FREDERICK-WINCHESTER SERVICE AUTHORITY

FINANCIAL REPORT

June 30, 2023

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June 30, 2023

BOARD OF DIRECTORS

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Candice Perkins

INDEPENDENT AUDITORS

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

BROWNEDWARDS
certified public accountants

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 financial statements of the Frederick-Winchester Service Authority (the "Authority"), as of and for the year ended June 30, 2023, 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 Authority, as of June 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Prior Period Financial Statements

The financial statements of the Authority as of June 30, 2022 were audited by other auditors whose report dated December 5, 2022 expressed an unmodified opinion on those statements.

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.

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Responsibilities of Management for the Financial Statements (continued)

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.

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 aboutthe 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 comprises the introductory section and the schedules of capital assets and future debt requirements but does not include the basic financial statements and our auditor's report thereon. Our opinion on the 2023 basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. The 2022 other information is also presented and the prior auditor's opinion did not cover the other information or express an opinion or any form of assurance on the information.

In connection with our audit of the 2023 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANT'S

Harrisonburg, Virginia
December 6, 2023

FREDERICK-WINCHESTER SERVICE AUTHORITY

Management's Discussion and Analysis
Year Ended June 30, 2023

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, 2023.

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 environmentally 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.

Overview of Activities (Continued)

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 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 (OWRF) 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, 2023. These are: (1) Statements of Net Position; (2) Statements of Revenues, Expenses and Changes in Net Position; and (3) Statements of Cash Flows.

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.

Financial Position: A summary of FWSA's Statements of Net Position for fiscal years 2023, 2022 and 2021 is presented below.

	2023	2022	2021 *
Current assets	11,453,267	11,448,804	5,434,569
Current restricted assets	6,137,398	6,467,104	15,799,409
Noncurrent assets	77,331,844	83,508,457	1,000
Noncurrent restricted assets	9,676,774	9,591,670	-
Capital assets	114,922,145	119,487,945	124,236,178
Deferred outflows	2,838,024	3,213,654	3,554,381
Total assets and deferred outflows	$ 222,359,452	$ 233,717,634	$ 149,025,537
Current liabilities	7,273,037	6,734,054	901,895
Current liabilities payable from current restricted assets	6,912,205	6,818,266	6,344,269
Long-term liabilities	154,267,316	166,575,331	91,103,472
Deferred inflows	1,187,519	1,532,182	24,128
Total liabilities and deferred inflows	169,640,077	181,659,833	98,373,764
Net position:			
Net investment in capital assets	33,648,599	32,313,120	31,402,942
Restricted	15,218,950	15,415,409	15,128,078
Unrestricted	3,851,826	4,329,273	4,120,753
Total net position	52,719,375	52,057,802	50,651,773
Total liabilities, deferred inflows and net position	$ 222,359,452	$ 233,717,635	$ 149,025,537

* Adjustments were made to the 2023 and 2022 financials that are not reflected in the 2021 numbers.

The financial position of the FWSA remains strong and stable as of June 30, 2023. 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 2023, 2022 and 2021 as reported. This statement reflects total revenues and total expenses for the fiscal years ended June 30, 2023, 2022 and 2021 and reflects 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 2023, 2022 and 2021 is presented below.

	2023	2022	2021
Service fees	$ 13,867,972	$ 12,993,065	$ 12,972,918
Operating expenses	12,730,853	11,388,182	11,375,771
Operating income	$ 1,137,119	$ 1,604,883	$ 1,597,147
Net non-operating income (expense)	(475,546)	(198,854)	(689,121)
Change in net position	$ 661,573	$ 1,406,029	$ 908,026

Revenues, Expenses and Changes in Net Position (Continued)

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 in FY21 was $877,790 and FY22 was $1,020,760. High Strength Waste billings for FY23 were $1,825,800.

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.

BASIC FINANCIAL STATEMENTS

Exhibit 1

FREDERICK-WINCHESTER SERVICE AUTHORITY

STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted (Note 3)	$ 4,499,786	$ 4,827,779
Cash and cash equivalents, restricted (Note 3)	-	1,077,179
Investments, restricted (Note 3)	6,087,774	5,389,924
Accounts receivable, net (Note 4)	757,446	679,804
Due from related parties - current portion (Note 7)	6,085,244	5,845,778
Interest receivable, restricted	49,624	1
Lease receivable - current portion (Note 8)	5,441	5,356
Prepaid and other assets	105,350	90,087
Total current assets	17,590,665	17,915,908
NONCURRENT ASSETS		
Investments, restricted (Note 3)	9,676,774	9,591,670
Capital assets:		
Nondepreciable (Note 5)	706,512	482,405
Depreciable, net (Note 5)	114,215,633	119,005,540
Lease receivable (Note 8)	956,139	961,581
Due from related parties (Note 7)	76,374,705	82,545,876
Security deposit	1,000	1,000
Total noncurrent assets	201,930,763	212,588,072
Total assets	219,521,428	230,503,980
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	2,612,764	2,886,386
Deferred outflows related to pensions (Note 9)	179,973	270,921
Deferred outflows related to other postemployment benefits (Notes 10, 11 and 12)	45,287	56,347
Total deferred outflows of resources	2,838,024	3,213,654
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,181,397	881,472
Accrued interest	595,222	643,365
Compensated absenes - current portion	6,396	6,804
Current portion of bonds payable (Note 6)	6,316,983	6,174,901
Unearned revenue - current portion (Note 7)	6,085,244	5,845,778
Total current liabilities	14,185,242	13,552,320
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	57,559	61,232
Net pension liability (Note 9)	175,018	1,098
Net other postemployment benefit liability (Notes 10, 11 and 12)	90,707	80,815
Bonds payable, net of current portion (Note 6)	77,569,327	83,886,310
Unearned revenue (Note 7)	76,374,705	82,545,876
Total noncurrent liabilities	154,267,316	166,575,331
Total liabilities	168,452,558	180,127,650
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 9)	230,250	533,893
Deferred inflows related to other postemployment benefits (Notes 10, 11 and 12)	35,783	51,441
Leases (Note 8)	921,486	946,848
Total deferred inflows of resources	1,187,519	1,532,182
NET POSITION		
Net investment in capital assets	33,648,599	32,313,120
Restricted	15,218,950	15,415,409
Unrestricted	3,851,826	4,329,273
Total net position	$ 52,719,375	$ 52,057,802

