

**CITY OF WINCHESTER, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

CITY OF WINCHESTER, TENNESSEE
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

**CITY OF WINCHESTER, TENNESSEE
ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2023**

CITY OFFICIALS:

ELECTED OFFICIALS

Terry Harrell	Mayor
William Womack	Vice Mayor
Barbara Lucas	Council Member
Michael Sisk	Council Member
Steve Cagley	Council Member
Lydia Curtis-Johnson	Council Member

APPOINTED OFFICIALS

Vanessa Fults, CPA, CMFO	Finance Director
Beth Rhoton	City Administrator
Greg O'Neal	City Attorney
Trudy Edwards	City Judge

WINCHESETER UTILITY SYSTEM OFFICIALS:

ELECTED OFFICIALS

Bruce Spencer	Chairman
Terry Harrell	Board Member/Mayor
Dan Maher	Board Member
Danny Smith	Board Member
Jennifer Kilgore	Board Member

APPOINTED OFFICIALS

George Powell	General Manager
Jason Allman	Assistant Manager
Melanie Bradford	Controller
Chris Zimmerman	Power Superintendent
Tim Solomon	Water Superintendent
Jason Allman	Wastewater Superintendent
Jeff Mathews	Human Resource Manager

FINANCIAL SECTION

The MG Group, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Tullahoma, Tennessee

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Members of the City Council
City of Winchester, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Tennessee as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Winchester, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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, Tennessee, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and capital projects fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Winchester's Proprietary Funds, which represent 100% percent of the assets, and revenues of the business-type activities as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for business-type activities, is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Winchester, Tennessee, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Winchester'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.

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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 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, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winchester, Tennessee's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial

assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023 on our consideration of the City of Winchester, Tennessee'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 of Winchester, Tennessee'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 City of Winchester, Tennessee's internal control over financial reporting and compliance.

MG Group, P.C.

Tullahoma, Tennessee
December 29, 2023

CITY OF WINCHESTER
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

As management of the City of Winchester, Tennessee (the City) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

FINANCIAL HIGHLIGHTS

- The assets of the City of Winchester exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$84,553,224 (net position). Of this amount, \$30,218,548 (unrestricted net assets) may be used to meet the government’s ongoing obligations to citizens and creditors. The City’s total net position increased by \$14,332,539 (change in net position).
- As of the close of the current fiscal year, the City of Winchester’s governmental funds reported combined ending fund balances of \$20,505,716, an increase of \$9,206,863 from the prior year. Approximately 60% of this amount is available for spending at the City’s discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,398,804 or 91% of the total general fund expenditures including transfers out.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Winchester’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the 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 the City’s assets and liabilities, with the difference between the two 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 government’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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (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

CITY OF WINCHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

activities). The governmental activities of the City of Winchester include general government, public works, public safety, state street aid, and public welfare and recreation. The business-type activities of the City include Water and Sewer services.

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 of Winchester, 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 two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government 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 the 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 be better to understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund 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 six individual 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 balances for the General Fund and Capital Projects Fund, which are considered to be major funds. Data for the other four 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 later in this report. The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget, as well as for the nonmajor funds.

Proprietary Funds – The City maintains two types of proprietary fund. Enterprise funds are used to report the same functions presented in the business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its power and water and sewerage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Power operations and for the Water and Sewerage operations, both of which are considered to be major funds of the City of Winchester.

CITY OF WINCHESTER
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

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.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain other information. Combining and individual fund statements and schedules, along with other supplementary information which should be considered in the overall review of this report, can be found beginning on page 45.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position - As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Winchester, assets exceeded liabilities by \$84,553,224 at the close of this fiscal year.

By far the largest portion of the City’s assets (55%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) 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.

	City of Winchester, Tennessee's Net Position					
	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 25,341,080	\$ 16,547,268	\$ 22,559,546	\$ 20,492,838	\$ 47,900,626	\$ 37,040,106
Capital assets	14,587,382	14,615,117	40,356,512	40,078,149	54,943,894	54,693,266
Deferred outflows	-	-	12,821	13,827	12,821	13,827
Total Assets and Deferred Outflows	<u>\$ 39,928,462</u>	<u>\$ 31,162,385</u>	<u>\$ 62,928,879</u>	<u>\$ 60,584,814</u>	<u>\$ 102,857,341</u>	<u>\$ 91,747,199</u>
Long-term liabilities outstanding	\$ 3,553,504	\$ 3,689,375	\$ 6,003,116	\$ 6,375,645	\$ 9,556,620	\$ 10,065,020
Other liabilities and deferred inflows	4,984,003	5,104,279	3,771,009	3,495,589	8,755,012	8,599,868
Total Liabilities and Deferred Inflows	<u>\$ 8,537,507</u>	<u>\$ 8,793,654</u>	<u>\$ 9,774,125</u>	<u>\$ 9,871,234</u>	<u>\$ 18,311,632</u>	<u>\$ 18,664,888</u>
Net Position:						
Net Investment in Capital Assets	\$ 11,969,382	\$ 11,707,117	\$ 34,369,333	\$ 33,731,976	\$ 46,338,715	\$ 45,439,093
Restricted	7,995,961	1,343,732	-	-	7,995,961	1,343,732
Unrestricted	11,425,613	9,317,882	18,792,935	16,981,604	30,218,548	26,299,486
Total Net Position	<u>\$ 31,390,956</u>	<u>\$ 22,368,731</u>	<u>\$ 53,162,268</u>	<u>\$ 50,713,580</u>	<u>\$ 84,553,224</u>	<u>\$ 73,082,311</u>

At year end, approximately 9.5% or \$7,995,961 of the City’s net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the government’s ongoing obligations to citizens and creditors.

CITY OF WINCHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in net position - Governmental activities increased the City's net position by \$9,022,225, which accounts for 78.7% of the total increase in net position. The key element of this increase is American Rescue Plan funds and funds received from Franklin County for a joint sewer project.

Business-type activities net position increased by \$2,448,688, accounting for 21.3% of the total growth in the government's net position.

CITY OF WINCHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

City of Winchester, Tennessee's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 1,536,593	\$ 1,540,103	\$ 27,953,761	\$ 25,672,508	\$ 29,490,354	\$ 27,212,611
Operating grants and contributions	2,896,499	733,211	-	-	2,896,499	733,211
Capital grants and contributions	-	1,048	-	-	-	1,048
General revenues:						
Property taxes	3,549,131	2,985,120	-	-	3,549,131	2,985,120
Sales taxes	4,951,693	4,249,593	-	-	4,951,693	4,249,593
Intergovernmental revenues	1,762,032	1,544,005	-	-	1,762,032	1,544,005
Other sources	476,041	206,691	134,900	472,402	610,941	679,093
Total revenues	15,171,989	11,259,771	28,088,661	26,144,910	43,260,650	37,404,681
Expenses						
Governmental Activities:						
General Government	1,540,851	1,622,694	-	-	1,540,851	1,622,694
Codes	241,670	217,261	-	-	241,670	217,261
Public Safety	3,894,146	3,485,958	-	-	3,894,146	3,485,958
Public Works	3,177,857	2,890,777	-	-	3,177,857	2,890,777
Recreation	664,655	660,849	-	-	664,655	660,849
Swimplex	592,735	418,034	-	-	592,735	418,034
Interest on long-term debt	418,046	70,166	-	-	418,046	70,166
Business-type Activities:						
Power system	-	-	19,355,289	17,751,372	19,355,289	17,751,372
Water and sewer system	-	-	5,975,888	5,554,444	5,975,888	5,554,444
Total Expenses	10,529,960	9,365,739	25,331,177	23,305,816	35,861,137	32,671,555
Change in net position before transfers	4,642,029	1,894,032	2,757,484	2,839,094	7,399,513	4,733,126
Transfers	4,380,196	121,244	(308,796)	(323,394)	4,071,400	(202,150)
Change in net position	9,022,225	2,015,276	2,448,688	2,515,700	11,470,913	4,530,976
Net Position, beginning (restated)	22,368,731	20,521,779	50,713,580	48,197,880	73,082,311	68,719,659
Restatement	-	(168,324)	-	-	-	(168,324)
Net position, ending	\$ 31,390,956	\$ 22,368,731	\$ 53,162,268	\$ 50,713,580	\$ 84,553,224	\$ 73,082,311

