

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

FINANCIAL REPORT

June 30, 2022

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

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INTRODUCTORY SECTION

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Jeff Buettner, Chair
Cary Craig, Treasurer
Addie Lingle, Vice Chair
James Imoh, Secretary
Sandra Bloom
Ryan Hall

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Economic Development Authority of the City of Winchester, Virginia
Winchester, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of the City of Winchester, Virginia (the "Authority") as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Report on the Audit of the Financial Statements (Continued)

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia

April 18, 2023

**BASIC FINANCIAL
STATEMENTS**

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF NET POSITION
June 30, 2022 and 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,018,581	\$ 2,208,223
Investments (Note 2)	45,480	45,362
Other receivables	18,085	1,374
Bond administration fees receivable	311,229	355,292
Notes receivable, current portion (Note 3)	27,246	28,259
Due from City of Winchester (Note 7)	-	59,910
Total current assets	3,420,621	2,698,420
NONCURRENT ASSETS		
Notes receivable, net of allowance (Note 3)	222,256	19,265
Property held for development (Note 4)	1,850,000	2,578,690
Total noncurrent assets	2,072,256	2,597,955
Total assets	5,492,877	5,296,375
DEFERRED OUTFLOWS OF RESOURCES		
Conditional grant	25,000	25,000
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	14,730	2,038
Assets held for others (Note 4)	1,851,317	1,379
Total current liabilities	1,866,047	3,417
NET POSITION		
Unrestricted	3,651,830	5,317,958
Total net position	\$ 3,651,830	\$ 5,317,958

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Bond administration fees	\$ 242,727	\$ 369,678
Contributions from City of Winchester (Note 7)	123,925	1,016,578
Miscellaneous	11,560	25,123
Total operating revenue	<u>378,212</u>	<u>1,411,379</u>
OPERATING EXPENSES		
Business development grants and contributions	139,215	1,048,379
Professional fees	73,566	37,537
Office expense	9,808	9,050
Insurance	3,206	1,023
Management fees	42,500	42,500
Repairs, maintenance and rental expenses	-	800
Bad debt expense	1,323	2,241
Loss on sale of property (Note 4)	1,773,277	-
Miscellaneous	7,587	23,519
Total operating expenses	<u>2,050,482</u>	<u>1,165,049</u>
Operating income (loss)	<u>(1,672,270)</u>	<u>246,330</u>
NONOPERATING REVENUES		
Interest income on notes receivable	4,543	7,819
Investment income	1,599	8,545
Total nonoperating revenues	<u>6,142</u>	<u>16,364</u>
Change in net position	(1,666,128)	262,694
NET POSITION		
BEGINNING OF THE YEAR	<u>5,317,958</u>	<u>5,055,264</u>
END OF THE YEAR	<u>\$ 3,651,830</u>	<u>\$ 5,317,958</u>

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Cash received for fees	\$ 286,790	\$ 338,638
Cash payments to suppliers for goods and services	(124,037)	(123,166)
Business redevelopment grants	(139,215)	(1,073,379)
Contributions and reimbursements from City of Winchester	183,835	1,056,480
Miscellaneous receipts	(5,151)	30,752
	<u>202,222</u>	<u>229,325</u>
INVESTING ACTIVITIES		
Interest received	4,543	7,819
Investment income	1,599	8,545
Loans made to others	(250,000)	-
Loan repayments received	46,699	523,794
Purchases of investments, net	(118)	(69)
Proceeds from sale of property	805,413	-
	<u>608,136</u>	<u>540,089</u>
Net cash provided by investing activities	<u>608,136</u>	<u>540,089</u>
Net increase in cash and cash equivalents	810,358	769,414
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,208,223</u>	<u>1,438,809</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,018,581</u></u>	<u><u>\$ 2,208,223</u></u>

(Continued)

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2022</u>	<u>2021</u>
Operating income (loss)	\$ (1,672,270)	\$ 246,330
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Bad debt expense	1,323	2,241
Loss on sale of property held for development	1,773,277	-
Conditional grant awarded but not paid	-	(25,000)
(Increase) decrease in assets:		
Bond administration fees receivable	44,063	(31,040)
Other receivables	(16,711)	5,629
Due from City of Winchester	59,910	39,902
Increase (decrease) in liabilities:		
Accounts payable	12,692	(6,650)
Assets held for others	(62)	(2,087)
	<u>202,222</u>	<u>229,325</u>
Net cash provided by operating activities	<u>\$ 202,222</u>	<u>\$ 229,325</u>
NONCASH INVESTING ACTIVITIES		
Conveyance of property from the City of Winchester	<u>\$ 1,850,000</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The Economic Development Authority of the City of Winchester, Virginia (the “Authority”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City of Winchester (the “City”) on October 15, 1967, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the code of Virginia (1950) as amended). The Authority is governed by seven directors appointed by the City of Winchester, Virginia. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprise to locate and remain in Winchester, Virginia.