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

Exhibit 2

FREDERICK-WINCHESTER SERVICE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Charges for services:		
Opequon service fees - City of Winchester	$ 5,900,298	$ 6,015,891
Opequon service fees - Frederick Water	5,146,616	5,118,972
Other	2,821,058	1,858,202
Total operating revenues	13,867,972	12,993,065
OPERATING EXPENSES		
Personnel compensation	1,474,049	1,357,812
Fringe benefits	370,662	285,445
Repairs and maintenance	1,336,843	1,255,506
Electric power	488,354	397,895
Insurance	17,730	15,550
Property insurance	90,087	79,844
Landfill fees	1,167,307	1,039,764
Chemicals	1,959,160	1,230,337
Other	298,212	314,959
General and administrative	657,713	548,409
Depreciation (Note 5)	4,870,736	4,862,661
Total operating expenses	12,730,853	11,388,182
Operating income	1,137,119	1,604,883
NON-OPERATING REVENUES (EXPENSES)		
Parkins Mill service fees, Frederick Water	1,331,008	2,493,964
Interest and investment income	528,843	20,568
Loss on the sale of capital assets	(7,646)	-
Interest expense		
Opequon	(2,068,700)	(2,264,952)
Parkins Mill	(259,051)	(448,434)
Total non-operating revenues (expenses)	(475,546)	(198,854)
Change in net position	661,573	1,406,029
NET POSITION AT JULY 1, restated (Note 15)	52,057,802	50,651,773
NET POSITION AT JUNE 30	$ 52,719,375	$ 52,057,802

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

Exhibit 3

FREDERICK-WINCHESTER SERVICE AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Receipts from customers	$ 13,764,968	$ 13,088,915
Payments to suppliers	(5,567,909)	(4,882,251)
Payments to employees	(2,045,107)	(1,752,387)
Proceeds from other service charges	1,331,008	2,493,964
Other operating receipts	5,357	5,273
Net cash provided by operating activities	7,488,317	8,953,514
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(312,581)	(114,428)
Principal payments on long-term liabilities	(5,931,705)	(5,672,938)
Interest payments on long-term obligations	(2,345,469)	(2,726,824)
Net cash used in capital and related financing activities	(8,589,755)	(8,514,190)
INVESTING ACTIVITIES		
Purchases of investments	(7,389,575)	(262,963)
Interest and investment income received	7,085,841	20,647
Net cash used in investing activities	(303,734)	(242,316)
Net increase (decrease) in cash and cash equivalents	(1,405,172)	197,008
CASH AND CASH EQUIVALENTS, beginning at July 1	5,904,958	5,707,950
CASH AND CASH EQUIVALENTS, ending at June 30	$ 4,499,786	$ 5,904,958
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, unrestricted	$ 4,499,786	$ 4,827,779
Cash and cash equivalents, restricted	-	1,077,179
	$ 4,499,786	$ 5,904,958

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

FREDERICK-WINCHESTER SERVICE AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,137,119	$ 1,604,883
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,870,736	4,862,661
Excess of employer contributions over pension expense	(38,775)	(67,311)
Excess of employer contributions over other postemployment benefits expense	5,294	(5,631)
Other service charges	1,331,008	2,493,964
(Increase) decrease in:		
Accounts receivable	(77,642)	121,212
Leases receiveable	5,357	5,273
Prepaids and other assets	(15,263)	(83,787)
Increase (decrease) in:		
Accounts payable	299,925	60,858
Compensated absences	(4,080)	(13,246)
Lease related deferred inflows	(25,362)	(25,362)
Net cash provided by operating activities	$ 7,488,317	$ 8,953,514

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

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's and County's 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.

<u>Measurement focus and basis of accounting</u>

The Authority's financial statements are reported using the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues are charges to the City of Winchester and Frederick County Sanitation Authority for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

<u>Cash and Cash Equivalents</u>

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

<u>Investments</u>

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.