CITY OF WINCHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Winchester'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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,505,716, an increase of \$9,206,863 in comparison with the prior year. Within the governmental funds, \$8,106,912 is non-spendable or restricted in the General and Other Governmental Funds.

The general fund is the chief operating fund of the City of Winchester, Tennessee. At the end of this fiscal year, the total fund balance of the General Fund this amount is \$12,509,755, and \$12,398,804 of this amount was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 149% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$2,554,634.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Assets of the Power System at the end of the year amounted to \$7,496,359, and those for the Water and Sewerage System amounted to \$11,296,576. The total increase in net position for the Power System was \$887,058. The increase in net position for the Water and Sewerage System was \$1,561,630.

General Fund Budgetary Highlights – Actual revenues exceeded budgeted revenues primarily due to increased sales taxes. Total actual expenditures were under budget by \$1,168,516, with all departments coming in under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Winchester's investment in capital assets from its governmental and business-type activities at June 30, 2023, amounts to \$54,947,608 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges.

CITY OF WINCHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023

City of Winchester, Tennessee's Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and land rights	\$ 633,691	\$ 608,691	\$ 338,279	\$ 338,279	\$ 971,970	\$ 946,970
Buildings, structures and improvement	7,982,144	7,915,543	16,493,203	15,992,844	24,475,347	23,908,387
Improvements other than buildings	5,352,687	5,013,652	60,157,742	59,150,838	65,510,429	64,164,490
Machinery, equipment and vehicles	5,078,574	5,007,753	4,876,148	4,519,338	9,954,722	9,527,091
Infrastructure	9,885,175	9,560,638	-	-	9,885,175	9,560,638
Construction in progress	137,067	9,722	1,763,512	994,556	1,900,579	1,004,278
Accumulated Depreciation	(14,478,242)	(13,500,882)	(43,272,372)	(40,907,708)	(57,750,614)	(54,408,590)
Total capital assets	\$ 14,591,096	\$ 14,615,117	\$ 40,356,512	\$ 40,088,147	\$ 54,947,608	\$ 54,703,264

Additional information on the City of Winchester's capital assets can be found in the notes to the financial statements section of this report.

Debt administration - At the end of the current year, the City of Winchester had debt outstanding of \$9,553,504. Of this amount, \$680,000 is due in the next fiscal year.

City of Winchester, Tennessee's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ 2,618,000	\$ 2,908,000	\$ -	\$ -	\$ 2,618,000	\$ 2,908,000
Bonds payable	-	-	6,000,000	6,370,000	6,000,000	6,370,000
Compensated absences	435,228	376,513	-	-	435,228	376,513
Net OPEB liability	500,276	404,862	-	-	500,276	404,862
Total debt	3,553,504	3,689,375	6,000,000	6,370,000	9,553,504	10,059,375
Less current portion	(300,000)	(290,000)	(380,000)	(370,000)	(680,000)	(660,000)
Total long-term debt	\$ 3,253,504	\$ 3,399,375	\$ 5,620,000	\$ 6,000,000	\$ 8,873,504	\$ 9,399,375

The City's total long-term debt decreased by \$525,871 during the current fiscal year.

Additional information on the City of Winchester's debt can be found in the notes to the financial statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The city continues to monitor the strength of the economy and notes the following factors affecting the 2023-2024 fiscal year:

- The local economic effects of inflation.
- Trend of increased health insurance costs.
- Employee salary requirements and increased employment costs.
- Capital needs for each department's aging facilities and equipment.

**CITY OF WINCHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2023**

These factors, among others, were considered in preparing the City's budget for the 2023-2024 fiscal year. At the end of the current fiscal year, unassigned fund balance in the general fund was \$11,425,613.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Winchester, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Vanessa Nabors, at 7 South High Street, Winchester, TN 37398 or vanessanabors@winchester-tn.com.

BASIC FINANCIAL STATEMENTS

City of Winchester, Tennessee
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 19,869,566	\$ 18,348,110	\$ 38,217,676	\$ 391,927
Investments	-	57,442	57,442	-
Receivables:				
Property taxes, net of allowance	3,859,275	-	3,859,275	-
Other, net of allowance	1,109,734	3,332,784	4,442,518	7,204
Leases	391,419	-	391,419	42,793
Due from other funds	-	-	-	-
Due from other governments	135	-	135	-
Energy program receivable	-	292,197	292,197	-
Inventories	-	450,150	450,150	16,434
Prepaid items	110,951	78,863	189,814	8,106
Restricted cash and cash equivalents	-	-	-	-
Depreciable capital assets	28,298,580	81,527,094	109,825,674	11,132,326
Less: accumulated depreciation	(14,481,956)	(43,272,372)	(57,754,328)	(2,168,206)
Non-depreciable capital assets	770,758	2,101,790	2,872,548	1,655,202
Total assets	<u>39,928,462</u>	<u>62,916,058</u>	<u>102,844,520</u>	<u>11,085,786</u>
DEFERRED OUTFLOWS OF RESOURCES				
Debt issuance costs, net of amortization	-	12,821	12,821	-
Total deferred outflows of resources	<u>-</u>	<u>12,821</u>	<u>12,821</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	541,257	1,978,017	2,519,274	20,033
Accrued payroll	36,238	-	36,238	-
Accrued interest	21,919	18,591	40,510	-
Unearned revenue	-	45,299	45,299	-
Due to other funds	-	292,197	292,197	-
Customer deposits	-	1,421,877	1,421,877	-
Noncurrent liabilities:				
Compensated absences	435,228	-	435,228	-
Total OPEB liabilities	500,276	-	500,276	-
Advances from TVA - energy program financing	-	7,514	7,514	-
Due within one year	300,000	383,116	683,116	-
Due in more than one year	2,318,000	5,620,000	7,938,000	-
Total liabilities	<u>4,152,918</u>	<u>9,766,611</u>	<u>13,919,529</u>	<u>20,033</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property tax	3,985,994	-	3,985,994	-
Deferred revenue - leases	372,126	-	372,126	41,721
Deferred revenue - other	26,469	-	26,469	-
Total deferred inflows of resources	<u>4,384,589</u>	<u>-</u>	<u>4,384,589</u>	<u>41,721</u>
NET POSITION				
Net investment in capital assets	11,969,382	34,369,333	46,338,715	10,619,322
Restricted for:				
Drug control	92,459	-	92,459	-
Sanitation	446,569	-	446,569	-
State Street Aid	449,223	-	449,223	-
Capital Projects	7,007,710	-	7,007,710	-
Unrestricted	11,425,613	18,792,935	30,218,548	404,710
Total net position	<u>\$ 31,390,956</u>	<u>\$ 53,162,268</u>	<u>\$ 84,553,224</u>	<u>\$ 11,024,032</u>

