373)
Administrative expense	(2,291)	(2,276)	(1,903)	(2,508)	(2,557)	(2,174)	(2,025)
Other	64	(79)	(122)	(261)	(398)	(29)	(32)
Changes in annual allocation	(135,018)	454,805	(1,304,479)	(119,998)	66,325	104,059	(111,480)
Net change in plan fiduciary net position	$ 741,261	$ 471,555	$ (1,148,603)	$ 127,152	$ 480,837	$ 161,555	$ 41,346
Plan fiduciary net position - beginning	3,520,823	3,049,268	4,197,871	4,070,719	3,589,882	3,428,327	3,386,981
Plan fiduciary net position - ending (b)	$ 4,262,084	$ 3,520,823	$ 3,049,268	$ 4,197,871	$ 4,070,719	$ 3,589,882	$ 3,428,327
Political subdivision's net pension liability - ending (a) - (b)	$ 1,098	$ 667,766	$ 360,968	$ 339,407	$ 403,156	$ 631,880	$ 471,163
Plan fiduciary net position as a percentage of the total pension liability	99.97%	84.06%	89.42%	92.52%	90.99%	85.03%	87.92%
Covered-employee payroll	$ 1,294,549	$ 1,294,549	$ 1,273,663	$ 1,180,078	$ 1,281,165	$ 1,221,609	$ 1,281,165
Net pension liability as a percentage of covered-employee payroll	0.08%	51.58%	28.34%	28.76%	31.47%	51.73%	36.78%

Note: This data will be presented prospectively until ten years are accumulated.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Schedule of Employer Pension Contributions

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2022	$ 112,602	$ 112,602	$ - -	$ 1,269,000	8.87%
2021	$ 113,339	$ 113,339	$ - -	$ 1,268,264	8.94%
2020	$ 106,906	$ 106,906	$ - -	$ 1,294,549	8.26%
2019	$ 97,207	$ 97,207	$ - -	$ 1,273,663	7.63%
2018	$ 96,443	$ 96,443	$ - -	$ 1,180,078	8.17%
2017	$ 98,201	$ 98,201	$ - -	$ 1,281,165	7.66%
2016	$ 126,469	$ 126,469	$ - -	$ 1,221,609	10.35%

Note: This data will be presented prospectively until ten years are accumulated.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Schedule of Changes in Employer's Proportionate Share of Net OPEB Liability and Related Ratios

	Plan Years Ended June 30, 2022	2021
Retiree Health Plan - Total for FWSA		
Total OPEB Liability		
Service cost	$ 2,432	$ 2,045
Interest on total OPEB liability	5,689	4,760
Difference between expected and actual experience	7,874	(64)
Changes in assumptions	(21,208)	- -
Benefit payments, including refunds of employee contributions	(4,479)	(3,202)
Change in allocations	11,201	- -
Net change in total OPEB liability	$ 1,509	$ 3,539
Total OPEB liability - beginning	78,403	74,864
Total OPEB liability - ending	$ 79,912	$ 78,403
Plan fiduciary net position		
Contributions - employer	$ 4,479	$ 6,712
Net investment income	(8,389)	10,872
Benefit payments	(4,479)	(3,202)
Change in allocation	7,695	- -
Net change in plan fiduciary net position	$ (694)	$ 14,382
Plan fiduciary net position - beginning	53,865	39,483
Plan fiduciary net position - ending	$ 53,171	$ 53,865
Net OPEB liability	$ 26,741	$ 24,538
Plan fiduciary net position as a percentage of total OPEB liability	67%	69%
Covered payroll	$ 1,269,000	$ 1,268,264
Net OPEB liability as a percentage of covered payroll	2.1%	1.9%
Schedule of Investment Returns		
Annual money-weighted rate of return, net of investment expense	-13.29%	26.22%

This schedule is intended to show information for 10 years. Fiscal year 2021 is the first year for this presentation. Additional years will be included as they become available.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Schedule of Changes in Employer's Proportionate Share of Net HIC OPEB Liability and Related Ratios