(Continued)

Note 2. Summary of Significant Accounting Policies Financial Statement Presentation (Continued)

Customer accounts receivable

Charges for services are determined through monthly billings to customers. As of June 30, 2023 and 2022, accounts receivable are stated net of an allowance for doubtful accounts of $38,000 and $22,000, respectively. Bad debt expense was $16,000 and $(28,000) as of June 30, 2023 and 2022, respectively.

Capital Assets

Capital assets are recorded 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 arecarried as construction in progress. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Structures and improvements	10-20
Plant expansion	30-40
Equipment, furniture and fixtures	5-7
Master plan	10
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.

Compensated absences

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

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial elements related to pension and OPEB plans, 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.

(Continued)

Note 2. Summary of Significant Accounting Policies Financial Statement Presentation (Continued)

Deferred outflows and inflows of resources

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

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

The Authority has the following items that qualify for reporting as deferred inflows and outflows:

- Deferred charge on refunding: A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB: these will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors and changes in assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Changes in proportion and differences between the Authority's contributions and its proportionate share of contributions for OPEB are deferred and amortized over the average expected remaining service lives of all employees provided with group life insurance benefits, and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. These differences will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner of the term of the lease.

(Continued)

Note 2. Summary of Significant Accounting Policies Financial Statement Presentation (Continued)

Net position

Net position is the difference between assets and deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to those assets. Restricted net position includes amounts bond principal and interest held by a trustee.

Fair value of measurement

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.

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 deposits of the Authority are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-400 et. seq. of the *Code of Virginia* or covered by the Federal Deposit Insurance Corporation (FDIC). Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virgina Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, pledge collateral that ranges between 50% and 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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 Commonwealth of Virginia State Non-Arbitrage Program (SNAP). The SNAP is not registered with the SEC but is overseen by the Treasurer of Virginia and the State Treasury Board. The value of the Authority's position in the pool is the same as the value of the pool shares and is stated at amortized cost in accordance with GASB Statement 79, which approximates fair value.

Note 3. Deposits and Investments (Continued)

Investments (Continued)

The Authority categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. As of June 30, 2023 and 2022, the Authority's investments were valued using Level 1 inputs.

The Authority's restricted investments as of June 30, 2023 and 2022 consisted of the following:

2023

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
U.S. Treasury bonds and notes	$ 15,476,551	N/A	1.00
Virginia State Non-Arbitrage Program (SNAP)	287,997	AAAm	0.18 years
Total	$ 15,764,548		
Reconciliation of Investments			
Investments – restricted, current	$ 6,087,774		
Investments – restricted, non-current	9,676,774		
	15,764,548		

2022

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
U.S. Treasury bonds and notes	$ 14,502,527	N/A	1.00
Virginia State Non-Arbitrage Program (SNAP)	479,067	AAAm	0.17 years
Total	$ 14,981,594		
Reconciliation of Investments			
Investments – restricted, current	$ 5,389,924		
Investments – restricted, non-current	9,591,670		
	14,981,594		

Note 3. Deposits and Investments (Continued)

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, 2023 and 2022 were:

	2023	2022
U.S. Treasury bonds and notes	98.17%	96.80%

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.

Restricted amounts

Details on restricted investments in Exhibit 1 are as follows:

	2023	2022
Fiscal year 2024 principal and interest payments	$ 6,087,774	$ 5,389,924
Investments – restricted, current	$ 6,087,774	$ 5,389,924
Operating reserve	$ 287,997	$ 479,067
Improvement redemption fund	3,111,145	3,019,675
Debt service reserve fund	6,277,632	6,092,928
Investments – restricted, non-current	$ 9,676,774	$ 9,591,670

Note 4. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2023 and 2022:

	2023	2022
City of Winchester	$ 244,411	273,200
Frederick Water	160,084	156,445
National Fruit Product Company, Inc.	50,070	18,827
Merritt Sanitation Service	67,862	31,096
Houff Corporation	42,916	64,535
Others	230,103	157,701
	795,446	701,804
Less: allowance for doubtful accounts	(38,000)	(22,000)
Total	$ 757,446	$ 679,804

(Continued)

Note 5. Capital Assets

Capital asset activity was as follows for the years ending June 30, 2023 and 2022:

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 482,405	$ -	$ -	$ 482,405
Construction in progress	-	224,107	-	224,107
Total capital assets, not being depreciated	482,405	224,107	-	706,512
Capital assets, being depreciated:				
Structures and improvements	205,653,043	-	-	205,653,043
Plant expansion	12,821,184	-	-	12,821,184
Equipment, furniture, and fixtures	664,813	88,474	-	753,287
Master plan	190,735	-	-	190,735
Vehicles	520,069	-	(51,666)	468,403
Total capital assets, being depreciated	219,849,844	88,474	(51,666)	219,886,652
Less: accumulated depreciation	100,844,304	4,870,736	(44,021)	105,671,019
Total capital assets being depreciated, net	$ 119,005,540	$ (4,782,262)	$ (7,645)	$ 114,215,633

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
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 being depreciated, net	$ 123,753,773	$ (4,748,233)	$ -	$ 119,005,540

Depreciation expense was $4,870,736 and $4,862,661 for the years ended June 30, 2023 and 2022, respectively.