City of Winchester, Tennessee
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	1,540,851	37,887	2,540,617	-	1,037,653	-	1,037,653	-
Public safety	3,894,146	111,515	30,200	-	(3,752,431)	-	(3,752,431)	-
Planning and codes	241,670	103,170	-	-	(138,500)	-	(138,500)	-
Highways and streets	1,627,989	-	-	-	(1,627,989)	-	(1,627,989)	-
State Street Aid	367,711	-	325,682	-	(42,029)	-	(42,029)	-
Sanitation	1,182,157	1,138,941	-	-	(43,216)	-	(43,216)	-
Parks and recreation	664,655	54,106	-	-	(610,549)	-	(610,549)	-
Swimplex	592,735	90,974	-	-	(501,761)	-	(501,761)	-
Interest on long-term debt	418,046	-	-	-	(418,046)	-	(418,046)	-
Total Governmental Activities	10,529,960	1,536,593	2,896,499	-	(6,096,868)	-	(6,096,868)	-
Business-type activities:								
Power system	19,355,289	20,524,361	-	-	-	1,169,072	1,169,072	-
Water and sewerage system	5,975,888	7,429,400	-	-	-	1,453,512	1,453,512	-
Total Business-Type Activities	25,331,177	27,953,761	-	-	-	2,622,584	2,622,584	-
Total Primary Government	\$ 35,861,137	29,490,354	2,896,499	-	(6,096,868)	2,622,584	(3,474,284)	-
Component Unit								
Winchester Airport Authority, Inc.	\$ 974,339	641,403	110,274	21,611	-	-	-	(201,051)
<u>General Revenues:</u>								
Property and personal taxes					3,549,131	-	3,549,131	-
Payment in lieu of tax					151,488	-	151,488	-
Income and excise taxes					430,769	-	430,769	-
Sales taxes					4,951,693	-	4,951,693	-
Alcoholic beverage taxes					572,018	-	572,018	-
Business taxes					304,884	-	304,884	-
Miscellaneous taxes					302,873	-	302,873	-
Investment income					278,680	56,455	335,135	2,310
Rental income					160,413	-	160,413	-
Gain/(loss) on sale of capital assets					17,555	3,416	20,971	-
Miscellaneous					19,393	75,029	94,422	10,829
Transfers, net					4,380,196	(308,796)	4,071,400	202,150
Total general revenues and transfers					15,119,093	(173,896)	14,945,197	215,289
Change in net position					9,022,225	2,448,688	11,470,913	14,238
Net position - beginning					22,368,731	50,713,580	73,082,311	11,009,794
Net position - ending					31,390,956	53,162,268	84,553,224	11,024,032

City of Winchester, Tennessee
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	11,889,405	6,955,378	1,024,784	19,869,567
Receivables, net				
Property taxes	3,859,275	-	-	3,859,275
Customer and other	876,028	70,937	162,769	1,109,734
Leases	391,419	-	-	391,419
Due from other funds	412	-	975	1,387
Due from other governments			-	-
Inventories			-	-
Prepaid items	110,951	-	-	110,951
Total assets	<u>17,127,490</u>	<u>7,026,315</u>	<u>1,188,528</u>	<u>25,342,333</u>
Liabilities				
Accounts payable and accrued liabilities	322,653	18,605	200,000	541,258
Accrued payroll	36,238	-	-	36,238
Due to other funds	975	-	277	1,252
Total liabilities	<u>359,866</u>	<u>18,605</u>	<u>200,277</u>	<u>578,748</u>
Deferred Inflows of Resources				
Unavailable revenue - property tax	3,859,274	-	-	3,859,274
Deferred revenue - leases	372,126	-	-	372,126
Deferred revenue - other	26,469	-	-	26,469
Total deferred inflows of resources	<u>4,257,869</u>	<u>-</u>	<u>-</u>	<u>4,257,869</u>
Fund Balances				
Nonspendable	110,951	-	-	110,951
Restricted for:				
Drug control	-	-	92,459	92,459
Sanitation	-	-	446,569	446,569
State Street Aid	-	-	449,223	449,223
Capital Projects	-	7,007,710	-	7,007,710
Unassigned	12,398,804	-	-	12,398,804
Total fund balances	<u>12,509,755</u>	<u>7,007,710</u>	<u>988,251</u>	<u>20,505,716</u>
Total liabilities, deferred inflows of resources and fund balances	<u>17,127,490</u>	<u>7,026,315</u>	<u>1,188,528</u>	<u>25,342,333</u>

City of Winchester, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2023

Total fund balances, governmental funds	\$ 20,505,716
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,587,382
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(3,702,142)
Net Position of governmental activities	<u>\$ 31,390,956</u>

City of Winchester, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Local Taxes	\$ 8,336,825	\$ -	\$ -	\$ 8,336,825
Licenses and permits	113,798	-	-	113,798
Fines and forfeitures	58,395	-	6,120	64,515
Intergovernmental	1,924,840	-	325,682	2,250,522
Federal and state grants	2,474,251	70,936	-	2,545,187
Charges for services	219,339	-	1,138,941	1,358,280
Investment income	203,118	64,058	11,504	278,680
Rental/property income	160,413	-	-	160,413
Miscellaneous and contribution income	30,696	-	-	30,696
Total Revenues	<u>13,521,675</u>	<u>134,994</u>	<u>1,482,247</u>	<u>15,138,916</u>
Expenditures:				
Current:				
General government	996,154	-	-	996,154
Planning & codes	266,670	-	-	266,670
Police department	2,271,565	-	1,800	2,273,365
Fire department	1,335,497	-	-	1,335,497
Streets and highways	1,267,681	-	-	1,267,681
State Street Aid	-	-	167,711	167,711
Sanitation	-	-	1,182,157	1,182,157
Animal control	20,000	-	-	20,000
Parks & recreation	505,985	-	-	505,985
Swimplex	618,285	-	-	618,285
Community development	-	-	-	-
Debt Service:				
Principal	-	-	353,116	353,116
Capital outlay	1,031,055	127,346	200,000	1,358,401
Total Expenditures	<u>8,312,892</u>	<u>127,346</u>	<u>1,904,784</u>	<u>10,345,023</u>
Excess (deficiency) of revenues over (under) expenditures	5,208,783	7,648	(422,537)	4,793,893
Other Financing Sources (Uses)				
Insurance proceeds	14,327	-	-	14,327
Sale of capital assets	3,555	-	14,000	17,555
Operating transfers In	308,796	6,700,000	353,116	7,361,912
Operating transfers out	(2,981,716)	-	-	(2,981,716)
Total other financing sources (uses)	<u>(2,655,038)</u>	<u>6,700,000</u>	<u>367,116</u>	<u>4,412,078</u>
Net Change in Fund Balances	2,553,745	6,707,648	(55,421)	9,205,971
Fund Balances - beginning	<u>9,955,121</u>	<u>300,061</u>	<u>1,043,671</u>	<u>11,298,853</u>
Fund Balances - ending	<u>\$ 12,508,866</u>	<u>\$ 7,007,709</u>	<u>\$ 988,250</u>	<u>\$ 20,504,824</u>