The Authority is authorized to issue revenue bonds upon application by qualified applicants for the purpose of acquiring, constructing, equipping, and rehabilitating certain facilities as provided in Chapter 49 of the Industrial Development and Revenue Bond Act as set forth in the Code. Upon issuance, the proceeds of the bonds are loaned to the applicant, who then agrees to repay the bonds as set forth in the Loan Agreement executed in connection with the issuance of the bonds. Section 15.2-4909 of the Code specifically provides that the bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the locality issuing the bonds. Such bonds are payable solely from the revenues and monies pledged for such purpose by the applicant, and are secured by a deed of trust, line or credit, and/or pledge of the applicant’s assets.

Measurement focus and basis of accounting:

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

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority generally result from charges to borrowers for application and administration fees, certain contributions from the City to assist in operations, including property held for development and resale, and the sale of property. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as they are needed.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and investments:

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Property held for development:

The cost of land is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Property purchased by the Authority is recorded at cost. Property donated to the Authority is recorded at acquisition value on the date of donation. Property held for development is valued at the lower of cost or market. These properties are evaluated on an annual basis for impairment and a loss is recognized if the carrying amount exceeds the fair value.

Capital assets:

Capital assets include property, plant, and equipment with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets purchased or constructed are stated at historical cost. Donated property is recorded at the acquisition value prevailing at the date of donation. Equipment is depreciated using the straight-line method over an estimated useful life of seven years.

Deferred outflows:

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

Net position:

Net position is the difference between assets, deferred outflows, and liabilities. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Contributions and grants from local governments:

Contributions and grants from local governments are recognized as income of the Authority when the activities for which the contributions and grants were designated have been completed.

Estimates:

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Note 2. Deposits and Investments

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or 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 identified as public are considered fully collateralized. At times during the year, this account was in excess of the FDIC limits.

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). The Authority has no investment policies that would further limit its investment choices.

Pursuant to Section 2.1-234.7 Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy specifies that no investment may have a maturity greater than one year from the date of purchase. LGIP is not registered with the SEC, but is overseen by the Treasurer of Virginia and the State Treasury Board. The value of the Authority’s position in the pools is the same as the value of the pool shares and is stated at amortized cost in accordance with GASB Statement 79, which approximates fair value.

At June 30, 2022 and 2021 all investments were held in LGIP. LGIP was rated by Standard and Poor’s and has been assigned an AAAM rating.

As of June 30, the EDA had the following deposits and investments:

	2022	2021
Investments: LGIP	\$ 45,480	\$ 45,362
Deposits	3,018,581	2,208,223
Total deposits and investments	\$ 3,064,061	\$ 2,253,585
Statement of Net Position:		
Cash and cash equivalents	\$ 3,018,581	\$ 2,208,223
Investments	45,480	45,362
	\$ 3,064,061	\$ 2,253,585

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Note 3. Notes Receivable

Notes receivable are for the purchase of or improvement to property. The receivables consist of the following:

	Interest Rate	Date Issued	Maturity Date	Amount of Orig. Note	2022	2021
Healens	2.50%	5/1/2017	5/1/2022*	\$ 3,800	\$ 1,893	\$ 2,081
Once Upon a Find	7.00%	10/15/2017	10/15/2019	10,000	-	2,241
Iron Rose	7.00%	6/1/2018	6/1/2020	6,500	-	2,442
Bonnie Blue Southern Markets	2.54%	7/21/2017	8/1/2022	70,246	5,127	19,769
Healens (revolving)	2.54%	7/1/2017	7/1/2022*	15,750	9,015	9,957
Iron Rose	7.00%	6/1/2018	6/1/2020	3,500	-	987
Winchester Book Gallery	3.27%	8/1/2018	8/1/2023	25,000	7,187	12,288
Front Royal brewing Company	1.81%	7/30/2021	8/1/2026	250,000	226,280	-
Less allowance for doubtful accounts					-	(2,241)
Total notes receivable					249,502	47,524
Less current portion					(27,246)	(28,259)
Notes receivable, long-term					<u>\$ 222,256</u>	<u>\$ 19,265</u>

*Management anticipates collecting these loan balances in full despite the maturity date. As such, management has determined that an allowance is not necessary.

Note 4. Property Held for Development

Property held for development activity for 2022 and 2021 was as follows:

Property	Date of Purchase	Cost	Improvements	Sold	Total	2022	2021
200, 214 N. Cameron St.	August 2016	\$ 795,000	\$ 401,403	\$ (1,196,403)	\$ -	\$ -	\$ 1,196,403
204-206, 210, 212-214 Piccadilly Street	December 2017	523,000	8,031	(531,031)	-	-	531,031
204 North Kent Street and East Piccadilly Street	March 2018	500,000	27,830	(527,830)	-	-	527,830
206 North Kent Street	March 2018	250,000	11,426	(261,426)	-	-	261,426
214 East Piccadilly	June 2019	62,000	-	(62,000)	-	-	62,000
12 N Washington Street, Winchester Public School Board Building	Mar-22	1,850,000	-	-	1,850,000	1,850,000	-
						<u>\$ 1,850,000</u>	<u>\$ 2,578,690</u>

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Note 4. Property Held for Development (Continued)

In 2022, the Authority received \$805,413 for the sale of the properties which resulted in a loss of \$1,773,277.