(Continued)

Note 6. Long-Term Obligations

The following is a summary of changes in long-term liabilities for the years ending June 30, 2023 and 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable	$ 88,391,654	$ -	$ 5,931,705	$ 82,459,949	$ 6,096,261
Unamortized bond premiums and discounts, net	1,669,557	-	243,196	1,426,361	220,722
Total long-term liabilities	$ 90,061,211	$ -	$ 6,174,901	$ 83,886,310	$ 6,316,983

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable	$ 94,064,592	$ -	$ 5,672,938	$ 88,391,654	$ 5,931,705
Unamortized bond premiums and discounts, net	1,934,228	-	264,671	1,669,557	243,196
Total long-term liabilities	$ 95,998,820	$ -	$ 5,937,609	$ 90,061,211	$ 6,174,901

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

Year Ending June 30	Principal	Interest	Total
2024	$ 6,096,261	$ 2,091,697	$ 8,187,958
2025	6,281,739	1,917,522	8,199,261
2026	6,468,157	1,731,211	8,199,368
2027	6,640,529	1,569,289	8,209,818
2028	6,783,871	1,440,324	8,224,195
2029-2033	25,084,392	5,114,429	30,198,821
2034-2038	20,605,000	2,223,496	22,828,496
2039-2042	4,500,000	68,791	4,568,791
Total	$ 82,459,949	$ 16,156,759	$ 98,616,708

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 $14,805,919 and $16,946,633 at June 30, 2023 and 2022, respectively.

(Continued)

Note 6. Long-Term Obligations (Continued)

Details of Long-Term Debt (Continued)

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 $9,404,030 and $10,490,021 at June 30, 2023 and 2022, respectively.

2014A Virginia Resources Authority Revenue Bonds (Parity Indebtedness)

In April 2014, the Authority issued a $30,110,000 Taxable Regional Sewer System Bond. This issuance was partially refunded in 2021 with the unrefunded balance due in annual installments of $390,000 to $1,905,000, beginning in October 2017, plus interest payable semiannually ranging from 3.13% 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 $15,595,000 and $16,685,000 at June 30, 2023 and 2022, respectively.

2014B Virginia Resources Authority Revenue Bonds (Parity Indebtedness)

In August 2014, the Authority issued a $20,075,000 Taxable Regional Sewer System Bond. This issuance was partially refunded in 2021 with the unrefunded balance due in annual installments of $265,000 to $825,000, beginning in October 2017, plus interest payable semiannually ranging between 3.13% 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 $5,145,000 and $5,855,000 at June 30, 2023 and 2022, 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. This issuance was partially refunded in 2021 with the unrefunded balance due in annual installments of $545,000 to $845,000, plus interest payable semiannually ranging between 3.13% and 5.13%, 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 $7,020,000 and $7,600,000 at June 30, 2023 and 2022, respectively.

Note 6. Long-Term Obligations (Continued)

Details of Long-Term Debt (Continued)

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 semiannually ranging between 2.71% and 5.13%, 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 $3,685,000 and $3,690,000 at June 30, 2023 and 2022, 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 $320,000 to $3,295,000, plus interest payable semiannually ranging between 0.19% and 2.37%, 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 2015A Virginia Resources Authority Revenue Bonds. The balance of this bond was $26,805,000 and $27,125,000 at June 30, 2023 and 2022, respectively.

Prior Defeasance of Debt

The Authority defeased certain outstanding revenue bonds payable in prior years. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the Authority's financial statements.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Series 2014A	$ 9,585,000	$ -	$ -	$ 9,585,000
Series 2014B	11,845,000	-	-	11,845,000
Series 2015A	3,000,000	-	-	3,000,000
	$ 24,430,000	$ -	$ -	$ 24,430,000

Line of Credit

The Authority had a line of credit in the amount of $5 million. 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 matured on February 7, 2023 and was not renewed at this time. As of June 30, 2023 and 2022, there were no amounts outstanding on the line of credit.

Note 7. Major Customers and Related Party Transactions

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 $7,647,880 and $6,372,031 for the years ending June 30, 2023 and 2022, respectively. The Authority owed the City $1,146,182 and $833,251 at June 30, 2023 and 2022, respectively.

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 agreement also sets forth how debt service costs will be recovered from the City and Frederick Water, which are detailed as follows:

	Principal due from City of Winchester	City's proportionate share of principal due on debt service	Principal due from Frederick Water	Frederick Water's proportionate share of principal due on debt service
Series 2009	$ 3,394,855	36.10%	$ 6,009,175	63.90%
Series 2014A	7,797,500	50.00%	7,797,500	50.00%
Series 2014B	2,572,500	50.00%	2,572,500	50.00%
Series 2015A	2,534,220	36.10%	4,485,780	63.90%
Series 2016B	1,330,285	36.10%	2,354,715	63.90%
Series 2021 (2014A refunded)	5,230,000	50.00%	5,230,000	50.00%
Series 2021 (2014B refunded)	6,450,000	50.00%	6,450,000	50.00%
Series 2021 (2015A refunded)	1,243,645	36.10%	2,201,355	63.90%
Parkins Mill	-	N/A	14,805,919	100.00%
Total due from related parties	$ 30,553,005		$ 51,906,944	

The balances due from related parties are offset by corresponding unearned revenue which will be recognized as revenue each year in line with debt service payments received from the City and Frederick Water.