See notes to the financial statements

City of Winchester, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2023

Net changes in fund balance - total governmental funds	\$	9,205,971
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(126,720)
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 depreciation exceeded capital outlays in the current period.		(216,297)
Governmental funds report retirement contributions as expenditures. These expenditures are reported as deferred outflows of resources and either pension and OPEB income or expense in the government-wide financial statements. This is the amount by which pension income exceeds pension and OPEB expenditures in the current period.		(95,414)
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 has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		353,116
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		2,270
Change in net position of governmental activities	<u>\$</u>	<u>9,122,926</u>

City of Winchester, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final		
Revenues				
Local taxes:				
Property taxes	\$ 3,760,614	\$ 3,487,347	\$ 3,549,131	\$ 61,784
Sales tax	2,954,812	3,500,000	3,836,326	336,326
Alcoholic beverage tax	422,406	472,406	572,018	99,612
Business tax	216,000	216,000	304,884	88,884
Cable TV franchise	70,000	70,000	74,466	4,466
Licenses and permits	213,500	138,500	113,798	(24,702)
Fines	52,500	52,500	58,395	5,895
Intergovernmental revenues:				
Sales tax	1,040,625	1,040,625	1,115,367	74,742
State-Sports Gaming Privilege Tax	14,062	14,062	16,714	2,652
State-City Streets And Transportation	24,156	24,156	23,414	(742)
Corporate excise tax	425,000	427,927	429,578	1,651
Room Occupancy Tax	100,000	145,000	188,279	43,279
In lieu of tax	128,438	134,174	151,488	17,314
Federal and state grants	40,200	2,469,699	2,474,251	4,552
Charges for services	149,000	160,500	219,339	58,839
Rental income	95,000	145,000	160,413	15,413
Investment income	40,000	150,000	203,118	53,118
Miscellaneous and contribution income	26,000	34,000	30,696	(3,304)
Total revenues	9,772,313	12,681,896	13,521,675	839,779
Expenditures:				
Current:				
General Government				
Salaries and benefits	714,951	714,951	605,777	109,174
Repairs and maintenance	16,000	16,000	3,673	12,327
Supplies	25,000	25,000	12,512	12,488
Utilities	42,900	51,900	42,878	9,022
Other operating expenses	416,450	416,450	331,314	85,136
	1,215,301	1,224,301	996,154	228,147
Planning and Codes				
Salaries and benefits	195,063	232,467	208,683	23,784
Repairs and maintenance	6,000	6,000	70	5,930
Supplies	18,000	18,000	6,770	11,230
Utilities	13,750	14,550	10,020	4,530
Other operating expenses	99,085	99,085	41,127	57,958
	331,898	370,102	266,670	103,432
Police Department				
Salaries and benefits	1,947,908	1,957,908	1,961,302	(3,394)
Repairs and maintenance	15,000	24,500	24,393	107
Supplies	212,200	203,700	133,640	70,060
Utilities	37,160	37,160	31,113	6,047
Other operating expenses	126,918	136,046	121,117	14,929
Capital outlay	135,000	225,000	-	225,000
	2,474,186	2,584,314	2,271,565	312,749
Fire Department				
Salaries and benefits	1,118,412	1,168,152	1,123,155	44,997
Repairs and maintenance	25,000	31,000	18,700	12,300
Supplies	119,500	122,000	98,464	23,536
Utilities	35,000	39,500	34,809	4,691
Other operating expenses	86,979	88,979	60,369	28,610
Capital outlay	540,000	45,708	45,708	-
	1,924,891	1,495,339	1,381,205	114,134
Streets and Highway Department				
Salaries and benefits	1,058,636	1,079,320	998,801	80,519
Repairs and maintenance	30,500	33,000	14,739	18,261
Supplies	200,000	201,500	143,554	57,946
Utilities	48,000	50,000	34,094	15,906
Other operating expenses	93,871	95,871	76,493	19,378
Capital outlay	315,000	55,000	131,012	(76,012)
	1,746,007	1,514,691	1,398,693	115,998

(Continued on next page)

City of Winchester, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final		
Expenditures (continued):				
Animal Control				
Other operating expenses	20,000	20,000	20,000	-
	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Grants and Special Projects				
Capital outlay	469,250	422,250	417,177	5,073
	<u>469,250</u>	<u>422,250</u>	<u>417,177</u>	<u>5,073</u>
Parks and Recreation				
Salaries and benefits	325,412	325,412	301,691	23,721
Repairs and maintenance	45,000	50,000	38,443	11,557
Supplies	86,000	89,500	61,477	28,023
Utilities	96,000	96,000	83,637	12,363
Other operating expenses	32,263	32,263	20,737	11,526
Capital outlay	487,000	487,000	382,481	104,519
	<u>1,071,675</u>	<u>1,080,175</u>	<u>888,466</u>	<u>191,709</u>
Swimplex				
Salaries and benefits	458,612	458,612	414,528	44,084
Repairs and maintenance	18,000	18,000	6,425	11,575
Supplies	77,250	110,800	89,208	21,592
Utilities	72,000	79,000	76,476	2,524
Other operating expenses	45,826	46,826	31,648	15,178
Capital outlay	55,000	57,000	54,677	2,323
	<u>726,687</u>	<u>770,237</u>	<u>672,962</u>	<u>97,275</u>
Total Expenditures	<u>9,979,895</u>	<u>9,481,409</u>	<u>8,312,893</u>	<u>1,168,516</u>
Excess (deficiency) of revenues over (under) expenditures	(207,582)	3,200,487	5,208,782	2,008,295
Other Financing Sources (Uses)				
Proceeds from Debt Financing	500,000	500,000	-	(500,000)
Sale of capital assets	-	3,555	3,555	-
Insurance recoveries	-	14,327	14,327	-
Transfers in	300,000	300,000	308,796	8,796
Transfers out	(592,716)	(2,992,716)	(2,981,716)	11,000
Total Other Financing Sources (Uses)	<u>207,284</u>	<u>(2,174,834)</u>	<u>(2,655,038)</u>	<u>(480,204)</u>
Net Change in Fund Balances	<u>\$ (298)</u>	<u>\$ 1,025,653</u>	2,553,744	<u>\$ 1,528,090.95</u>
Fund Balance - beginning			9,955,121	
Fund Balance - ending			<u>\$ 12,508,865</u>	

City of Winchester, Tennessee
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual	
Revenues				
Federal and state grants	\$ 371,215	\$ 371,215	\$ 70,936	\$ 300,279
Investment income	-	-	64,058	\$ (64,058)
Total revenues	371,215	371,215	134,994	236,221
Expenditures				
Capital outlay	463,599	463,599	127,346	336,253
Total expenditures	463,599	463,599	127,346	336,253
Excess (deficiency) of revenues over (under) expenditures	(92,384)	(92,384)	7,648	(100,032)
Other Financing Sources (Uses)				
Transfers in (out)	-	-	6,700,000	(6,700,000)
	-	-	6,700,000	(6,700,000)
Net Change in Fund Balance	\$ (92,384)	\$ (92,384)	6,707,648	\$ 6,800,032
Fund Balance - beginning			300,061	
Fund Balance - ending			\$ 7,007,709	