During the year, the City transferred the Winchester Public School Board building to the Authority. The Authority was tasked with selling the building and is obligated to give the sale proceeds back to the City. As such, a corresponding liability is reflected as “Assets held for others” on the Statements of Net Position.

The Authority created two limited liability companies (L.L.C.) to own, manage, and operate property. The Authority is the sole member of both Piccadilly Street Investments, L.L.C and Cameron Street Investments, L.L.C. which purchased the properties noted above, except for 214 East Piccadilly and 12 N Washington Street.

Note 5. Commitments, Contingencies, Subsequent Events

In December 2022, the Authority sold the Winchester Public School Board building, reported as property held for development, for approximately \$1,850,000.

In February 2023, the Authority and the City entered into a support agreement where the City will provide financial assistance in regards to the Authority’s bond issuance (principal amount not to exceed \$4,000,000). The Authority will use the bond proceeds to fund economic development projects in and around Ward Plaza. If the Ward Plaza agreement is finalized, the Authority will meet the definition of a component unit of the City which would require the Authority to be presented as a discretely presented component unit in the City’s Annual Comprehensive Financial Report. If the Ward Plaza agreement is not finalized, the support agreement with the City will be null and void and component unit treatment will not be required.

Note 6. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority is insured through the City’s insurance policies. There were no significant reductions in insurance coverages from the prior year, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Related Party Transactions

The City reimbursed the Authority \$81,425 and \$974,078 for business development grants in 2022 and 2021, respectively, and \$42,500 for management fees paid to Taylor Master Tenant in both 2022 and 2021. The City also provides personnel and office space to the Authority at no charge.

Of the \$59,910 due from the City in 2021, \$33,143 and \$26,767 were related to 2020 and 2019, respectively. The Authority subsequently received this payment from the City during fiscal year 2022.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Note 8. New Accounting Standards

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

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

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

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

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

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

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Note 8. New Accounting Standards (Continued)

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

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

SUPPLEMENTARY SCHEDULE

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF BONDS OUTSTANDING
June 30, 2022 and 2021

Name of Issue	Issued on Behalf of	Original Amount Issued	Date of Original Issue	Name of Trustee	Aggregate Outstanding Payable June 30, 2022	Aggregate Outstanding Payable June 30, 2021
Industrial Development Hospital Revenue Bonds, Series 2009A	Winchester Medical Center, Inc.	\$ 25,000,000	11/17/09	Regions Bank	\$ 23,695,000	\$ 23,900,000
Industrial Development Hospital Revenue Bonds, Series 2009B	Winchester Medical Center, Inc.	25,000,000	11/17/09	Regions Bank	23,700,000	23,905,000
Industrial Development Hospital Revenue Bonds, Series 2009C	Winchester Medical Center, Inc.	25,000,000	11/17/09	Regions Bank	23,695,000	23,900,000
Industrial Development Hospital Revenue Bonds, Series 2009D	Winchester Medical Center, Inc.	25,000,000	11/17/09	Regions Bank	23,705,000	23,905,000
Industrial Development Variable Rate Revenue Refunding Bond, Series 2011	NW Works, Inc.	2,300,000	12/20/10	Wells Fargo	1,160,000	1,280,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenue Bonds, Series 2013A	Winchester Medical Center, Inc.	35,135,000	12/04/13	Regions Bank	29,225,000	30,055,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2013B	Winchester Medical Center, Inc.	70,530,000	12/04/13	Regions Bank	44,030,000	48,360,000
Industrial Development Residential Care Facility Revenue Bonds, Series 2021 (2014A Refunding)	Westminster-Canterbury of Winchester, Inc.	30,388,088	05/12/21	Union Bank	28,367,747	30,236,807
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2014A	Winchester Medical Center, Inc.	43,135,000	10/07/14	Regions Bank	1,740,000	2,585,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2020 (2014A Partial Refunding)	Winchester Medical Center, Inc.	41,775,000	08/01/20	TD Bank	40,885,000	41,335,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2014B	Winchester Medical Center, Inc.	12,000,000	10/07/14	Regions Bank	12,000,000	12,000,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2015A	Winchester Medical Center, Inc.	114,925,000	07/22/15	Regions Bank	13,635,000	108,860,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenue Refunding Bonds, Series 2022	Winchester Medical Center, Inc.	<u>107,385,000</u>	01/06/22	TD Bank	<u>107,385,000</u>	<u>-</u>
		<u>\$ 557,573,088</u>			<u>\$ 373,222,747</u>	<u>\$ 370,321,807</u>

COMPLIANCE SECTION

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Economic Development Authority of the City of Winchester, Virginia
Winchester, Virginia

We have audited, 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 *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of the City of Winchester, Virginia (the “Authority”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated April 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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
April 18, 2023

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WINCHESTER, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2022

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

STATE COMPLIANCE MATTERS

Code of Virginia:

Cash and Investment Laws
Conflicts of Interest Act
Procurement Laws

LOCAL COMPLIANCE

Authority By-Laws

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2022

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None

B. FINDINGS – COMMONWEALTH OF VIRGINIA

None