Note 8. Leases

Authority as Lessor

In July 1999, the Authority entered into a lease as lessor with Crown Communication LLC for the use of land at 193 Eddys Lane. The lease expires in October 2039 with renewal periods extending through October 2059, of which management is reasonably certain will be exercised. The value of the lease receivable was $961,580 and $966,937 as of June 30, 2023 and 2022, respectively. The lessee is required to make monthly payments of $1,703 with the payments increasing by 15% every five years. The lease agreement does not have an explicitly stated rate. Therefore, in accordance with GASB 87, *Leases,* the Authority calculated an imputed interest rate of 1.56%. The value of the deferred inflow of resources was $921,486 and $946,848 as of June 30, 2023 and 2022, respectively, and the Authority recognized lease revenue of $25,362 during both fiscal years.

(Continued)

Note 9. Defined Benefit Pension Plan

Plan Description

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

The Authority participates in VRS through the City of Winchester, Virginia (the "City"). The Authority accounts for and reports its participation in the City's VRS plan by applying the requirements for a cost-sharing multiple employer plan.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	4
Non-vested inactive members	8
Inactive members active elsewhere in VRS	8
Total inactive members	20
Active members	18
Total covered employees	50

(Continued)

Note 9. Defined Benefit Pension Plan (Continued)

Contributions

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

The Authority's contractually required contribution rate for the years ended June 30, 2023 and 2022 was 10.42% and 10.23% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, 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 to the pension plan from the political subdivision were $111,453 and $112,602 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023 and 2022, the Authority reported liabilities of $175,018 and $1,098, respectively, for its proportionate share of the Collective Net Pension Liability of the City plan. The Collective Net Pension Liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

At June 30 2022, the Authority's proportion of the City plan was 3.41% as compared to 3.26% at June 30, 2021.

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense of $38,975 and $35,425, respectively. There was a change in proportionate share between each year, however, the difference is insignificant and was reflected in current year pension expense.

Note 9. Defined Benefit Pension Plan (Continued)

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

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,310	$ 103,278
Change in assumptions	59,210	-
Net difference between projected and actual earnings on pension plan investments	-	126,972
Employer contributions subsequent to the measurement date	111,453	-
Total	$ 179,973	$ 230,250

The $111,453 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Decrease) to Pension Expense
2024	$ (54,139)
2025	(79,341)
2026	(89,016)
2027	60,766
2028	-
Thereafter	-

Note 9. Defined Benefit Pension Plan (Continued)

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

At June 30, 2022, the Authority 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

The $112,602 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date was recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2023.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

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

(Continued)

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
		Inflation	2.50 %
		*Expected arithmetic nominal return	7.83 %

Note 9. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

* The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rates used to measure the total pension liability was 6.75% for the years ended June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate.

For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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% for the years ended June 30, 2023 and 2022, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's proportionate share of City's net pension liability at June 30, 2023	$ 829,507	$ 175,018	$ (354,438)

(Continued)

Note 9. Defined Benefit Pension Plan (Continued)

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's proportionate share of City's net pension liability at June 30, 2022	$ 600,022	$ 1,098	$ (487,823)

Pension Plan Fiduciary Net Position

Detailed information about the City's Fiduciary Net Position in the VRS plan is available in the separately issued City's 2023 and 2022 Annual Comprehensive Financial Reports (ACFRs).

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

(Continued)

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

<u>Plan Descriptions</u> (Continued)

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. The Authority participates in GLI through the City. The Authority accounts for and reports its participation in the City's GLI plan by applying the requirements for a cost-sharing multiple employer plan.

<u>General Employee Health Insurance Credit Program</u>

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

Similar to GLI, the Authority participates in HIC through the City. The Authority accounts for and reports its participation in the City's HIC plan by applying the requirements for a cost-sharing multiple employer plan.

<u>Contributions</u>

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability.

Specific details related to the contributions for the VRS OPEB programs are as follows:

<u>Group Life Insurance Program</u>

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	$6,535
June 30, 2022 Contribution	$14,742

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

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions (Continued)

General Employee Health Insurance Credit Program

Governed by:	*Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	.07% of covered employee compensation.
June 30, 2023 Contribution	$847
June 30, 2022 Contribution	$1,072

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

The net OPEB liabilities were measured as of June 30, 2022 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

	Group Life Insurance Program	**General Employee Health Insurance Credit Program**
June 30, 2023 proportionate share of City's liability	$58,578	$7,788
June 30, 2022 proportionate share of City's liability	$53,348	$726
June 30, 2022 proportion of City Plan	3.58%	4.55%
June 30, 2021 proportion of City Plan	3.42%	4.45%
June 30, 2023 expense	$56,275	$3,906
June 30, 2022 expense	$ 2,041	$ (264)

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

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,639	$ 2,350
Change in assumptions	2,185	5,706
Net difference between projected and actual earnings on OPEB plan investments	-	3,660
Changes in proportion	1,875	1,214
Employer contributions subsequent to the measurement date	6,535	-
Total	$ 15,234	$ 12,930