City of Winchester, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-type Activities - Enterprise Funds		
	Power System	Water & Sewerage System	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 7,272,562	\$ 11,075,548	\$ 18,348,110
Investments	57,442	-	57,442
Receivables, customers	2,907,240	373,535	3,280,775
Other receivables	42,857	160	43,017
Energy program receivable	-	-	-
Due from other funds	-	292,197	292,197
Inventory	217,607	232,543	450,150
Prepaid items	78,863	-	78,863
Total current assets	<u>10,576,571</u>	<u>11,973,983</u>	<u>22,550,554</u>
Noncurrent assets			
Other receivable - energy programs	8,992	-	8,992
Debt insurance costs, net of amortization	-	12,821	12,821
Capital assets, not being depreciated			
Land, right of ways, usages	186,933	151,346	338,279
Construction in progress	1,543,234	220,277	1,763,511
Capital assets, being depreciated			
Plant and equipment	31,970,947	49,556,147	81,527,094
Less accumulated depreciation	(17,512,010)	(25,760,362)	(43,272,372)
Total noncurrent assets	<u>16,198,096</u>	<u>24,180,229</u>	<u>40,378,325</u>
Total assets	<u>26,774,667</u>	<u>36,154,212</u>	<u>62,928,879</u>
Liabilities			
Current Liabilities			
Accounts payable	1,518,261	145,378	1,663,639
Customer deposits	1,043,349	378,528	1,421,877
Accrued interest	-	18,591	18,591
Due to other funds	292,197	-	292,197
Other current liabilities	182,584	131,794	314,378
Bonds payable, current, net of premiums and discounts	-	383,116	383,116
Total current liabilities	<u>3,036,391</u>	<u>1,057,407</u>	<u>4,093,798</u>
Noncurrent Liabilities			
Unearned revenue	45,299	-	45,299
Advances from TVA - energy program financing	7,514	-	7,514
Bonds payable	-	5,620,000	5,620,000
Total noncurrent liabilities	<u>52,813</u>	<u>5,620,000</u>	<u>5,672,813</u>
Total liabilities	<u>3,089,204</u>	<u>6,677,407</u>	<u>9,766,611</u>
Net Position			
Net investment in capital assets	16,189,104	18,180,229	34,369,333
Unrestricted	7,496,359	11,296,576	18,792,935
Total net position	<u>\$ 23,685,463</u>	<u>\$ 29,476,805</u>	<u>\$ 53,162,268</u>

See notes to the financial statements

City of Winchester, Tennessee
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Power System	Water & Sewerage Systems	Total
Operating Revenues:			
Charges for services, net	\$ 20,152,177	\$ 7,043,033	\$ 27,195,210
Forfeited discounts	128,001	42,636	170,637
Rental income	206,456	-	206,456
Other operating revenues	37,727	343,731	381,458
Total operating revenues	<u>20,524,361</u>	<u>7,429,400</u>	<u>27,953,761</u>
Operating Expenses:			
Purchased power	15,694,139	369,276	16,063,415
General, administrative, and customer accounting	1,219,898	1,630,788	2,850,686
Distribution and transmission	821,900	317,420	1,139,320
Purification, collection, and disposal	-	1,974,111	1,974,111
Maintenance	298,035	-	298,035
Other operating expense	163,785	133,209	296,994
Depreciation and amortization	1,149,860	1,340,236	2,490,096
Total operating expenses	<u>19,347,617</u>	<u>5,765,040</u>	<u>25,112,657</u>
Operating income	1,176,744	1,664,360	2,841,104
Nonoperating Revenues (Expenses):			
Investment income	19,795	36,660	56,455
Sale of capital assets	-	3,416	3,416
Miscellaneous nonoperating revenues	6,987	68,042	75,029
Interest on customer deposits	(7,672)	(2,027)	(9,699)
Interest and amortization on long-term debt	-	(208,821)	(208,821)
Total nonoperating revenues (expenses)	<u>19,110</u>	<u>(102,730)</u>	<u>(83,620)</u>
Income before contributions and transfers	1,195,854	1,561,630	2,757,484
Transfers out	(308,796)	-	(308,796)
Change in Net Position	<u>887,058</u>	<u>1,561,630</u>	<u>2,448,688</u>
Net Position - beginning	<u>22,798,405</u>	<u>27,915,175</u>	<u>50,713,580</u>
Net Position - ending	<u>\$ 23,685,463</u>	<u>\$ 29,476,805</u>	<u>\$ 53,162,268</u>

City of Winchester, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Power System	Water & Sewerage System	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 20,633,137	\$ 7,415,294	\$ 28,048,431
Payments to suppliers	(16,688,383)	(2,479,742)	(19,168,125)
Payments to employees	(1,458,058)	(1,855,711)	(3,313,769)
Payments for taxes & tax equivalents- other governments	(163,785)	(133,209)	(296,994)
Other revenues	206,456	-	206,456
Net cash provided by operating activities	<u>2,529,367</u>	<u>2,946,632</u>	<u>5,475,999</u>
Cash Flows from Noncapital Financing Activities:			
Payments to TVA	4,985	-	4,985
Miscellaneous nonoperating revenue	6,987	68,042	75,029
Transfers to other funds	(308,796)	-	(308,796)
Net cash provided by noncapital financing activities	<u>(296,824)</u>	<u>68,042</u>	<u>(228,782)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital debt	-	(370,000)	(370,000)
Interest paid on capital debt and customer deposits	(7,672)	(210,765)	(218,437)
Purchases and construction of capital assets	(1,685,083)	(1,073,376)	(2,758,459)
Proceeds from disposition of capital assets	-	3,416	3,416
Net cash (used for) capital and related financing activities	<u>(1,692,755)</u>	<u>(1,650,725)</u>	<u>(3,343,480)</u>
Cash Flows from Investing Activities:			
Interest received	19,795	36,660	56,455
Net cash provided by investing activities	<u>19,795</u>	<u>36,660</u>	<u>56,455</u>
Net increase (decrease) in cash and cash equivalents	559,583	1,400,609	1,960,192
Cash and cash equivalents, beginning	6,712,979	9,674,939	16,387,918
Cash and cash equivalents, ending	<u>\$ 7,272,562</u>	<u>\$ 11,075,548</u>	<u>\$ 18,348,110</u>
Reconciliation of Operating Income to Net Cash Provided			
by Operating Activities:			
Operating income	<u>\$ 1,176,744</u>	<u>\$ 1,664,360</u>	<u>\$ 2,841,104</u>
Adjustments to reconcile operating Income to net cash provided by operating activities:			
Depreciation	1,149,860	1,340,236	2,490,096
(Increase) decrease in:			
Receivables	290,115	(25,693)	264,422
Other receivables	3,791	-	3,791
Note receivable	(3,327)	-	(3,327)
Due from other funds	-	(65,443)	(65,443)
Inventory	(11,931)	(72,438)	(84,369)
Prepaid expenses	(4,836)	-	(4,836)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(156,350)	94,015	(62,335)
Customer deposits	21,326	11,595	32,921
Unearned revenue	(1,468)	-	(1,468)
Due to other funds	65,443	-	65,443
Net Cash Provided by Operating Activities	<u>\$ 2,529,367</u>	<u>\$ 2,946,632</u>	<u>\$ 5,475,999</u>

**CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The City of Winchester, Tennessee (the City) was originally incorporated in 1821, with its charter renewed in 1907 by the legislature of the State of Tennessee. The City operates under a Mayor-Councilman form of government and provides the following services as authorized by its charter: general administrative services, public safety, highways and streets, sanitation, recreation, and utility services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

The financial statements of the City of Winchester have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The basic criteria for determining whether another governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the primary government to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity.

