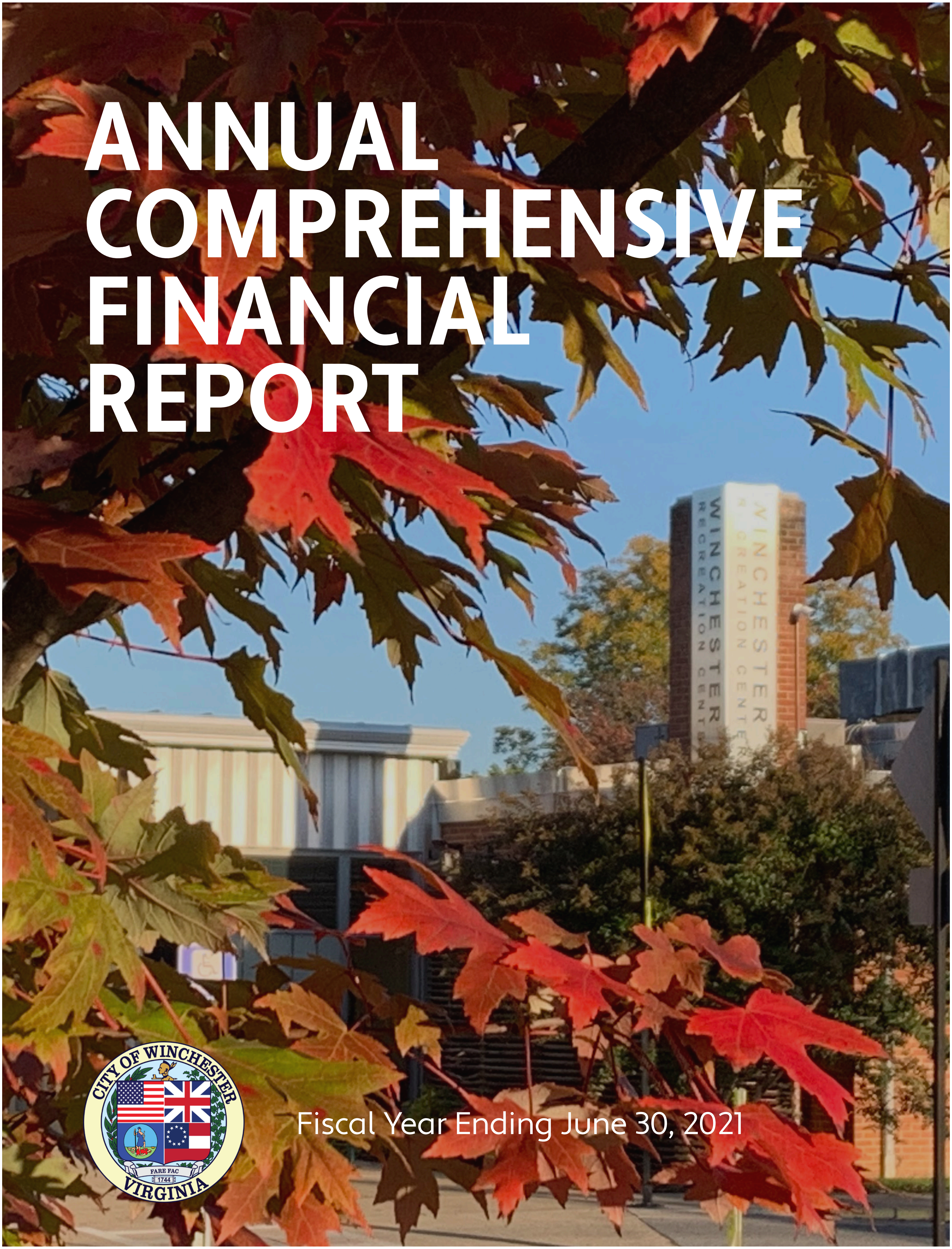
# ANNUAL COMPREHENSIVE FINANCIAL REPORT




CITY OF WINCHESTER
FARE FAC
1744
VIRGINIA

Fiscal Year Ending June 30, 2021

# CITY OF WINCHESTER, VIRGINIA

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

# YEAR ENDED JUNE 30, 2021

**Prepared by:**

**City of Winchester, Virginia**
**Finance Department**

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

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**COMPLIANCE SECTION**

## CITY OF WINCHESTER, VIRGINIA

## THE COMMON COUNCIL

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

| | |
|---|---|
| Evan H. Clark | Judith A. McKiernan |
| Corey S. Sullivan | Les C. Veach |
| Phillip L. Milstead | Richard S. Bell |

## OFFICIALS

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

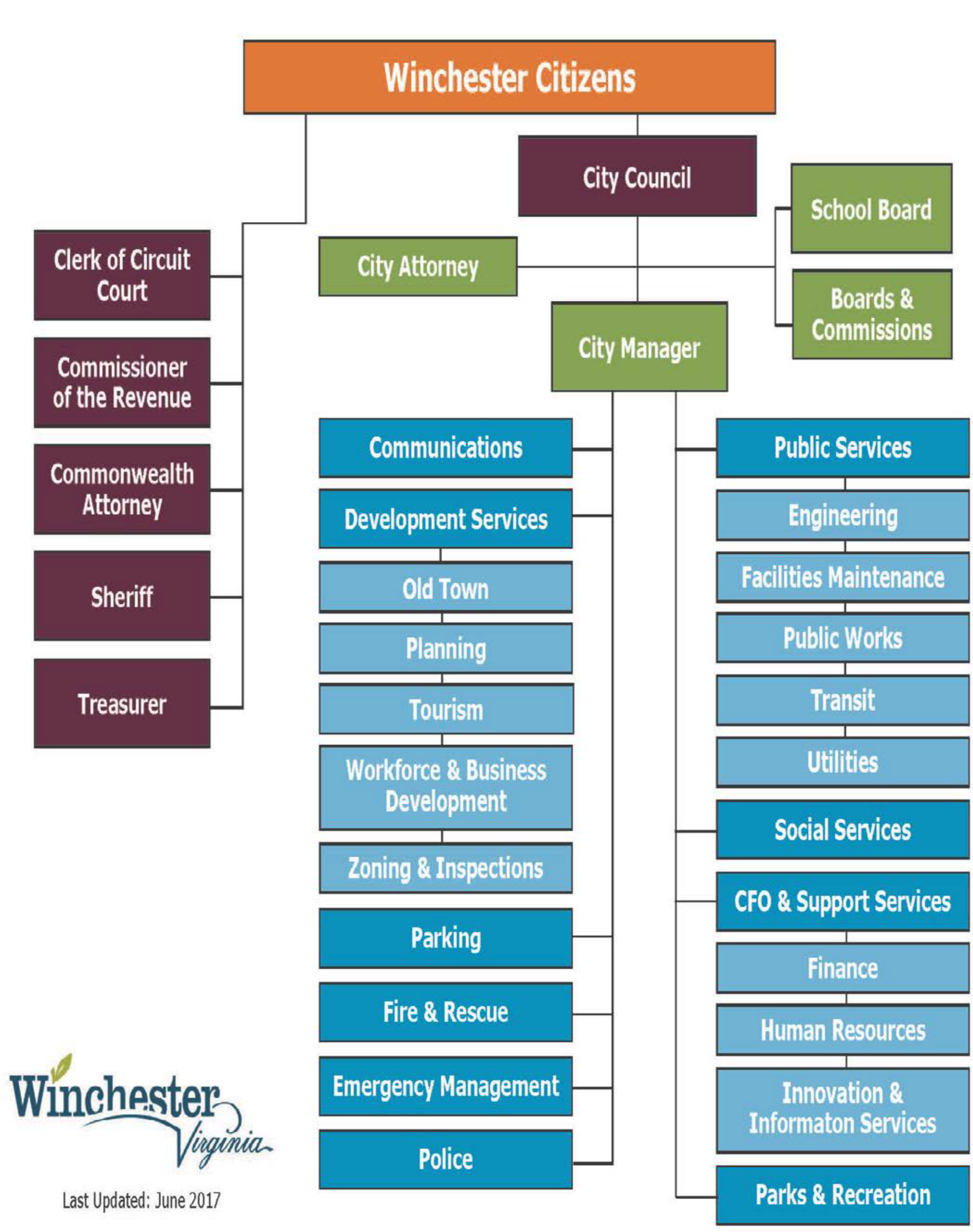
## CONSTITUTIONAL OFFICERS

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

## OTHER OFFICIALS

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

**City of Winchester**
**Organizational Chart**



Rouss City Hall
15 North Cameron Street
Winchester, VA 22601

Telephone: (540) 667-1815
FAX: (540) 723-0238
TDD: (540) 722-0782
Website: www.winchesterva.gov

November 24, 2021

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

Ladies and Gentlemen:

The Annual Comprehensive Financial Report (ACFR) of the City of Winchester, Virginia for the fiscal year ended June 30, 2021 is submitted herewith pursuant to Sections 15.1-166 & 167 of the Code of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of all the funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse; to ensure that adequate accounting data are compiled; and to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Brown Edwards & Company, L.L.P. performed the City of Winchester's audit for the fiscal year ended June 30, 2021. In addition to complying with the requirements set forth in the State Statutes, the audit was designed to comply with the requirements of the Single Audit Act of 1984 and related Uniform Guidance. The auditor's report on the basic financial statements is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Winchester's MD&A can be found immediately following the report of the independent auditors.