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 248	$ 2,718
Change in assumptions	6,410	230
Net difference between projected and actual earnings on OPEB plan investments	-	675
Employer contributions subsequent to the measurement date	847	-
Total	$ 7,505	$ 3,623

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,085	$ 406
Change in assumptions	2,941	7,299
Net difference between projected and actual earnings on OPEB plan investments	-	12,734
Changes in proportion	1,522	1,725
Employer contributions subsequent to the measurement date	14,742	-
Total	$ 25,290	$ 22,164

General Employee Health Insurance Credit Program

	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 OPEB plan investments	-	2,577
Employer contributions subsequent to the measurement date	1,072	-
Total	$ 2,024	$ 5,655

(Continued)

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

	GLI Insurance Program	General Employee HIC Credit Program
Year Ended June 30,	**Increase (Decrease) to OPEB Expense**	**Increase (Decrease) to OPEB Expense**
2024	$ (828)	$ 43
2025	(620)	33
2026	(2,892)	(42)
2027	398	980
2028	(289)	832
Thereafter	-	1,189

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI & HIC: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail in Note 9.

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net OPEB liability	$ 1,204,096
Plan fiduciary net position as a percentage of total OPEB liability	67.21%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined in a manner similar to that of the VRS pension described in Note 9.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability at June 30, 2023	$ 85,238	$ 58,578	$ 37,033
GLI Net OPEB liability at June 30, 2022	$ 77,944	$ 53,348	$ 33,486
General Employee HIC Net OPEB liability at June 30, 2023	$ 11,941	$ 7,788	$ 4,314
General Employee HIC Net OPEB liability at June 30, 2022	$ 4,023	$ 726	$ (2,027)

OPEB Plan Fiduciary Net Position

Detailed information about the City's Fiduciary Net Position in the VRS plan is available in the separately issued City's 2023 and 2022 Annual Comprehensive Financial Reports (ACFRs).

OPEB Plan Data

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11. Other Postemployment Benefits Liability – Local Plan

Plan Description and Benefits Provided

The Authority participates in the City's retiree healthcare plan. The City administers a multi-employer cost-sharing defined healthcare plan (the "Retiree Health Plan"). Participating employers include the City, the Authority, the Winchester Parking Authority, and the Northwestern Juvenile Detention Center Commission. 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. Benefits are not available to employees hired after July 1, 2017.

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

Employees Covered by Benefit Terms

Information regarding covered employees is available in the City's separately issued 2023 Annual Comprehensive Financial Report (ACFR).

Contributions

Contribution requirements are established by City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually.

Net OPEB Liability

At June 30, 2023 and 2022, the Authority reported a liability of $24,341 and $26,741, respectively, for its proportionate share of the collective net OPEB liability. The collective net OPEB Liabilities were measured as of June 30, 2023 and 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actual valuation as of January 1, 2022, rolled forward to June 30, 2023 and 2022. The Authority's proportion of the collective net OPEB liability was based on a projection of the Authority's long-term share of contributions of the OPEB plan relative to the projected contributions of all participating employers. At June 30, 2023 and 2022, the Authority's proportionate share of the City's OPEB plan was 0.96%.

Actuarial Assumptions and Other Inputs

In the January 1, 2022 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 6.50% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the plan's investments calculated based on the funded level of the plan at the valuation date.

The following additional simplifying assumptions were made:

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

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

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

(Continued)

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Economic Assumptions – The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in 2021. The following assumptions were used as input variables into this model:

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

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

Long-Term Expected Rate of Return

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

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

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

Discount Rate

The discount rate used to measure the net OPEB liability was 6.50% as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Authority, 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 or one percentage point higher than the current discount rate:

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Authority's proportionate share of City's net OPEB liability at June 30, 2023	$ 31,715	$ 24,341	$ 17,663

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Authority's proportionate share of City's net OPEB liability at June 30, 2022	$ 34,080	$ 26,741	$ 20,118

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

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

	1.00% Decrease (2.94%)	Current Healthcare Cost Trend Rates (3.94%)	1.00% Increase (4.94%)
Authority's proportionate share of City's net OPEB liability at June 30, 2023	$ 15,336	$ 24,341	$ 34,886

(Continued)

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

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

	1.00% Decrease (2.94%)	Current Healthcare Cost Trend Rates (3.94%)	1.00% Increase (4.94%)
Authority's proportionate share of City's net OPEB liability at June 30, 2022	$ 18,535	$ 26,741	$ 36,328

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

For the years ended June 30, 2023 and 2022, the Authority recognized OPEB expense of $5,277 and $6,377, respectively.

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,090	$ 46
Change in assumptions	-	17,630
Change in proportion	3,159	1,554
Net difference between projected and actual earnings on OPEB plan investments	3,299	-
Total	$ 22,548	$ 19,230

Note 11. Other Postemployment Benefits Liability – Local Plan (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,369	$ 61
Change in assumptions	-	21,489
Change in proportion	4,151	2,072
Net difference between projected and actual earnings on OPEB plan investments	4,513	-
Total	$ 29,033	$ 23,622

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

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	$ 2,025
2025	1,908
2026	2,315
2027	(1,572)
2028	(1,436)
Thereafter	78

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan is available in the separately issued City of Winchester Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 City of Winchester Annual Report may be downloaded from the City's website at https://www.winchesterva.gov/finance/budget, or by writing to the City's CFO at 15 N. Cameron St. Winchester, VA 22601.