These financial statements present the City (the primary government) and its component unit. The discretely presented component unit is reported in separate columns in the government-wide financials statements to emphasize it is legally separate from the City. The accounting principles and policies utilized by the discretely presented component unit are the same as those of the City unless stated otherwise in the notes to the financial statements.

Discretely Presented Component Unit

The financial statements of *Winchester Airport Authority, Inc.* have been discretely presented. The Authority was established to finance, develop, and operate the Winchester Airport. It is managed by a seven-member board that is appointed by the City Council. The City approves the operating budget of the Authority and provides regular operating subsidies. The Authority utilizes the land, buildings, land improvements and equipment owned by the City. The City does not charge the Authority any rent for the use of these assets. The maintenance for these assets is the responsibility of the Authority.

Separate financial statements for the Authority may be obtained from:

Winchester Airport General Manager
420 Aviation Drive
Winchester, TN 37398

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Government-Wide 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 unit. 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.

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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements; non-major funds are combined in a single column.

Measurement Focus, Basis of Accounting and Basis of 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 component unit financial statements. Accordingly, all long-term assets, receivables, long-term debt, and other obligations are recognized in the statement of net position. 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 assessed.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Expenses are allocated among various City functions including administrative overhead charges allocated by the general fund to various City functions. As a 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 utilities 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.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financials

Governmental fund financial statements are reported using the current financial 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when payment is due.

Property taxes, intergovernmental revenues, 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 using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City has presented all major funds that met the quantitative or qualitative requirements to be reported as a major fund as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - 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. This fund is considered a major fund for reporting purposes.

Capital Projects Fund – This fund is used to account for machinery and equipment capital asset activity as well as the acquisition and construction of capital facilities other than those financed by proprietary funds.

Since the government funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided that explains the transition from one basis of accounting to another.

Proprietary Fund Financial Statements

The focus of the proprietary fund measurement is upon determination of operating income, changes in net position and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the various utility funds are charges to customers for sales and services. The Water & Sewer fund also recognizes as operating revenue the portion of tap fees intended to cover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

Water & Sewer Fund – accounts for the water and wastewater services provided to customers of the system.

Power Fund – accounts for the distribution of electricity to customers of the system.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budget and Budgetary Accounting

The City's fiscal operating year begins July 1st. An annual operating budget is adopted by the Mayor and Council prior to the commencement of the fiscal year. The budget is legally enacted through the passage of an ordinance, which also sets the tax rate. Any revision that alters the total appropriations of any fund requires the Council's action. The budgetary basis is consistent with GAAP.

The proprietary funds establish their budget via the following procedures:

On or before July 1 of each year, the entire budget packet is presented to the Board of Public Utilities for review and approval. The information is presented in summary detail with access to backup information provided as well. Once the budget is approved by the Board, a copy is forwarded to the City Administrator and Mayor of the City.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist primarily of cash on hand, demand deposits, savings accounts, and certificates of deposit having an original maturity of three months or less. For purposes of the statement of cash flows, the City considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are valued at fair value, except for certificates of deposit, which are valued at cost. State statutes authorize the City to invest in certificates of deposits, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Inventories and Prepaid Items

Inventory of the proprietary funds is stated at cost determined by the weighted average method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than purchased.

Certain payments to vendors reflected costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as non-spendable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets used in governmental fund operations are accounted for as capital outlay expenditures. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more (\$2,000 or more for proprietary funds) and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The Power System does not reflect the cost of such donated items in their records per instructions of the Tennessee Valley Authority. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Governmental Activities:

Buildings	40-50 years
Improvements Other than Buildings	10-20 years
Road Infrastructure	10-45 years
Machinery, Equipment, & Vehicles	5-10 years
Sidewalks	10-30 years
Bridges	50 years

Business-type Activities:

Buildings and Structures	10-40 years
Improvements Other than Buildings	12-50 years
Machinery, Equipment, & Vehicles	5-15 years

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Long-Term Liabilities

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 assets. Bond premiums and discounts are deferred and amortized straight-line over the life of the bonds that are reported net with bonds payable. Bond issue costs are expensed as 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 amount of debt issued is reported as other financing sources while 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.

Net Position and Fund Balance – In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislations.

Unrestricted net position – all other net position that does not meet the definition of restricted or net investment in capital assets.

Net Position Flow Assumptions

If the City decides to fund outlays from both restricted and unrestricted resources, the City's policy is to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Governmental funds report fund balances in classifications that consist of a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications consist of the following five components, as applicable:

Non-spendable - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Committed – represents amounts that the Council has the authority to commit for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned - represents amounts the Council has the authority to set aside for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Unassigned - represents amounts that are not classified as non-spendable, restricted, committed, or assigned.

Fund Balance Flow Assumptions

If the City decides to fund outlays from both restricted and unrestricted resources, the City's policy is to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. When components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

Lease – City as a Lessor

The City is a lessor for a non-cancellable lease of land. The City recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value; (2) lease term; and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease – City as a Lessee

The City is a lessee for a non-cancellable lease of cardio equipment for its Recreation Center. The City recognizes a lease payable and a deferred outflow of resources in the financial statements.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

At the commencement of the lease, the City initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments paid. The deferred outflow of resources is initially measured as the initial amount of lease payable, adjusted for lease payments paid at or before the lease commencement date. Subsequently, the deferred outflow of resources is recognized as expense over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value; (2) lease term; and (3) lease payments.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease payable is composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease payable and deferred outflow of resources if certain changes occur that are expected to significantly affect the amount of the lease payable.

Recently Adopted New Accounting Pronouncements

In 2021, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized based on the payment provisions of the contract.

In 2023, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Technology Arrangements (SBITA)*. This Statement requires recognition of qualifying subscription-based technology arrangements as assets and liabilities.

NOTE 2 – CASH AND CASH INVESTMENTS

The City has no formal deposit and investment policies other than those prescribed by State of Tennessee statute and explained below.

Policies: Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation Insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Deposits: As of June 30, 2023, all of the City's deposits were held by financial institutions, which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant banks to protect their public fund accounts are pledged to the State

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

Investments: As of June 30, 2023, the City also has funds in the Local Government Investment Pool (LGIP) under Tennessee Code Annotated, Title 9 Chapter 4, Part 7, which authorizes the State's local governments to invest taxpayer funds until they are needed. LGIP interest rates were 5.06% at June 30, 2023.

NOTE 3 – LEASES

During the current fiscal year, the City recognized a lease receivable from third parties related to leases for land owned by the City. The lease is for 27 years and the City will receive annual payments of \$20,000. The City recognized \$13,730 in lease revenue and \$10,580 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the City's receivable for lease payments was \$348,266. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$329,514.

During the current fiscal year, the City recognized a lease payable to third parties related to a copier lease. The lease is for five years and paid in monthly installments of \$830. The City recognized \$3,787 in lease expense and \$666 in interest expense during the current fiscal year. As of June 30, 2023, the City's payable for lease payments was \$42,612. Also, the City has a deferred outflow of resources associated with this lease that will be recognized as expense over the lease term. As of June 30, 2023, the balance of the deferred outflow of resources was \$42,416.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

	Interfund Receivable	Interfund Payable
Major Funds		
General Fund	277	975
Capital Projects	\$ -	\$ -
	277	975
Nonmajor Funds		
State Street Aid	-	277
Drug Fund	835	-
Sanitation	140	-
	975	277
Proprietary Funds		
Power System	-	292,197
Water and Sewer System	292,197	-
	292,197	292,197
	\$ 293,449	\$ 293,449

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances will be repaid within one year.