**Profile of the City of Winchester**

The City of Winchester is located in the northern tip of Virginia in the Shenandoah Valley. Winchester, founded in 1744, is the oldest city in Virginia west of the Blue Ridge Mountains. The City currently occupies a land area of 9.3 square miles and serves a resident population of approximately 28,705. Two major interstate highways, I-81 and I-66, and four major state highways, Routes 50, 7, 11, and 522, provide direct access to eastern markets, including Washington, D.C., 72 miles away, and Baltimore, MD, 97 miles away. As a regional employment and health care center, the City's daytime population increases to approximately 45,000.

The City of Winchester has a Council/Manager form of government. The nine-member Council consists of a Mayor and eight Councilors elected from four wards in the city with each ward electing two members from the territory of the ward, and the mayor elected at-large and serving for a period of four years. In the governance of the City, the Council is charged with the responsibility of establishing policies and enacting ordinances and resolutions. The Council elects one of the councilors to serve as President for a two-year term. The City Manager is appointed by the Council and is charged with the responsibility of administering daily operations and implementing Council directives.

The City provides a full range of services, including the following: police and fire protection; emergency response and rescue services; education; water and sewer services; refuse removal and disposal services; construction and maintenance of highways, streets and infrastructure; parks and recreational activities; cultural events; parking facilities; transit services; social services; planning and zoning; and general administration. All moneys required to support these services are reflected in this report.

The ACFR includes all funds, component unit agencies, and boards and commissions for which the City is financially accountable. Financial accountability is defined as appointment of a voting majority of such an entity's Board, and either (a) the ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing criteria, the financial activities of the following organizations are included in the financial statements for the reasons indicated:

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

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

## Profile of the City of Winchester (Continued)

Financial activities of the following joint ventures and other related organizations are not included in the ACFR, but are disclosed in the notes to the financial statements in accordance with pronouncements of the Governmental Accounting Standards Board:

- Frederick-Winchester Service Authority
- Winchester Regional Airport Authority
- Handley Regional Library Board

The City maintains budgetary control as part of its fiscal management techniques. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. Only the Common Council can revise the appropriation for each department. The City Manager is authorized to transfer appropriations within general government departments, and the School Board is authorized to transfer budgeted amounts within the school system's categories. As demonstrated by the statements and schedules included in the financial section of this report, the City meets its responsibility for sound financial management.

## Local Economy

The City is the region's commercial, recreational, industrial, and medical center serving a 75-mile radius. Because of the City's position as a regional economic center and its extensive highway system, the City's workforce is drawn from a substantially broader area. Employers in the area offer a wide variety of private sector jobs ranging from agriculture, forestry, and manufacturing, to retail, professional, educational, and medical services, as well as an emerging presence of information technology opportunities.

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

Located within Winchester is Shenandoah University, a United Methodist Church-affiliated institution, which was founded in 1875 in Dayton, Virginia, and moved to Winchester in 1960. Today, Shenandoah University has an enrollment of over 4,000 students. These students participate in more than 200 areas of study at the bachelor's, master's, and doctoral degree levels, as well as through undergraduate and graduate certificates, across six schools: College of Arts and Sciences, School of Business, Shenandoah Conservatory, Bernard J. Dunn School of Pharmacy, Eleanor Wade Custer School of Nursing, and School of Health Professions. The University has continued to grow academic offerings and has recently become one of the first universities to offer bachelor's degrees in virtual reality design and esports management, as well as the state's oldest music therapy program. Despite the impact of COVID-19 on higher education, Shenandoah University has seen their largest freshman enrollment class in their history in 2020 and have taken steps to expand their residential offerings.

**Local Economy (Continued)**

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

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

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

**Local Economy (Continued)**

In addition, the City's Old Town Advancement Commission (OTAC) continues to successfully market the City's downtown. Despite the economic impacts felt due to the COVID-19 pandemic, new businesses continue to locate downtown, while many existing businesses have continued to thrive due to adapting their business models. The OTAC administers the Main Street Program, focused on downtown revitalization - putting the traditional assets of downtown, such as unique architecture and locally owned businesses, to work as a catalyst for economic growth and community pride. The efforts of OTAC have earned recognition for excellence in the field of downtown revitalization by meeting high standards of performance set by the Virginia Main Street Program and the National Trust for Historic Preservations National Main Street Center. Emerging from the effects of the COVID-19 pandemic, the downtown is seeing redevelopment projects occurring in both the primary and secondary district, with high levels of occupancy being maintained.

**Long-term Financial Planning**

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

As part of our strategic plan, the City has implemented a 20-year financial planning model to help project revenue and expenditures through the year 2041. Factored into the financial planning model are anticipated future major capital projects. The City is planning for several road improvement projects that will leverage state revenue sharing funds and general obligation bonds. School projects include the renovation of and addition to the Historic Douglas School to convert it to the Winchester Public School central office and community meeting space, scheduled to be completed in the summer/fall of 2022. This project is partially funded through the issuance of a $21.0 million general obligation bond, and partially through fundraising by the Winchester Educational Foundation. Winchester Public Schools projects that enrollment will remain flat with a possible slight decrease by 2023-2024 to an anticipated total enrollment of over 4,100. Current educational facilities are adequately sized at the elementary level, and the opening of the Shihadeh Innovation Center has alleviated any high school overcrowding, but middle school level assets will be slightly strained by student enrollment in grades 5-8. These improvements should take us well into the future, allowing us to continue providing a quality education for all students in the City.

**Relevant Financial Policies**

In December 2003, along with the fund balance policy (updated in August 2016), City Council adopted a debt obligation policy, which states that net debt as a percentage of assessed value will not exceed 4%. General obligation debt service and capital lease payments as a percentage of general governmental expenditures will not exceed 15%.

The City's investment policy is designed to allow the City to obtain the highest possible yield on available City financial assets, consistent with constraints imposed by its safety objectives, cash flow considerations, and Virginia State laws that restrict the placement of public funds. Accordingly, deposits were either insured by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

**Major Initiatives**

**A. Hope Drive Extension**

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

**B. Valley Avenue Drainage and Sidewalk Improvements**

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

**C. Sidewalk Improvements**

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

**D. Green Circle Trail**

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

**E. Wentworth Drive Improvements**

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

**F. North Cameron Street Drainage Improvements**

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

**Major Initiatives (Continued)**

**G. Utility Infrastructure Improvements**

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

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

**Awards and Acknowledgment**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winchester for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the twenty-nineth consecutive year that the City of Winchester has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

Daniel C. Hoffman
City Manager

Mary M. Blowe
Deputy City Manager/CFO

Celeste R. Broadstreet
Financial Services Director

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Winchester**
**Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

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

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 24, 2021

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

This section of the City of Winchester's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2021. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

## Financial Highlights

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

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government; judicial administration; public safety; public works; health and welfare; community development; and recreation and cultural. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate school district and a legally separate parking authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget.

***Proprietary funds.*** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee benefits program and equipment maintenance operation. Because these two functions predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer fund (a major fund). Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has three fiduciary funds: the Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and Northwestern Regional Juvenile Detention Center Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements**. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 94 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 95 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

**<u>Government-wide Financial Analysis</u>**

As noted earlier, net position (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by $104.3 million at the close of fiscal year 2021.

The City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

## Government-wide Financial Analysis (Continued)

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

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

**(in millions)**

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

## Government-wide Financial Analysis (Continued)

In addition, since the GASB 34 implementation the City reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board. If the debt related to the construction of schools ($63.4 million) were not presented in Table 2, the net position for the governmental activities would be $90.5 million and the total net position for the primary government would be $167.7 million.