(Continued)

Note 12. Summary of Other Postemployment Benefits

	2023	2022
Deferred outflows of resources – OPEB		
Differences between expected and actual experience		
VRS – Group Life Insurance	$ 4,639	$ 6,085
VRS – Health Insurance Credit	248	286
Local plan	16,090	20,369
Changes of proportion		
VRS – Group Life Insurance	1,875	1,522
Local plan	3,159	4,151
Employer contributions subsequent to the measurement date		
VRS – Group Life Insurance	6,535	14,742
VRS – Health Insurance Credit	847	1,072
Change in assumptions		
VRS – Group Life Insurance	2,185	2,941
VRS – Health Insurance Credit	6,410	666
Net difference between projected and actual earnings on plan investments		
Local plan	3,299	4,513
Total deferred outflow of resources – OPEB	$ 45,287	$ 56,347
Net OPEB liability		
VRS – Group Life Insurance	$ 58,578	$ 53,348
VRS – Health Insurance Credit	7,788	726
Local plan	24,341	26,741
Total net OPEB liability	$ 90,707	$ 80,815
Deferred inflows of resources – OPEB		
Differences between expected and actual experience		
VRS – Group Life Insurance	$ 2,350	$ 406
VRS – Health Insurance Credit	2,718	2,735
Local plan	46	61
Net difference between projected and actual earnings on plan investments		
VRS – Group Life Insurance	3,660	12,734
VRS – Health Insurance Credit	675	2,577
Change in assumptions		
VRS – Group Life Insurance	5,706	7,299
VRS – Health Insurance Credit	230	343
Local plan	17,630	21,489
Changes of proportion		
VRS – Group Life Insurance	1,214	1,725
Local plan	1,554	2,072
Total deferred inflow of resources – OPEB	$ 35,783	$ 51,441
OPEB expense		
VRS – Group Life Insurance	$ 56,275	$ 2,041
VRS – Health Insurance Credit	3,906	(264)
Local plan	5,277	6,377
Total OPEB expense	$ 65,458	$ 8,154

Note 13. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 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 14. Commitments and Contingencies

Construction Commitments

The Authority has an active construction project related to the Supervisory Control and Data Acquisition (SCADA) upgrade at the Opequon Water Reclamation Facility (OWRF). At year end, commitments with contractors were as follows:

	Total Contracts	Total Payments	Future Amounts to be Expended
OWRF SCADA upgrade	$ 496,015	$ -	$ 496,015

Note 15. Restatement of Net Position

In 1999, the Authority entered into a long-term lease as the lessor. Therefore, the Authority is required to follow guidance from GASB 87, *Leases.* See Note 9 for details related to the agreement. Below is a reconciliation of the adjustment to beginning net position.

Beginning net position, June 30, 2023, as previously reported	$ 52,037,713
To record the lessor agreement	20,089
Beginning net position, June 30, 2023, as restated	$ 52,057,802

Note 16. Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Note 17. Subsequent Events

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

Note 18. New Accounting Standards

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

FREDERICK-WINCHESTER SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2023

Entity Fiscal Year Ended June 30	Employer's Proportion of the City's Net Pension Liability	Employer's Proportionate Share of the City's Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the City's Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	3.41%	$ 175,018	$ 1,269,000	13.79%	96.17%
2022	3.26%	1,098	1,268,264	0.09%	99.97%
2021	3.39%	667,766	1,294,549	51.58%	84.06%
2020	2.95%	360,968	1,273,663	28.34%	89.42%
2019	4.28%	339,407	1,180,078	28.76%	92.52%
2018	4.41%	403,156	1,281,165	31.47%	90.99%
2017	4.33%	631,880	1,221,609	51.73%	85.03%
2016	4.69%	471,163	1,281,165	36.78%	87.92%

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

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the Authority's fiscal year.

FREDERICK-WINCHESTER SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2023

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 111,453	$ 111,453	-	$ 1,210,043	9.21%
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%

Schedule is intended to show information for 10 years. Since 2016 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

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

FREDERICK-WINCHESTER SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2023

Plan Fiscal Year Ended June 30	Employer's Proportion of the City's Net OPEB Liability	Employer's Proportionate Share of the City's Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the City's Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
City of Winchester Local Plan					
2023	0.96%	$ 24,341	$ 1,348,523	1.81%	70.17%
2022	0.96%	26,741	1,269,000	2.11%	66.54%
2021	0.84%	24,538	1,268,264	1.93%	68.70%
2020	0.84%	35,381	1,294,549	2.73%	52.74%
2019	0.99%	29,822	1,273,663	2.34%	58.03%
2018	0.83%	22,429	1,281,165	1.75%	56.55%
Virginia Retirement System - Group Life Insurance - General Employees					
2022	3.58%	$ 58,578	1,269,000	4.62%	67.21%
2021	3.42%	53,348	1,268,264	4.21%	67.45%
2020	3.64%	81,017	1,294,549	6.26%	52.64%
2019	3.22%	71,674	1,273,663	5.63%	52.00%
2018	4.46%	89,049	1,180,078	7.55%	51.22%
2017	4.45%	89,033	1,281,165	6.95%	48.86%
Virginia Retirement System - General Employees Health Insurance Credit					
2022	4.55%	7,788	1,269,000	0.61%	76.82%
2021	4.45%	726	1,268,264	0.06%	96.91%
2020	4.54%	4,159	1,294,549	0.32%	83.60%
2019	4.05%	3,788	1,273,663	0.30%	83.38%
2018	5.55%	7,182	1,180,078	0.61%	77.30%
2017	5.59%	8,712	1,281,165	0.68%	72.89%