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
Electric Fund	General	\$ 308,796
General Fund	Debt Service	353,116
General Fund	Airport	228,600
		\$ 890,512

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets as presented in the governmental and business-type activities, and component unit column of the government-wide financial statement is as follows:

<u>Governmental Activities</u>	Beginning Balance July 1, 2022	Additions	Deletions	Ending Balance June 30, 2023
<u>Capital assets not being depreciated:</u>				
Land	\$ 608,691	\$ 25,000	\$ -	\$ 633,691
Construction in progress	9,722	127,345	-	137,067
Total Not Being Depreciated	618,413	152,345	-	770,758
<u>Capital assets being depreciated:</u>				
Buildings and improvements	7,915,543	66,601	-	7,982,144
Improvements other than buildings	5,013,652	339,035	-	5,352,687
Machinery and equipment	5,007,753	123,380	52,559	5,078,574
Infrastructure	9,560,638	324,537	-	9,885,175
Total Being Depreciated	27,497,586	853,553	52,559	28,298,580
<u>Less: Accumulated Depreciation</u>	(13,500,882)	(1,033,633)	52,559	(14,481,956)
Net Capital Assets Being Depreciated	13,996,704	(180,080)	-	13,816,624
Net Capital Assets	\$ 14,615,117	\$ (27,735)	\$ -	\$ 14,587,382
<u>Business-type Activities</u>				
	Beginning Balance July 1, 2022	Additions	Deletions	Ending Balance June 30, 2023
<u>Capital assets not being depreciated:</u>				
Land and land rights	\$ 338,279	\$ -	\$ -	\$ 338,279
Construction in progress	994,556	2,142,395	1,373,439	1,763,512
Total Not Being Depreciated	1,332,835	2,142,395	1,373,439	2,101,791
<u>Capital assets being depreciated:</u>				
Buildings, structures and improvements	15,992,844	500,359	-	16,493,203
Improvements other than buildings	59,150,838	1,099,252	92,348	60,157,742
Machinery, equipment & vehicles	4,519,338	383,389	26,579	4,876,148
Total Being Depreciated	79,663,020	1,983,000	118,927	81,527,093
<u>Less: Accumulated Depreciation</u>	(40,907,708)	(2,490,096)	125,432	(43,272,372)
Net Capital Assets Being Depreciated	38,755,312	(507,096)	(6,505)	38,254,721
Net Capital Assets	\$ 40,088,147	\$ 1,635,299	\$ 1,366,934	\$ 40,356,512

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

<u>Component Unit</u>	Beginning Balance July 1, 2022	Additions	Deletions	Ending Balance June 30, 2023
<u>Capital assets not being depreciated:</u>				
Land and land rights	\$ 1,608,874	\$ 46,328	\$ -	\$ 1,655,202
Construction in progress	1,940,222	37,505	1,977,727	-
Total Not Being Depreciated	3,549,096	83,833	1,977,727	1,655,202
<u>Capital assets being depreciated:</u>				
Buildings, structures and improvements	8,897,139	1,977,727	5,308	10,869,558
Machinery, equipment & vehicles	221,872	40,896	-	262,768
Total Being Depreciated	9,119,011	2,018,623	5,308	11,132,326
<u>Less: Accumulated Depreciation</u>	(1,824,746)	(343,460)	-	(2,168,206)
Net Capital Assets Being Depreciated	7,294,265	1,675,163	5,308	8,964,120
Net Capital Assets	\$ 10,843,361	\$ 1,758,996	\$ 1,983,035	\$ 10,619,322

Depreciation was charged to functions/programs as follows:

Primary Government:

Governmental activities:

General government	\$ 60,362
Police	126,819
Fire protection	173,815
Highways and streets	508,561
Recreation	163,919
Airport	157
Total depreciation expense, governmental activities	<u>\$ 1,033,633</u>

Business-type activities:

Power system	\$ 1,149,860
Water and sewerage systems	1,340,236
Total depreciation expense, business-type activities	<u>\$ 2,490,096</u>

Component Unit:

Winchester Airport Authority	<u>\$ 343,460</u>
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**CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 6 - LONG-TERM OBLIGATIONS

Long-Term Debt

Capital Outlay Notes and Revenue Bonds

The City issues capital outlay notes to provide funds for the acquisition of equipment and construction of major capital facilities for the primary government.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. All current capital outlay notes are from direct borrowings through the informal bid process as approved by the Tennessee Comptroller of the Treasury. All capital outlay notes included in long-term debt as of June 30, 2023, will be retired from the General Fund.

Water and sewer revenue refunding bonds are issued pledging the revenue of the Winchester Water and Sewerage system and the full faith and credit of the government. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt.

Debt outstanding as of June 30, 2023 consisted of the following:

<u>Governmental Activities</u>	<u>Principal Balance</u>
Capital Outlay Note Payable, Series 2018 - First Tennessee Bank, National Association, original amount \$1,300,000 at 2.15%, maturing March 2030	\$ 826,000
Capital Outlay Note Payable, Series 2019A, First Tennessee Bank, National Association, original amount \$1,250,000 at 2.18%, maturing February 2031	896,000
Capital Outlay Note Payable, Series 2019B, First Tennessee Bank, National Association, original amount \$1,250,000 at 2.18%, maturing February 2031	896,000
Total governmental activities capital outlay notes	<u>\$ 2,618,000</u>
<u>Business-Type Activities</u>	
Water and Sewer Revenue Refunding Bonds, Series 2018, original amount \$7,825,000, due annually at 2.00-3.50% through 2036	\$ 6,000,000
Total business-type activities long-term debt	<u>\$ 6,000,000</u>

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Governmental fund debt service requirements to maturity for capital outlay notes payable are as follows:

Years Ending		
June 30	Principal	Interest
2024	\$ 300,000	\$ 56,823
2025	311,000	50,316
2026	323,000	43,568
2027-2031	1,684,000	106,770
Total	\$ 2,618,000	\$ 257,477

Business-Type Activities debt service requirements to maturity for revenue bonds payable are as follows:

Years Ending		
June 30	Principal	Interest
2024	\$ 380,000	\$ 197,638
2025	395,000	186,238
2026	405,000	174,388
2027	415,000	162,238
2028-2032	2,280,000	608,414
2033-2036	2,125,000	189,169
Total	\$ 6,000,000	\$ 1,518,085

A summary of long-term liability activity, including debt, for the year ended June 30, 2023, is as follows:

	Balance			Balance	Amounts Due
	June 30, 2022	Increases	Decreases	June 30, 2023	Within One Year
Governmental Activities					
<i>Notes from Direct Borrowings</i>					
Capital outlay note payable	\$ 2,908,000	\$ -	\$ 290,000	\$ 2,618,000	\$ 300,000
Total notes from direct borrowings	2,908,000	-	290,000	2,618,000	300,000
Compensated absences	376,513	378,222	319,507	435,228	-
Net OPEB Liability	404,862	95,414	-	500,276	-
Total long-term obligations	3,689,375	473,636	609,507	3,553,504	300,000
Business-type Activities					
2018 Revenue Bond Issue	6,370,000	-	370,000	6,000,000	380,000
Total long-term obligations	\$ 6,370,000	\$ -	\$ 370,000	\$ 6,000,000	\$ 380,000

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 – RETIREMENT PLANS

DEFINED CONTRIBUTION PLANS

Governmental Activities:

The City of Winchester sponsors the City of Winchester 401(a) Future Benefit Plan, a defined contribution plan. The provisions of this 401(a) plan are established or amended by the Board. The pension plan includes 26 employees, hired prior to January 1, 2014. Acuff and Associates is the Plan administrator. Contributions to the plan by the City is determined at the year-end, by the Council. The City made contributions of \$237,465 to the pension plan.