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

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

**<u>Government-wide Financial Analysis</u> (Continued)**

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

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

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

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

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

**<u>Government-wide Financial Analysis</u> (Continued)**

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

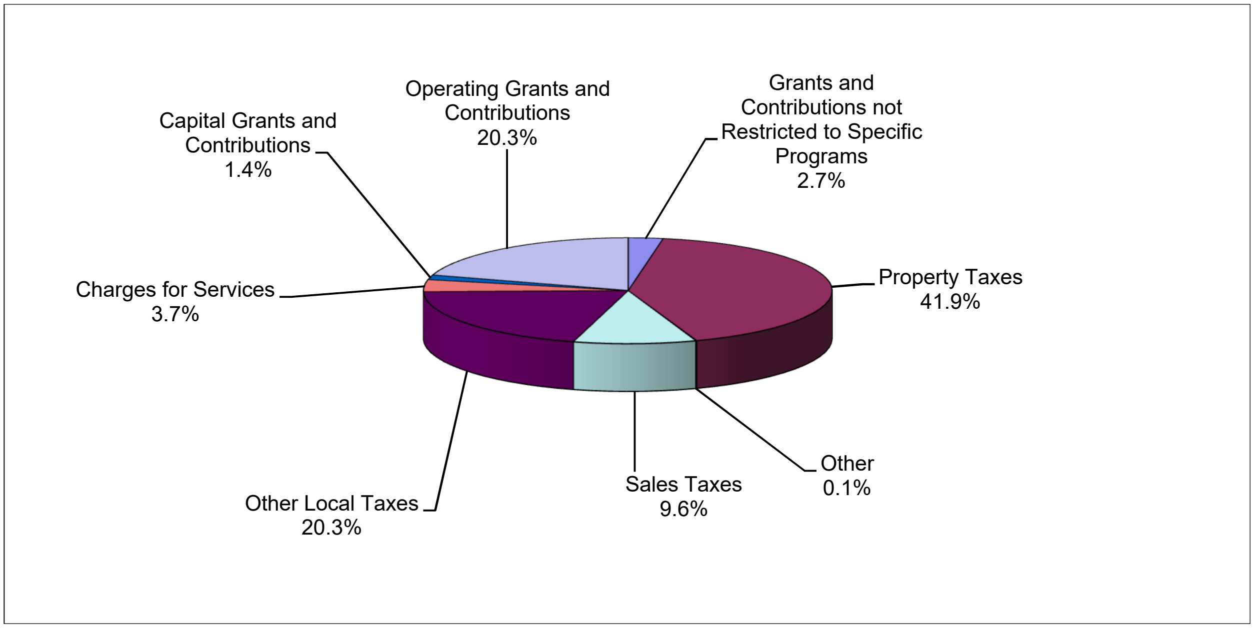
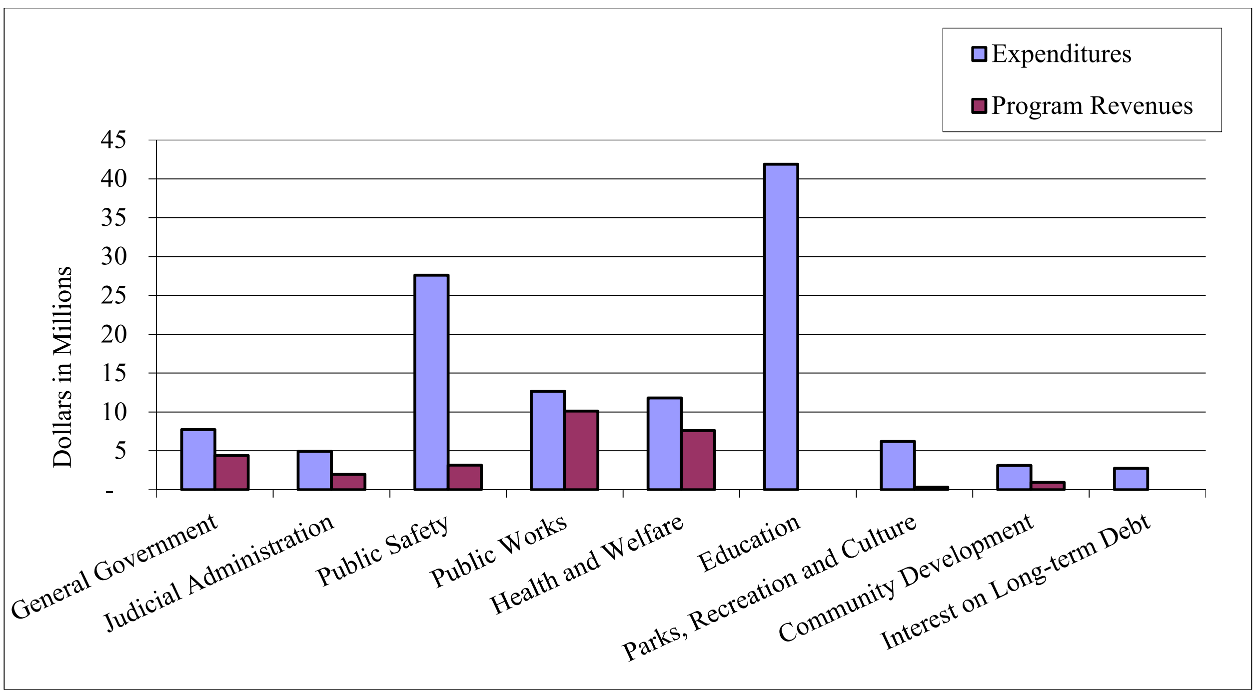



**Figure B**
**Expenses and Program Revenues – Governmental Activities**



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

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

**Figure C**
**Revenues by Source – Business-type Activities**

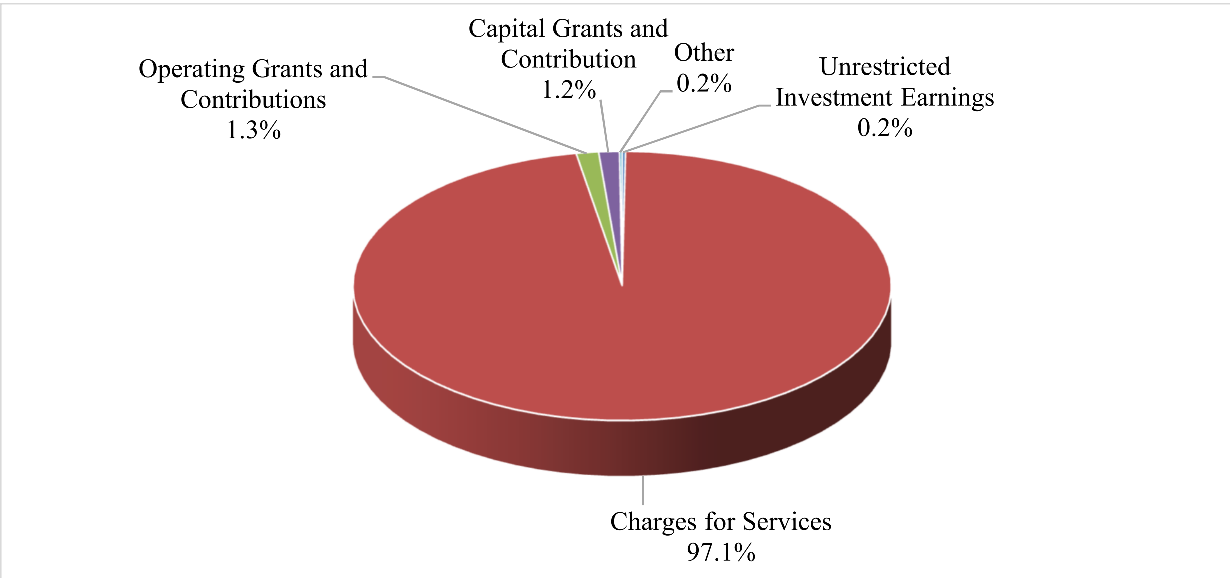
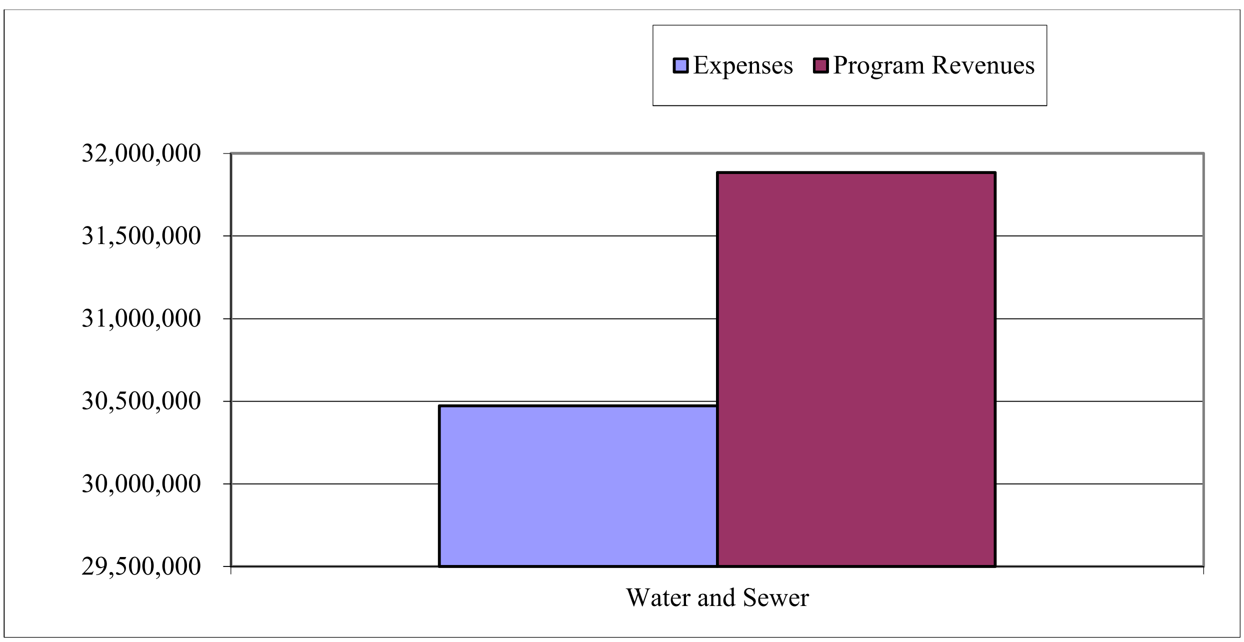



**Figure D**
**Expenses and Program Revenues – Business-type Activities**



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

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

## Financial Analysis of the City's Funds

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

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

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

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

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

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

**<u>Financial Analysis of the City's Funds</u> (Continued)**

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

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

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

**Proprietary funds**. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's water and sewer fund for the fiscal year ended June 30, 2021, amounted to $4.3 million, a decrease of $5.9 million from the prior year, mainly due to an increase in bonds payable.

**<u>General Fund Budgetary Highlights</u>**

City Council revised the City budget four times during the fiscal year. The difference between the original budget and the final amended budget of expenditures for the general fund was an increase of $6.8 million, mainly due to federal CARES Act funding and school excess funds for capital improvement from FY 2020.

**General Fund Budgetary Highlights** (Continued)

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

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

**Capital Assets and Debt Administration**

**Capital assets.** The City of Winchester's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to $314.5 million net of depreciation, which represents an increase of $16.4 million, or 5.5% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 7 to the financial statements.

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

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

## Capital Assets and Debt Administration (Continued)

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

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

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

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

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

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

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

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

The City's General Obligation Bonds have been rated AAA by Standard & Poor's Corporation, Aa2 by Moody's Investors Service, and AA+ from Fitch Ratings. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City of Winchester's legal debt limit is $330.9 million. As of June 30, 2021, the City of Winchester's total debt applicable to the limitation totaled $91.1 million, leaving a legal debt margin of $252.0 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**<u>Contacting the City's Financial Management</u>**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Financial Services Director, City of Winchester, 15 N. Cameron Street, Winchester, VA 22601.