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

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

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

FREDERICK-WINCHESTER SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2023

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2023	$ 6,535	$ 6,535	$ -	$ 1,210,043	0.54%
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%

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - General Employees					
2023	$ 847	$ 847	$ -	$ 1,210,043	0.07%
2022	1,072	1,072	-	1,269,000	0.08%
2021	989	989	-	1,268,264	0.08%
2020	1,080	1,080	-	1,294,549	0.08%
2019	1,427	1,427	-	1,273,663	0.11%
2018	1,449	1,449	-	1,281,165	0.11%

Entity Fiscal Year Ended June 30	Actuarially Required Contribution	Contributions in Relation to Actuarially Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
City of Winchester Local Plan					
2023	$ 960	$ -	$ 960	$ 1,348,523	0.00%
2022	4,061	-	4,061	1,269,000	0.00%
2021	3,511	3,511	-	1,268,264	0.28%
2020	2,663	2,663	-	1,294,549	0.21%
2019	3,901	3,901	-	1,273,663	0.31%
2018	29,134	29,134	-	1,281,165	2.27%

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

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

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

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

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

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

OTHER INFORMATION

FREDERICK-WINCHESTER SERVICE AUTHORITY

SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2023 and 2022

	June 30, 2023				
	Opequon	**Parkins Mill**	**Stephens Run**	**Crooked Run**	**Total**
Land	$ 442,943	$ 31,000	$ 8,462	$ -	$ 482,405
Construction in progress	224,107	-	-	-	224,107
Structures and improvements	142,207,752	58,268,272	677,019	4,500,000	205,653,043
Equipment	753,287	-	-	-	753,287
Vehicles	468,403	-	-	-	468,403
Master plan	190,735	-	-	-	190,735
Plant expansion - design costs and construction	12,821,184	-	-	-	12,821,184
Total	157,108,411	58,299,272	685,481	4,500,000	220,593,164
Accumulated depreciation	(69,459,251)	(31,934,749)	(677,019)	(3,600,000)	(105,671,019)
Net capital assets	$ 87,649,160	$ 26,364,523	$ 8,462	$ 900,000	$ 114,922,145

	June 30, 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

FREDERICK-WINCHESTER SERVICE AUTHORITY

SUPPLEMENTARY INFORMATION
SCHEDULE OF FUTURE DEBT REQUIREMENTS
June 30, 2023

	Principal			
Fiscal Year Ending June 30	**Opequon**	**Parkins Mill**	**Energy Project**	**Total**
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	2,286,150	655,000	6,640,529
2028	3,774,845	2,324,026	685,000	6,783,871
2029-2033	13,485,957	3,558,435	8,040,000	25,084,392
2034-2038	15,810,000	-	4,795,000	20,605,000
2039-2042	3,870,000	-	630,000	4,500,000
	$ 46,914,029	$ 14,805,920	$ 20,740,000	$ 82,459,949

	Interest			
Fiscal Year Ending June 30	**Opequon**	**Parkins Mill**	**Energy Project**	**Total**
2024	$ 1,133,295	$ 206,830	$ 751,572	$ 2,091,697
2025	1,082,243	175,145	660,134	1,917,522
2026	1,028,273	142,935	560,003	1,731,211
2027	962,575	110,192	496,522	1,569,289
2028	889,784	76,906	473,634	1,440,324
2029-2033	3,450,871	51,739	1,611,819	5,114,429
2034-2038	1,643,849	-	579,647	2,223,496
2039-2042	56,585	-	12,206	68,791
	$ 10,247,475	$ 763,747	$ 5,145,537	$ 16,156,759

COMPLIANCE SECTION

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; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Frederick-Winchester Service Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2023-001, that we consider to be a significant deficiency.**

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.***

Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 6, 2023

FREDERICK-WINCHESTER SERVICE AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
June 30, 2023

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

STATE COMPLIANCE MATTERS

Code of Virginia
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

FREDERICK-WINCHESTER SERVICE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001: Segregation of Duties (Significant Deficiency)

Condition:

Due to the limited size of the staff at the Authority, a proper separation of certain accounting functions cannot be established and maintained.

Criteria:

Internal controls are designed to safeguard assets and help prevent losses, whether due to fraud or error. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to all phases of a transaction.

Cause:

This is the result of the Authority's limited size.

Effect:

A proper separation cannot be established and maintained.

Recommendation:

We recommend continued Board involvement and oversight as well as added scrutiny when reviewing financial statements, check registers, and other financial data provided to the Board.

Views of Responsible Officials and Planned Corrective Action:

The Authority has taken measures, to the fullest extent possible, to include the Chairman, Treasurer, and third-party bookkeeper in various stages of the Authority's transaction cycles.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

None.