	Plan Year Ended				
	2021	**2020**	**2019**	**2018**	**2017**
Total Health Insurance Credit (HIC) OPEB liability					
Service cost	$ 698	$ 741	$ 647	$ 860	$ 912
Interest	1,621	1,668	1,582	2,176	2,144
Differences between expected and actual experience	330	(901)	(2,137)	- -	- -
Changes in assumptions	282	- -	626	(1,611)	(1,170)
Changes in annual allocation	(504)	2,759	(8,563)	(229)	- -
Benefit payments, including refunds of employee contributions	(1,676)	(1,701)	(1,039)	(1,644)	(772)
Net change in total HIC OPEB liability	$ 751	$ 2,566	$ (8,884)	$ (448)	$ 1,114
Total HIC OPEB liability - beginning	25,364	22,798	31,682	32,130	31,016
Total HIC OPEB liability - ending (a)	$ 26,115	$ 25,364	$ 22,798	$ 31,682	$ 32,130
Plan fiduciary net position					
Contributions - employer	$ 970	$ 1,209	$ 1,040	$ 1,397	$ 1,448
Contributions - employee	- -	- -	- -	- -	- -
Net investment income	5,374	426	1,157	1,652	2,395
Benefit payments, including refunds of employee contributions	(1,676)	(1,701)	(1,039)	(1,644)	(772)
Administrative expense	(62)	(40)	(25)	(39)	(40)
Changes in annual allocation	(422)	2,301	(6,622)	(167)	- -
Other	- -	- -	(1)	(117)	118
Net change in plan fiduciary net position	$ 4,184	$ 2,195	$ (5,490)	$ 1,082	$ 3,149
Plan fiduciary net position - beginning	21,205	19,010	24,500	23,418	20,269
Plan fiduciary net position - ending (b)	$ 25,389	$ 21,205	$ 19,010	$ 24,500	$ 23,418
Political subdivision's net HIC OPEB liability - ending (a) - (b)	$ 726	$ 4,159	$ 3,788	$ 7,182	$ 8,712
Plan fiduciary net position as a percentage of the total HIC OPEB liability	96.91%	83.60%	83.38%	77.30%	72.89%
Covered-employee payroll	$ 1,294,549	$ 1,294,549	$ 1,273,663	$ 1,180,078	$ 1,281,165
Net HIC OPEB liability as a percentage of covered-employee payroll	0.06%	0.32%	0.30%	0.61%	0.68%

Note: This data will be presented prospectively until ten years are accumulated.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Schedules of OPEB Contributions

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Net Retiree Health Plan					
2022	$ - -	$ - -	$ - -	$ 1,269,000	0.00%
2021	$ 15,636	$ 15,636	$ - -	$ 1,268,264	1.23%
Net Group Life Insurance (GLI) Program OPEB Plan					
2022	$ 14,742	$ 14,742	$ - -	$ 1,269,000	1.16%
2021	$ 14,825	$ 14,825	$ - -	$ 1,268,264	1.17%
2020	$ 15,555	$ 15,555	$ - -	$ 1,294,549	1.20%
2019	$ 14,167	$ 14,167	$ - -	$ 1,273,663	1.11%
2018	$ 13,176	$ 13,176	$ - -	$ 1,281,165	1.03%
Net Health Insurance Credit (HIC) Program OPEB Plan					
2022	$ 1,072	$ 1,072	$ - -	$ 1,269,000	0.08%
2021	$ 1,094	$ 1,094	$ - -	$ 1,268,264	0.09%
2020	$ 1,380	$ 1,380	$ - -	$ 1,294,549	0.11%
2019	$ 1,297	$ 1,297	$ - -	$ 1,273,663	0.10%
2018	$ 1,306	$ 1,306	$ - -	$ 1,281,165	0.10%

Note: This data will be presented prospectively until ten years are accumulated.

FREDERICK-WINCHESTER SERVICE AUTHORITY

Notes to Required Supplemental Information
June 30, 2022

1. Changes of Benefit Terms – Net Pension Liability:

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

2. Changes in Assumptions – Net Pension Liability:

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

Non 10 Largest – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Notes to Required Supplemental Information

3. **<u>Changes of Benefit Terms – Net HIC OPEB Liability</u>:**

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

4. **<u>Changes in Assumptions – Net HIC OPEB Liability</u>:**

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

5. **<u>Changes of Benefit Terms – Net GLI OPEB Liability</u>:**

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

6. <u>Changes in Assumptions – Net GLI OPEB Liability</u>:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change