# BASIC FINANCIAL STATEMENTS

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# GOVERNMENT WIDE FINANCIAL STATEMENTS

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

**Exhibit 1**

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

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

**CITY OF WINCHESTER, VIRGINIA**
**STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2021**

**Exhibit 2**

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

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

# FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**June 30, 2021**

**Exhibit 3**

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

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

**CITY OF WINCHESTER, VIRGINIA**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**For the Year Ended June 30, 2021**

**Exhibit 4**

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

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

**CITY OF WINCHESTER, VIRGINIA**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**For the Year Ended June 30, 2021**

**Exhibit 5**

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds (Exhibit 4) | | $ 3,370,403 |
| Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, $6,596,783, exceeded depreciation, $5,282,654, in the current period. | | 1,314,129 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 893,421 |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | | |
| Employer pension contributions | $ 2,128,634 | |
| Pension expense | (3,720,159) | (1,591,525) |
| Governmental funds report other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense. | | |
| Employer other postemployment benefit contributions | 255,407 | |
| Other postemployment benefit expense | (224,298) | 31,109 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | | |
| Principal repayments | | 8,174,980 |
| Issuance of bonds | | (41,593,535) |
| Proceeds from premium on bond issuance | | (4,781,523) |
| Payment to refunded bond escrow agent | | 29,010,186 |
| Amortization of issuance premium | | 1,321,889 |
| Amortization of deferred charge on refunding | | (827,282) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated absences | | (252,370) |
| Accrued interest | | 229,001 |
| Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of internal service funds is allocated between governmental and business-type activites in the Statement of Activities. | | |
| Net revenue (expense) of internal service funds | | (300,875) |
| Allocation of net revenue (expense) to business-type activities | | 44,644 |
| Change in net position of governmental activities | | $ (4,957,348) |

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

**CITY OF WINCHESTER, VIRGINIA**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**
**GENERAL FUND**
**For the Year Ended June 30, 2021**

**Exhibit 6**

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

(Continued)

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

Exhibit 6 (Continued)

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

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

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

**Exhibit 7**

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

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

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

**Exhibit 8**

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

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

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

**CITY OF WINCHESTER, VIRGINIA**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**For the Year Ended June 30, 2021**

**Exhibit 9**

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

(Continued)

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

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

Exhibit 9 (Continued)

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

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

**Exhibit 10**

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

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

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

**Exhibit 11**

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

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

## Note 1. Summary of Significant Accounting Policies

### Reporting Entity

The City of Winchester, Virginia (the "City") was incorporated in 1752 and organized under the Council-Manager form of government. The City is governed by an elected mayor and an eight-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

*Discretely Presented Component Units:*

The City of Winchester School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. All members of the School Board are appointed by City Council, and the City has the ability to impose its will upon the Board. In addition, because the School Board does not have taxing powers, the School Board is fiscally dependent upon the City to provide significant funding to operate the public schools. The School Board must also obtain the City's approval for debt issuances.

The Winchester Parking Authority was created by the City for the purpose of planning and fostering the development of off-street parking facilities. The City appoints all members of the Authority and is able to impose its will on the Authority. The City is financially accountable for the Authority because the City approves the Authority's budget, levies taxes (if necessary) and must approve any debt issuances.

Separate financial statements of these component units are not available.

*Joint Ventures:*

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

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During 2021, the City provided total support of $79,796. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 491 Airport Road, Winchester, Virginia 22602.

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

**Reporting Entity (Continued)**

*Joint Ventures (Continued):*

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants must subsidize operations and capital needs. During 2021, the City provided total support of $452,604. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 145 Fort Collier Road, Winchester, Virginia 22603.

The Northwestern Regional Jail Authority was created by the City of Winchester and the Counties of Clarke, Frederick, and Fauquier to govern the operations of the Northwestern Regional Adult Detention Center. Each participating jurisdiction appoints three members to the Authority's board. The participants must subsidize operations and capital needs. During 2021, the City provided total support of $4,872,834. Separate financial statements for this joint venture may be obtained at the entity's administrative offices at 141 Fort Collier Road, Winchester, Virginia 22603.

*Other Related Organizations:*

The Economic Development Authority of the City of Winchester was created by Council resolution to promote industry and trade within the City. A board of seven directors appointed by the City Council governs the Authority; however, the City's accountability does not extend beyond making the appointments. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 15 North Cameron Street, Winchester, Virginia 22601.

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided $419,020 to the Board for operating support for 2021. Separate financial statements for this related organization may be obtained at the entity's administrative offices at 100 West Piccadilly Street, Winchester, VA 22601.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, *the primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

### Government-Wide and Fund Financial Statements (Continued)

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

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

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

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

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

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

*Governmental funds* account for the expendable financial resources, other than those accounted for in proprietary and fiduciary funds. The governmental funds use the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The City reports the following governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.

The *Capital Improvements Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Capital Improvements Fund is considered a major fund for financial reporting purposes.

*Special Revenue Funds* account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Social Services Fund, Highway Maintenance Fund, Emergency Medical Services Fund, Winchester-Frederick County Convention and Visitors Bureau Fund, Law Library Fund, Transit Fund, and Federal Grants Fund.

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

*Enterprise Funds* account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water and Sewer Fund, which accounts for the operation of the City's water distribution system and sewage collection system and is considered a major fund for financial reporting purposes.

*Internal Service Funds* account for employee benefits and equipment inventory provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Employee Benefits Fund and Equipment Operating Fund.

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

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

*Fiduciary funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include the other postemployment benefits trust fund and custodial funds. Fiduciary funds utilize the accrual basis of accounting as described in the proprietary funds presentation. Custodial funds reported by the City include the Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and the Northwestern Regional Juvenile Detention Center Fund. These funds account for assets held by the City for social services clients, regional jail construction, and a regional juvenile detention center.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, transit service fund, and internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the operating definition are reported as non-operating revenues and expenses.

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

*Deposits and Investments*

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

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

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

(Continued)

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

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

*Receivables and Payables*

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

*Property Taxes*

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 20 and December 5. The City bills and collects its own taxes. The City's real estate and business-related personal property taxes are levied each calendar year on all taxable property located in the City, and are accounted for in the General fund. Therefore, real estate and business-related personal property taxes that are due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

| | |
|---|---|
| Levy Date | January 1 |
| Due Date | June 20/December 5 |

*Property Taxes - Motor Vehicles*

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

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

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

*Allowance for Uncollectible Accounts*

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2021 consisted of the following:

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

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the enterprise and internal service funds consist of expendable supplies held for consumption and are accounted for under the consumption method. The cost is recorded as an expense at the time the individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. The City capitalizes the following categories with a cost of at least:

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

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

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

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

(Continued)

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

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

*Capital Assets (Continued)*

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

| | Years |
|---|---|
| Buildings | 25-50 |
| Improvements other than buildings | 10-65 |
| Infrastructure | 10-65 |
| Machinery and equipment | 5-30 |

*Compensated Absences*

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

Employees of the School Board, who retire under the Virginia Retirement System, and have been employed by the School Board for the immediately preceding ten consecutive years prior to retirement in a full-time position receive $50 a day for any unused sick leave up to a maximum of 90 days. All employees who are classified as full-time twelve-month employees are entitled to annual leave and shall be paid per diem upon retirement or termination (based on their final annual salary) for their unused annual leave.

All vacation and sick pay currently payable is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*Unearned Revenues*

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

*Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face value of the debt issued plus premium is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

*School Board Debt/Capital Asset Reporting*

The City issues debt to finance the construction of school facilities because the School Board does not have borrowing or taxing authority. The City reports this debt, whereas the School Board reports the related capital assets. As a result, in the Statement of Net Position (Exhibit 1), the school related debt reduces *unrestricted net position* for the primary government, while the capital assets are reported in *net investment in capital assets* for the School Board.

*Pensions and Other Postemployment Benefits (OPEB)*

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

*Deferred Outflows and Inflows of Resources*

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

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

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

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

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

*Deferred Outflows and Inflows of Resources (Continued)*

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

*Fund Balances*

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. Only City Council may modify or rescind the commitment.
- **Assigned** – Amounts are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on City Council direction through adoption or amendment of the budget or through ordinance or resolution.
- **Unassigned –** Amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

*Minimum Fund Balance Policy*

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

Other governmental funds of the City do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by Council.

*Net Position*

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

**Fair Value Measurement**

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

**Use of Estimates**

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

**Note 2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the City Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

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

**Budgetary Information (Continued)**

2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated annual budgets are adopted for the General, Special Revenue, and Capital Improvements Funds of the primary government and School Board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital improvements funds. The Discretely Presented Component Unit - School Board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP), with the exception of appropriations of prior fund balance, which are treated as revenue sources on the budgetary basis.
7. Appropriations lapse on June 30 for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City required budget amendments during the year, which increased total appropriations in the General Fund by $23,163,964.

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

## Note 3. Deposits and Investments

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. For the purposes of this disclosure, deposits include cash and cash equivalents as well as nonnegotiable certificates of deposit with original maturities of more than three months.

(Continued)

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

**Investments**

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

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

* - Average Maturity in Years

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

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

(Continued)

## Note 3. Deposits and Investments (Continued)

**Investments (Continued)**

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

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

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

The City's investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City's investments are not subject to custodial risk or foreign currency risk.

*Credit Risk* - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, mutual funds, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

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

*Interest Rate Risk* - The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The City may reject an investment with a higher yield when it is felt it carries an element of risk. Speculative investments will not be allowed. If a specific maturity date is required, either for cash flows purposes or for conformance to maturity guidelines, bids will be requested for instruments, which meet the maturity requirement. If no specific maturity is required, a yield curve analysis will be conducted to determine which maturities would be most advantageous.

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

**Investments (Continued)**

Restricted cash and investments:

Restricted cash and investments consist of the following:

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

**Note 4. Due from Other Governments**

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

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

(Continued)

## Note 5. Promises to Give

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

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

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

## Note 6. Interfund Receivables, Payables, and Transfers

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

| | | |
|---|---|---|
| **Primary Government** | | |
| Due to general fund from: | | |
| Non-major governmental funds | $ | 688,500 |
| Capital improvements fund | | 2,553,674 |
| | $ | 3,242,174 |
| **Component Unit – School Board** | | |
| Due to school operating fund from: | | |
| Federal grants fund | $ | 3,984,312 |
| Due to school capital improvement fund from: | | |
| Construction fund | $ | 2,000 |

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

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

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

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (3) close the residual balances of certain funds into other funds.

(Continued)

## Note 7. Capital Assets

**Primary Government**

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

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

(Continued)

**Note 7. Capital Assets (Continued)**

**Primary Government (Continued)**

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

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

Increases include depreciation expense and transfers in from other funds.

**Note 7. Capital Assets (Continued)**

**Primary Government (Continued)**

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

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

Increases include depreciation expense and transfers in from other funds.

**Note 7. Capital Assets (Continued)**

**Primary Government (Continued)**

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

The City and the FWSA have entered into agreements for the City to benefit from a certain wastewater treatment plant of the FWSA. The City is not authorized to hold legal title to the plant; thus FWSA holds title to these assets. Through long-term contracts, the risks and benefits of operating and maintaining the assets have been transferred to the City, and thus represent intangible capital assets. The City is responsible for a portion of the debt incurred for these facilities.

Construction Commitments:

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

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

**Note 7. Capital Assets (Continued)**

Summaries of the changes in the Discretely Presented Component Unit School Board and Parking Authority's capital assets are as follows:

**Component Unit – School Board**

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

**Note 7. Capital Assets (Continued)**

**Component Unit – Parking Authority**

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 11,685 | $ - | $ - | $ 11,685 |
| Total capital assets not being depreciated | 11,685 | - | - | 11,685 |
| Capital assets, being depreciated: | | | | |
| Buildings | 9,751,399 | - | - | 9,751,399 |
| Improvements other than buildings | 56,179 | - | - | 56,179 |
| Equipment | 752,621 | 568,812 | (582,646) | 738,787 |
| Total capital assets being depreciated | 10,560,199 | 568,812 | (582,646) | 10,546,365 |
| Less accumulated depreciation for: | | | | |
| Buildings | (3,034,598) | (194,849) | - | (3,229,447) |
| Improvements other than buildings | (56,179) | - | - | (56,179) |
| Equipment | (672,266) | (59,184) | 575,857 | (155,593) |
| Total accumulated depreciation | (3,763,043) | (254,033) | 575,857 | (3,441,219) |
| Total capital assets being depreciated, net | 6,797,156 | 314,779 | (6,789) | 7,105,146 |
| Parking Authority capital assets, net | $ 6,808,841 | $ 314,779 | $ (6,789) | $ 7,116,831 |

Depreciation expense was charged to functions/programs of the respective Component Unit – School Board's governmental activities and Component Unit – Parking Authority's business-type activities as follows:

| | |
|---|---|
| Governmental activities: | |
| School Board | $ 3,711,340 |
| Business-type activities: | |
| Parking Authority | $ 254,033 |

(Continued)

## Note 8. Unavailable Revenue

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

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

## Note 9. Long-Term Debt

### Primary Government

Changes in Long-Term Debt

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

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

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

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, $34,550 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund and special revenue funds.

**Note 9. Long-Term Debt (Continued)**

**Primary Government (Continued)**

| | Governmental Activities | Business-type Activities |
|---|---|---|
| Details of Long-Term Indebtedness | | |
| General Obligation Bonds: | | |
| $31,705,000 General Obligation Public Improvement and Refunding Bond, Series 2011, issued September 8, 2011, maturing annually beginning September 1, 2012 through September 1, 2023, interest payable semi-annually at rates of 2.0-4.0%. Purpose: General, Utilities, and School capital projects | $ 8,492,833 | $ 1,437,167 |
| $28,635,000 General Obligation Public Improvement and Refunding Bond, Series 2012, issued August 2, 2012, maturing annually beginning September 1, 2012 through September 1, 2026, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General, Utilities, and School capital projects | 3,673,310 | 1,041,690 |
| $24,265,000 General Obligation Public Improvement Bond, Series 2013, issued October 30, 2013, maturing annually beginning September 1, 2014 through September 1, 2033, interest payable semi-annually at rates of 3.0-5.0%. Purpose: General and School capital projects | 2,275,000 | - |

## Note 9. Long-Term Debt (Continued)

### Primary Government (Continued)

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

**Note 9. Long-Term Debt (Continued)**

**Primary Government (Continued)**

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

**Note 9. Long-Term Debt (Continued)**

**Primary Government (Continued)**

| | Governmental Activities | Business-type Activities |
|---|---|---|
| Details of Long-Term Indebtedness (Continued) | | |
| Revenue Bonds: | | |
| $12,295,000 Virginia Resources Authority Revenue Bond, Series of 2009B, issued November 1, 2009, maturing annually beginning October 1, 2011 through October 2, 2029, interest payable semi-annually at rates of 3.041%-5.916%. Purpose: Utilities capital projects | $ - | $ 6,955,000 |
| $1,500,000 Virginia Resources Authority Revenue Bond, Series 2011A, issued October 25, 2011, maturing semi-annually beginning September 1, 2013 through September 1, 2042, interest payable semi-annually at 3.00%. Balance of bond is based on principal advances made by the City not to exceed $1,500,000 | - | 1,213,679 |
| $19,470,000 Virginia Resources Authority Revenue Bond, Series 2011B, issued October 16, 2011, maturing annually beginning October 1, 2013 through October 1, 2032, interest payable semi-annually at rates of 3.44%-5.125%. Purpose: Utilities capital projects | - | 860,000 |
| $14,810,000 Virginia Resources Authority Revenue Bond, Series 2015, issued April 28, 2015, maturing annually beginning October 1, 2015 through April 1, 2030, interest payable semi-annually at rates of 2.93%-5.13%. Purpose: Utilities capital projects and refunding of outstanding bonds | - | 12,865,000 |

(Continued)

**Note 9. Long-Term Debt (Continued)**

**Primary Government (Continued)**

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

**Note 9. Long-Term Debt (Continued)**

**Primary Government (Continued)**

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

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

## Note 9. Long-Term Debt (Continued)

### Primary Government (Continued)

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

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

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

**Note 9. Long-Term Debt (Continued)**

**Primary Government (Continued)**

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

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

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

**Current Year Refunding of Debt**

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

In July 2020, the City issued a General Obligation Public Improvement Refunding Bond totaling $24,625,000, of which $10,200,000 was used to refund $12,175,000 of outstanding series 2015 and 2016 bonds. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the City's long-term debt. This refunding was undertaken to reduce total debt service payments by $827,471, resulting in an economic gain of $780,571.

**Prior Defeasance of Debt**

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

**Note 9. Long-Term Debt (Continued)**

**Primary Government (Continued)**

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

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

**School Board**

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due within One Year |
|---|---|---|---|---|---|
| **Governmental Activities - School Board** | | | | | |
| Compensated absences | $ 2,444,794 | $ 350,166 | $ (155,881) | $ 2,639,079 | $ 125,947 |

**Parking Authority**

Changes in Long-Term Debt

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due within One Year |
|---|---|---|---|---|---|
| **Business-type Activities – Component Unit Parking Authority** | | | | | |
| Revenue bond | $ 6,806,000 | $ - | $ (277,600) | $ 6,528,400 | $ 285,400 |
| Compensated absences | 32,355 | 15,224 | (14,163) | 33,416 | 15,926 |
| Parking authority Long-term liabilities | $ 6,838,355 | $ 15,224 | $ (291,163) | $ 6,561,816 | $ 301,326 |

**Note 9. Long-Term Debt (Continued)**

**Parking Authority (Continued)**

Details of Long-Term Indebtedness

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

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

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

**Note 10. Contingent Liabilities and Commitments**

Federal programs in which the City participates were audited in accordance with provisions of the *Uniform Guidance*. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of material noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

(Continued)

## Note 11. Defined Benefit Pension Plan

### Plan Description

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

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

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

### Employees Covered by Benefit Terms

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

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

## Note 11. Defined Benefit Pension Plan (Continued)

### Contributions

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

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

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

### Net Pension Liability

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

### Actuarial Assumptions

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

**Note 11. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

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

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

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

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

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

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

## Note 11. Defined Benefit Pension Plan (Continued)

### Long-Term Expected Rate of Return

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

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

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

**Note 11. Defined Benefit Pension Plan (Continued)**

**Discount Rate**

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

**Changes in Net Pension Liability - City**

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

**Note 11. Defined Benefit Pension Plan (Continued)**

**Changes in Net Pension Liability - WPA**

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

**Note 11. Defined Benefit Pension Plan (Continued)**

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

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

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

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

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

**Note 11. Defined Benefit Pension Plan (Continued)**

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

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

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

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

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

**Note 11. Defined Benefit Pension Plan (Continued)**

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

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

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

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

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

## Note 11. Defined Benefit Pension Plan (Continued)

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

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

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

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

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

## Note 11. Defined Benefit Pension Plan (Continued)

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

**Pension Plan Data**

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

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

**General Information about the Teacher Cost Sharing Plan**

*Plan Description*

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

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

*Contributions*

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

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

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

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

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

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

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

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

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

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

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

*Net Pension Liability*

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

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

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

**General Information about the Teacher Cost Sharing Plan (Continued)**

*Net Pension Liability (Continued)*

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

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

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

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

*Pension Plan Fiduciary Net Position*

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

*Payables to the Pension Plan*

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

## Note 13. Other Postemployment Benefits Liability – Local Plan

### Plan Description and Benefits Provided

The City of Winchester administers a cost-sharing defined benefit healthcare plan (the "Retiree Health Plan"). Participating employers include the City, the WPA, the Northwestern Juvenile Detention Center Commission, and the Frederick-Winchester Service Authority. The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees under age 65 have the option of choosing three medical plans including a prescription program for retail and a mail order program. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. There is one grandfathered retiree over age 65 where their entire individual premium is subsidized for life. The plan was established under the authority of the City of Winchester's Council. Management of the plan is vested in the City's OPEB Finance Board, which is comprised of the City's CFO, Treasurer, and a citizen representative.

### Summary of Significant Accounting Policies

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

### Employees Covered by Benefit Terms

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

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

### Investment Policies

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

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

**Contributions**

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

**Net OPEB Liability**

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

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

**Actuarial Assumptions and Other Inputs**

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

The following additional simplifying assumptions were made:

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

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

(Continued)

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

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

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

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

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

**Long-Term Expected Rate of Return**

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

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

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

### Discount Rate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

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

General Employee Health Insurance Credit Program

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

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

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

Line of Duty Act Program

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

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

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

**Contributions**

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

Group Life Insurance Program

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

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

Teacher Health Insurance Credit Program

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

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

General Employee Health Insurance Credit Program

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

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

Line of Duty Act Program

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

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

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

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

Group Life Insurance Program

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

Teacher Health Insurance Credit Program

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

Line of Duty Act Program

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

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

(Continued)

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

General Employee Health Insurance Credit Program

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

Group Life Insurance Program - City

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

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

Group Life Insurance Program - WPA

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

Group Life Insurance Program - Schools

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

Teacher Health Insurance Credit Program

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

(Continued)

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

General Employee Health Insurance Credit Program - City

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

General Employee Health Insurance Credit Program - WPA

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

General Employee Health Insurance Credit Program - Schools

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

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

Line of Duty Act Program

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

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

Group Life Insurance Program - City

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

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

Group Life Insurance Program - WPA

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

Group Life Insurance Program - Schools

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

Teacher Health Insurance Credit Program

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

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

General Employee Health Insurance Credit Program - City

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

General Employee Health Insurance Credit Program - WPA

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

General Employee Health Insurance Credit Program - Schools

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

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

Line of Duty Act Program

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

**Actuarial Assumptions and Other Inputs**

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

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

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

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

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

### Net OPEB Liabilities

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

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

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

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

### Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

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

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

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

Line of Duty Act Program

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

### Discount Rate

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

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

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

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

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

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

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

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

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

### OPEB Plan Fiduciary Net Position

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

## Note 15. Summary of Other Postemployment Benefits

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

## Note 16. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other cities and counties in the Virginia Liability Risk Management Plan (VARISK2), a Commonwealth of Virginia risk pool currently operating as a risk management program for public body members in Virginia. The City pays an annual premium to VARISK2 for its public officials general law enforcement and medical malpractice liability insurance coverage. The Department of Treasury obtains its authority to act from the statutory provisions of the Code and will limit liability up to $1 million for each insured event.

## Note 16. Risk Management (Continued)

Through the Virginia Municipal League, the City has joined together with other Virginia public bodies in the Virginia Municipal League Insurance Programs pools currently operating as common risk management and insurance programs for members in Virginia. The City pays an annual premium to VML Insurance Programs for its workers' compensation and employer's liability, general liability, excess property, crime, and automobile coverage. The agreement for formation of the VML Insurance Programs Pool provides that it will be self-sustaining through member premiums. Workers' compensation coverage provides the benefits as set forth in the Virginia Workers' Compensation Act. VML Insurance Programs will reinsure through commercial insurance companies for claims in excess of $5 million for general liability, and $5 million for automotive liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Through the Virginia School Board Association, the School Board has joined together with other localities in the VSBA Insurance Program and School Systems of VA Group Self-Insurance Association, public entity risk pools currently operating as an insurance program and common risk management for several member city and county school boards in Virginia. The school board pays annual premiums to VSBA Insurance Program and School Systems of VA Group Self-Insurance Association for its employer liability insurance coverage and worker's compensation insurance coverage. The agreement for formation of VSBA Insurance Program and School Systems of VA Group Self-Insurance Association provides that it will be self-sustaining through member premiums. The Workers' compensation coverage provides the benefits set forth in the Virginia Workers' Compensation Act.

## Note 17. Related Party Transactions

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

## Note 18. Fund Balances

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the general fund balance and other governmental funds balance are presented below:

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

## Note 19. Subsequent Events

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

## Note 20. COVID-19 Impact

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

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

## Note 21. Prior Period Restatement – City and Schools

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

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

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

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

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

## Note 22. New Accounting Standards

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

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

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

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

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

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

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

(Continued)

## Note 22. New Accounting Standards (Continued)

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

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

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

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

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

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

# REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF WINCHESTER, VIRGINIA**

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA**

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

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

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

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

**CITY OF WINCHESTER, VIRGINIA**

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

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

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

## CITY OF WINCHESTER, VIRGINIA

### REQUIRED SUPPLEMENTARY INFORMATION
### SCHEDULE OF PENSION CONTRIBUTIONS
### June 30, 2021

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

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

EXHIBIT 15A

CITY OF WINCHESTER, VIRGINIA

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

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

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

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

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

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

EXHIBIT 15B

CITY OF WINCHESTER, VIRGINIA

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

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

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

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

EXHIBIT 15C

**CITY OF WINCHESTER, VIRGINIA**

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

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

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

EXHIBIT 16

**CITY OF WINCHESTER, VIRGINIA**

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

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

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

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

EXHIBIT 17A

CITY OF WINCHESTER, VIRGINIA

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

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

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

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

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

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

CITY OF WINCHESTER, VIRGINIA

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

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

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

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

## Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

## Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

**Note 2. Changes of Assumptions (Continued)**

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

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

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, HIC OPEB, and LODA OPEB

Teacher cost-sharing pool

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

(Continued)

# COMBINING AND INDIVIDUAL FUND

# STATEMENTS AND SCHEDULES

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

**Social Services Fund** – to account for the provision of health and welfare services. Financing is provided by state and federal funds, which may be used only for this purpose.

**Highway Maintenance Fund** – to account for the proceeds of state street and highway maintenance grants, and the related expenditure which is to be used for this purpose. This fund is only used for maintenance related expenditures, capital expenditures are recorded in other applicable funds.

**Emergency Medical Services Fund** – to account for the provision of emergency medical transportation services. Financing is provided by fees charged to customers and insurance providers.

**Winchester-Frederick County Convention and Visitors Bureau Fund** – to account for the costs of a shared visitors bureau. Financing is provided in equal amounts by the City of Winchester and Frederick County.

**Law Library Fund** – to account for the purchase of reference material for the law library. Financing is provided by a portion of court fines levied. Such funds are limited to expenditures for this purpose.

**Transit Fund** – to account for grants and monies received and used for operations of the City's public transit system.

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

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

**Exhibit 18**

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

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

Exhibit 19

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

CITY OF WINCHESTER, VIRGINIA
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
**NONMAJOR SPECIAL REVENUE FUNDS**
**For the Year Ended June 30, 2021**

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

| | Win-Fred Convention and Visitors Bureau Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| **REVENUES** | | | | |
| Revenues from use of money and property | $ - | $ - | $ 128 | $ 128 |
| Charges for services | - | - | - | - |
| Miscellaneous | 93,000 | 93,000 | 42,735 | (50,265) |
| Intergovernmental: | | | | |
| Frederick County | 433,500 | 433,500 | 378,450 | (55,050) |
| Commonwealth | - | - | - | - |
| Federal | - | - | 70 | 70 |
| Total revenues | 526,500 | 526,500 | 421,383 | (105,117) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Judicial administration | - | - | - | - |
| Public works | - | - | - | - |
| Community development | 677,000 | 677,000 | 511,199 | 165,801 |
| Capital Outlay | - | - | - | - |
| Total expenditures | 677,000 | 677,000 | 511,199 | 165,801 |
| Excess (deficiency) of revenues over expenditures | (150,500) | (150,500) | (89,816) | 60,684 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | 150,500 | 150,500 | 150,500 | - |
| Appropriation of fund balance | - | - | - | - |
| Total other financing sources | 150,500 | 150,500 | 150,500 | - |
| Net change in fund balances | $ - | $ - | $ 60,684 | $ 60,684 |

**Exhibit 20**

| **Highway Maintenance Fund** | | | | **Emergency Medical Services Fund** | | | |
|---|---|---|---|---|---|---|---|
| **Original Budget** | **Final Budget** | **Actual** | **Variance with Final Budget Positive (Negative)** | **Original Budget** | **Final Budget** | **Actual** | **Variance with Final Budget Positive (Negative)** |
| $ 6,600 | $ 6,600 | $ 1,752 | $ (4,848) | $ 2,000 | $ 2,000 | $ 1,062 | $ (938) |
| - | - | - | - | 1,148,000 | 1,148,000 | 1,141,363 | (6,637) |
| - | - | 5,995 | 5,995 | - | - | - | - |
| 3,378,400 | 3,378,400 | 3,400,576 | 22,176 | - | - | - | - |
| 4,000 | 4,000 | 3,713 | (287) | - | 43,437 | 43,437 | - |
| 3,389,000 | 3,389,000 | 3,412,036 | 23,036 | 1,150,000 | 1,193,437 | 1,185,862 | (7,575) |
| - | - | - | - | 1,150,000 | 1,193,437 | 1,142,425 | 51,012 |
| 3,389,000 | 3,476,200 | 3,437,286 | 38,914 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 12,800 | 12,749 | 51 | - | - | 43,437 | (43,437) |
| 3,389,000 | 3,489,000 | 3,450,035 | 38,965 | 1,150,000 | 1,193,437 | 1,185,862 | 7,575 |
| - | (100,000) | (37,999) | 62,001 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 100,000 | - | (100,000) | - | - | - | - |
| - | 100,000 | - | (100,000) | - | - | - | - |
| $ - | $ - | $ (37,999) | $ (37,999) | $ - | $ - | $ - | $ - |

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

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

**Exhibit 21**

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

# INTERNAL SERVICE FUNDS

**Employee Benefits Fund** – to account for the receipt and payment of funds for City employee fringe benefits, including health insurance and workers' compensation. Cost reimbursement revenues paid by departments and agencies of the City, as well as participating employees, are used to provide the employee fringe benefits.

**Equipment Operating Fund** – to account for the purchase and use of equipment inventory, which is provided to departments and agencies of the City on a cost reimbursement basis.

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

**Exhibit 22**

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

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

**Exhibit 23**

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

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

**Exhibit 24**

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

## FIDUCIARY FUNDS

### CUSTODIAL FUNDS

**Special Welfare Fund** – to account for the receipt and payment of funds collected by the City on the behalf of certain social services clients.

**Northwestern Regional Jail Authority Construction Fund** – to account for bond proceeds for purposes of constructing a new regional jail.

**Northwestern Regional Juvenile Detention Center Fund –** to account for state grants, member locality contributions and reimbursements, and other revenues for the purpose of operating a joint juvenile detention center.

**CITY OF WINCHESTER, VIRGINIA**
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**
**CUSTODIAL FUNDS**
**June 30, 2021**

**Exhibit 25**

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

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

Exhibit 26

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

## DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

### MAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

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

#### CAPITAL PROJECTS FUNDS

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

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

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

### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

**School Cafeteria Fund** – to account for the operation and maintenance of cafeterias of the schools. Financing is provided primarily from charges for services and federal and state lunch subsidiaries. Such funds are limited by federal and state law to expenditures for cafeteria operations and maintenance.

**School Federal Grants Fund –** to account for the proceeds from federal grants. Such funds are limited to specified educational expenditures that are governed by the terms of the grant.

**School Textbook Fund** – to account for the purchase and sale of school textbooks. Financing is provided primarily by the transfer of funds from the School Operating Fund and funds received are limited by the School Board to expenditures only for school textbooks.

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

## DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
## (Continued)

### INTERNAL SERVICE FUND

**School Insurance Fund** – to account for the operation of a partially self-insured employee health insurance program. Receipts from the School Board and participating employees are used to pay claims and purchase insurance for excess claims.

### FIDUCIARY FUNDS

#### PRIVATE-PURPOSE TRUST FUNDS

**Newton B. Shingleton, M. Louise Cooper, and School Scholarship Funds** – to account for donations received for the purpose of funding scholarships.

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

**Exhibit 27**

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

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

**CITY OF WINCHESTER, VIRGINIA**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**
**GOVERNMENTAL FUNDS**
**For the Year Ended June 30, 2021**

**Exhibit 28**

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

Amounts reported for governmental activities in the Statement of Activities are different because:

| | | |
|---|---|---|
| Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($3,711,340) exceeded capital asset additions ($13,522,546) in the current period. | | 9,811,206 |
| In the statement of activities, only the *gain or loss* on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the *cost* of the property sold. | | (1,508) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | (266,839) |
| Internal service funds are used by management to charge the costs of risk management, to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities. | | (33,726) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. | | |
| Compensated absences | | (194,285) |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | | |
| Employer pension contributions | 5,095,924 | |
| Pension expense | (5,630,689) | (534,765) |
| Governmental funds report OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense. | | |
| Employer OPEB contributions | 567,865 | |
| OPEB expense | (437,668) | 130,197 |
| Change in net position of governmental activities | | $ 12,111,245 |

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

**Exhibit 29**

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

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

**Exhibit 30**

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

## CITY OF WINCHESTER, VIRGINIA
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
## NONMAJOR FUNDS
**For the Year Ended June 30, 2021**

**Exhibit 31**

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

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**CITY OF WINCHESTER, VIRGINIA**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**
**NONMAJOR SPECIAL REVENUE FUNDS**
**For the Year Ended June 30, 2021**

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

Exhibit 32

| School Federal Grants Fund | | | | School Textbook Fund | | | |
|---|---|---|---|---|---|---|---|
| Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
| Original | Final | Actual | | Original | Final | Actual | |
| $ - | $ - | $ - | $ - | $ - | $ - | $ 1,434 | $ 1,434 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 675,681 | - | (675,681) |
| - | - | - | - | - | - | - | - |
| 5,340,988 | 7,824,241 | 5,914,359 | (1,909,882) | - | - | - | - |
| 5,340,988 | 7,824,241 | 5,914,359 | (1,909,882) | - | 675,681 | 1,434 | (674,247) |
| 5,296,286 | 7,749,471 | 5,806,913 | 1,942,558 | 400,000 | 1,075,681 | - | 1,075,681 |
| 44,702 | 74,770 | 73,894 | - | - | - | - | - |
| 5,340,988 | 7,824,241 | 5,880,807 | 1,942,558 | 400,000 | 1,075,681 | - | 1,075,681 |
| - | - | 33,552 | 33,552 | (400,000) | (400,000) | 1,434 | 401,434 |
| - | - | - | - | 400,000 | 400,000 | - | (400,000) |
| - | - | - | - | 400,000 | 400,000 | - | (400,000) |
| $ - | $ - | $ 33,552 | $ 33,552 | $ - | $ - | $ 1,434 | $ 1,434 |

# CITY OF WINCHESTER, VIRGINIA
## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
## CAPITAL PROJECTS FUNDS
### For the Year Ended June 30, 2021

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

**Exhibit 33**

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

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

**Exhibit 34**

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

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

**Exhibit 35**

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

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

**Exhibit 36**

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

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

Exhibit 37

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

**CITY OF WINCHESTER, VIRGINIA**
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**
**PRIVATE-PURPOSE TRUST FUNDS**
**For the Year Ended June 30, 2021**

**Exhibit 38**

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

## DISCRETELY PRESENTED COMPONENT UNIT – PARKING AUTHORITY

### ENTERPRISE FUND

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

**CITY OF WINCHESTER, VIRGINIA**
**STATEMENT OF NET POSITION**
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**
**ENTERPRISE FUND**
**June 30, 2021**

**Exhibit 39**

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

**CITY OF WINCHESTER, VIRGINIA**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
**DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY**
**ENTERPRISE FUND**
**For the Year Ended June 30, 2021**

**Exhibit 40**

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

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

**Exhibit 41**

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

## STATISTICAL SECTION

This part of the City of Winchester's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

**Contents** Pages



Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

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

**Table 1**

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

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

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

**Table 2**

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

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

**Table 2 (Continued)**

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

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

**Table 2 (Continued)**

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

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

**Table 3**

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

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

Table 4

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

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

**Table 4 (Continued)**

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

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

**Table 5**

| | Real Property (1)(3) | | | | | Personal Property (1) (4) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **Residential** | **Commercial** | **Tax Rate per $100** | **Public Service** | **Tax Rate per $100** | **Motor Vehicles and Tangibles** | **Tax Rate per $100** | **Public Service** | **Tax Rate per $100** | **Machinery & Tools** | **Tax Rate per $100** | **Mobile Homes** | **Tax Rate per $100** | **Total Taxable Assessed Value** | **Total Direct Tax Rate** |
| 2012 | $ 1,603,736,800 | $ 1,139,679,400 | $ 0.95 | $ 72,272,617 | $ 0.95 | $ 211,721,208 | $ 4.50 | $ 5,494 | $ 4.50 | $ 120,805,964 | $ 1.30 | $ 158,888 | $ 0.95 | $ 3,148,380,371 | $ 1.20 |
| 2013 (2) | 1,618,898,500 | 1,142,293,500 | 0.95 | 64,839,333 | 0.95 | 253,205,986 | 4.50 | 5,936 | 4.50 | 152,329,260 | 1.30 | 163,048 | 0.95 | 3,231,735,563 | 1.24 |
| 2014 | 1,629,108,700 | 1,137,899,900 | 0.95 | 67,540,972 | 0.95 | 269,630,162 | 4.50 | 5,936 | 4.50 | 144,655,883 | 1.30 | 159,988 | 0.95 | 3,249,001,541 | 1.26 |
| 2015 (2) | 1,744,437,672 | 1,170,855,700 | 0.91 | 66,459,087 | 0.91 | 269,176,193 | 4.50 | 32,033 | 4.50 | 136,394,356 | 1.30 | 218,148 | 0.91 | 3,387,573,189 | 1.21 |
| 2016 | 1,749,683,800 | 1,177,102,900 | 0.91 | 68,938,755 | 0.91 | 281,484,105 | 4.50 | 25,661 | 4.50 | 158,636,967 | 1.30 | 238,845 | 0.91 | 3,436,111,033 | 1.22 |
| 2017 (2) | 1,895,930,700 | 1,219,641,300 | 0.91 | 68,267,350 | 0.91 | 284,408,731 | 4.50 | 20,377 | 4.50 | 143,653,774 | 1.30 | 217,381 | 0.91 | 3,612,139,613 | 1.23 |
| 2018 | 1,895,930,700 | 1,219,641,300 | 0.91 | 87,307,664 | 0.91 | 303,831,699 | 4.80 | 46,895 | 4.80 | 135,968,993 | 1.30 | 182,061 | 0.91 | 3,642,909,312 | 1.25 |
| 2019 (2) | 1,986,440,800 | 1,215,715,500 | 0.93 | 89,076,531 | 0.93 | 333,421,362 | 4.80 | 43,778 | 4.80 | 133,782,120 | 1.30 | 173,327 | 0.93 | 3,758,653,418 | 1.28 |
| 2020 | 2,006,756,600 | 1,214,191,000 | 0.93 | 88,459,324 | 0.93 | 494,764,225 | 4.80 | 42,866 | 4.80 | 132,975,414 | 1.30 | 159,690 | 0.93 | 3,937,349,119 | 1.39 |
| 2021 | 2,197,744,400 | 1,197,398,500 | 0.93 | 84,348,848 | 0.93 | 547,641,690 | 4.80 | 40,650 | 4.80 | 124,779,994 | 1.30 | 251,490 | 0.93 | 4,152,205,572 | 1.45 |

Notes:

(1) Property assessed at 100% of actual value. Tax rates are assessed per $100 of assessed value.

(2) General reassessment of real property completed for the 2009, 2011, 2013, 2015, 2017 and 2019 tax years.

(3) Real Property tax rate for residential and commercial property is rate in effect for 1st half billing coming due in the current fiscal year.

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

Source:
City of Winchester, Commissioner of the Revenue

**CITY OF WINCHESTER, VIRGINIA**
**DIRECT PROPERTY TAX RATES (1)**
**Last Ten Fiscal Years**
**(rate per $100 of assessed value)**

**Table 6**

| | City Direct Rates (2) | | | | |
|---|---|---|---|---|---|
| **Fiscal Year** | **Real Estate** | **Public Service Real Estate** | **Motor Vehicles and Tangibles** | **Machinery & Tools** | **Total Direct Rate** |
| 2012 | 0.83 | 0.02 | 0.30 | 0.05 | 1.20 |
| 2013 | 0.81 | 0.02 | 0.35 | 0.06 | 1.24 |
| 2014 | 0.81 | 0.02 | 0.37 | 0.06 | 1.26 |
| 2015 | 0.78 | 0.02 | 0.36 | 0.05 | 1.21 |
| 2016 | 0.78 | 0.02 | 0.37 | 0.06 | 1.23 |
| 2017 | 0.78 | 0.02 | 0.35 | 0.05 | 1.23 |
| 2018 | 0.78 | 0.02 | 0.40 | 0.05 | 1.25 |
| 2019 | 0.79 | 0.02 | 0.43 | 0.05 | 1.28 |
| 2020 | 0.76 | 0.02 | 0.60 | 0.04 | 1.42 |
| 2021 | 0.76 | 0.02 | 0.63 | 0.04 | 1.45 |

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

Source:
City of Winchester, Commissioner of the Revenue

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

**Table 7**

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

Source:
City of Winchester, Commissioner of the Revenue

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

**Table 8**

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

Source:
City of Winchester, Treasurer

Notes:
(1) Includes the Commonwealth's personal property tax reimbursement.

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

**Table 9**

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

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:
(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

## CITY OF WINCHESTER, VIRGINIA
## RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
### Last Ten Fiscal Years

**Table 10**

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Percentage of Actual Taxable Value of Property (1) | Per Capita (2) |
|---|---|---|---|---|---|
| 2012 | $ 106,907,645 | $ - | $ 106,907,645 | 3.40% | $ 4,021 |
| 2013 | 107,467,343 | - | 107,467,343 | 3.33% | 3,998 |
| 2014 | 125,331,804 | - | 125,331,804 | 3.86% | 4,605 |
| 2015 | 117,676,371 | - | 117,676,371 | 3.47% | 4,272 |
| 2016 | 116,322,903 | - | 116,322,903 | 3.39% | 4,223 |
| 2017 | 113,863,250 | - | 113,863,250 | 3.32% | 4,104 |
| 2018 | 105,238,129 | - | 105,238,129 | 2.89% | 3,758 |
| 2019 | 94,551,006 | - | 94,551,006 | 2.52% | 3,364 |
| 2020 | 100,876,795 | - | 100,876,795 | 2.56% | 3,514 |
| 2021 | 107,014,221 | - | 107,014,221 | 2.58% | 3,728 |

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:
(1) See the Schedule of Assessed Value and Actual Value of Taxable Property for property value data.
(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

**CITY OF WINCHESTER, VIRGINIA**
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**
**As of June 30, 2021**

**Table 11**

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

Notes:
(1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there is no overlapping debt or taxing powers.

**CITY OF WINCHESTER, VIRGINIA**
**LEGAL DEBT MARGIN INFORMATION**
**Last Ten Fiscal Years**

**Table 12**

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

**Legal Debt Margin Calculation for Fiscal Year 2019**

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

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

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

**Table 13**

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

Details regarding the City’s outstanding debt can be found in the notes to the financial statements. Water and Sewer charges and other includes investment earnings but not availability fees. Operating expenses do not include interest or depreciation.

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

**Table 14**

| Fiscal Year | Popu-lation(1) | Personal Income (amounts expressed in thousands) | Per capita income(2) | Median age(4) | Educational attainment (4) High School Graduate or higher | Educational attainment (4) Bachelor's Degree or higher | School enrollment(5) | Unemployment rate (3) |
|---|---|---|---|---|---|---|---|---|
| 2012 | 26,587 | $ 897,737 | $ 33,766 | 35.1 | 79.7% | 29.7% | 3,979 | 6.60% |
| 2013 | 26,881 | 942,125 | 35,048 | 35.1 | 82.2% | 29.2% | 4,085 | 6.60% |
| 2014 | 27,216 | 1,005,767 | 36,955 | 35.6 | 81.9% | 29.5% | 4,147 | 5.10% |
| 2015 | 27,543 | 1,046,056 | 37,979 | 35.3 | 83.8% | 28.6% | 4,135 | 4.80% |
| 2016 | 27,543 | 1,114,280 | 40,456 | 35.7 | 83.3% | 28.1% | 4,227 | 3.80% |
| 2017 | 27,743 | 1,177,302 | 42,436 | 36.8 | 84.2% | 28.3% | 4,255 | 3.80% |
| 2018 | 28,005 | 1,227,627 | 43,836 | 37.6 | 83.5% | 31.3% | 4,170 | 2.80% |
| 2019 | 28,108 | 1,293,980 | 46,036 | 37.6 | 83.6% | 32.5% | 4,163 | 2.70% |
| 2020 | 28,705 | 1,382,835 | 48,174 | 37.3 | 83.1% | 33.9% | 4,194 | 2.30% |
| 2021 | 28,705 | 1,425,002 | 49,643 | 38.1 | 84.1% | 35.1% | 4,160 | 5.80% |

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

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

Table 15

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

Source: Virginia Employment Commission

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

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

Table 16

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

**City FTE :**
A full-time employee is scheduled to work 80 hours per biweekly pay period (including annual leave, sick leave, overtime, etc.). FTE employment is calculated by dividing total labor hours per pay period by 80.

**Schools FTE:**
Teacher FTE is based on 200 days at 7 hours per day.

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

**Table 17**

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

Source: Various Departments in the City

Notes:

* Total FY Building permits and inspections increase is due to the Water Meter Replacement (Expansion Tank) Project.
** Decrease in participation reflects impact of COVID-19 pandemic March 17- June 30, 2020.
*** Decrease in participation reflects impacts of COVID-19 pandemic during FY21.
**** There was a vacancy for most of the year for a Fire Marshall and COVID restricted the ability to perform the normal inspections per JD Orndorff

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

**Table 18**

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

Source: Various Departments in the City

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

BROWN EDWARDS
certified public accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2021-001, that we consider to be a significant deficiency.**


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**Compliance and Other Matters**

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

**City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 24, 2021

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Winchester, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.





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**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 24, 2021

## CITY OF WINCHESTER, VIRGINIA

## SUMMARY OF COMPLIANCE MATTERS
**June 30, 2021**

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

### STATE COMPLIANCE MATTERS

*Code of Virginia*
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Governor's Opportunity Funds
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

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

### FEDERAL COMPLIANCE MATTERS

*Compliance Supplement for Single Audits of State and Local Governments*

Provisions and conditions of agreements related to federal programs selected for testing.

# CITY OF WINCHESTER, VIRGINIA

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

### A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

(Continued)

## CITY OF WINCHESTER, VIRGINIA

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

### B. FINDINGS – FINANCIAL STATEMENT AUDIT

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

***Condition:***

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

***Criteria:***

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

***Cause:***

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

***Effect:***

Multiple significant adjustments were made to various transaction classes.

***Recommendation:***

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

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

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

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

None

### D. FINDINGS – COMMONWEALTH OF VIRGINIA

None

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

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

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

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

**Notes to the Schedule of Expenditures of Federal Awards**

**Note 1: Basis of Presentation**

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

**Note 2: Non-Cash Assistance**

The City of Winchester participated in the National School Lunch Program, AL Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity

**Note 3: De Minimus Indirect Cost Rate**

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