The City of Winchester offers employees, hired after January 1, 2014, a deferred compensation plan created in accordance with Internal Revenue Code section 457. Participation in the plan is voluntary for all full-time employees who are at least twenty-one years of age and have one year of continuous service. Employees may defer a portion of their salary up to the Section 457 limits. Deferred compensation is not available to employees until termination, retirement, or death. The amounts deferred are held in trust for the exclusive benefit of employees and are not considered assets of the City and are not accessible to the City or its creditors. The City has elected to make matching contributions to the plan equal to 8% of employee's compensation for employees contributing 3% or more.

Proprietary Funds:

The Winchester Utility System sponsors the Winchester Utilities Money Purchase Pension Plan, a defined contribution plan for all of its full-time employees who are at least twenty-one years of age and have been full-time employees of the Utility System for 90 days. The provisions of this 401(a) plan are established or amended by the Utility Board. The pension plan includes 43 employees. Employee retirement contributions are fully vested at all times. Utility System contributions vest according to years of service: 1 year 0 percent; 2 years 25 percent; 3 years 50 percent; 4 years 75 percent; and 5 years 100 percent. The Plan is established with Voya Financial. Acuff and Associates is the Plan administrator. As required by the defined contribution plan document, the Utility System and participants contribute 8 percent and 3 percent of annual covered payroll, respectively. The Utility System made contributions of \$234,304 to the pension plan and the employees contributed \$87,864 for the fiscal year ending June 30, 2023.

The Winchester Utility System also offers employees a deferred compensation plan created in accordance with Internal Revenue Code section 457. Participation in the plan is voluntary for employees who may defer a portion of their salary up to the Section 457 limits. Maximum amounts of annual deferrals to the deferred compensation plan are governed by the Internal Revenue Code Section 457(e) (15). Deferred compensation is not available to employees until termination, retirement, death, or financial hardship due to unforeseeable emergencies. The amounts deferred are held in trust for the exclusive benefit of employees, are not considered assets of the System, and are not accessible by the System or its creditors. The System has elected to not make contributions to the plan.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Governmental Activities:

Plan description: The City’s post-employment benefits are administered as a single-employer defined healthcare plan (the “OPEB Plan”). The City Council has the authority to establish and amend benefit provisions of the OPEB Plan. Under the OPEB Plan, the City provides continued health insurance coverage (including medical and prescription drug benefits) for retired full-time employees and their dependents after retirement, provided the employee has reached certain age and length of service requirements with the City that are detailed below. Given that the plan has fewer than 200 participants, an actuarial valuation is required every three years. The information provided herein reflects the actuarial valuation as of June 30, 2021.

Benefits provided: Individuals who are employed by the City, were hired prior to January 1, 2014, and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon reaching age 62 with at least 30 years of uninterrupted employment with the City. Coverage during retirement continues in the group medical, prescription drug, dental, and vision plans. Employees covered by the plan make contributions toward the plan premiums if a spouse is covered.

Employees covered by benefit terms: At June 30, 2022 the following employees of the City were covered by the benefit terms of the Plan:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	30
Total	30

Actuarial assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.65%
Inflation	3.0%
Salary increases	3.0% per year
Healthcare cost trend rates	6.5% for all years
Retiree's share of benefit-related costs	The monthly contributions are based on the active employee premium rate.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2022	\$ 404,862
Changes for the year:	
Service cost	10,623
Interest	8,974
Changes of benefit terms	-
Differences between expected and actual experience	76,581
Change in assumptions	(764)
Benefit payments	-
Net Changes	95,414
Balance at June 30, 2023	\$ 500,276

Discount rate: The following presents the total OPEB liability, calculated using the current discount rate of 3.65%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) than the current rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$ 538,993	\$ 500,276	\$ 463,027

Assumes all actuarial assumptions are exactly realized. Update procedures were used to roll forward the Service Cost and Total OPEB liability to the June 30, 2024 measurement date.

Changes in assumptions: As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 3.65% as of June 30, 2023.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

Sensitivity of total OPEB liability to changes in the discount rate: The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease (4.00%)	Healthcare Cost (5.00%)	1% Increase (6.00%)
Total OPEB Liability	\$ 455,666	\$ 500,276	\$ 552,162

Assumes all actuarial assumptions are exactly realized. Update procedures were used to roll forward the Service Cost and Total OPEB liability to the June 30, 2024 measurement date.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

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

OPEB Expense: For the fiscal year ended June 30, 2023, the City of Winchester recognized OPEB expense of \$95,414.

Deferred outflows of resources and deferred inflows of resources: Under GASB 75, gains and losses that are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period are calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

As of June 30, 2023, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	-
Employer payments subsequent to the measurement date	-	-
Total	\$ -	\$ -

The City uses AMM (Alternative Measurement Method) procedures, changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors is immediately recognized in OPEB expense.

Business-type Activities:

The Winchester Utility System does not currently offer retirement benefits except the pension discussed in the preceding note.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to worker’s compensation claims; limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, worker’s compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general, auto, and errors and omissions policies. The City’s premiums are calculated based on its prior

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

claim history. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded the coverage provided by the Pool in any of the past three years.

NOTE 10 - COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the City's management expects such amounts, if any, to be immaterial.

The City is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

The City of Winchester's enterprise funds are party to various legal proceedings. Any material adverse impact that may result from these legal proceedings is undeterminable at this time.

The City of Winchester's enterprise funds had several construction projects in process, as of June 30, 2023. The Utility takes bids for these projects and awards construction contracts to various companies.

NOTE 11 - POWER CONTRACT

The City of Winchester Power System has a contract with the Tennessee Valley Authority (TVA), whereby the Power System purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting Power System funds, revenues, or property to other operations of the municipality and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

NOTE 12- ENERGY CONSERVATION PROGRAMS

The City of Winchester Power System participates with TVA in its energy conservation loan program. Under this program, eligible customers may obtain low interest loans to finance energy conservation improvements to their homes, including the installation of a heat pump and insulation improvements. Advances from TVA are reported under non-current liabilities. Conservation loans receivable from customers under the program are reported under non-current assets. Advances are to be repaid from customer loan collections. Any uncollectible loans are the responsibility of TVA.

CITY OF WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 29, 2023, which is the date the financial statements were available to be issued. The full impact of the COVID-19 outbreak continues to evolve as of December 29, 2023. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's governmental funds, business-type funds financial condition, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, there is no estimate as to the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year 2024.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Winchester, Tennessee
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 7,315	\$ 9,228	\$ 8,480	\$ 8,734	\$ 10,314	\$ 10,623
Interest	11,986	11,229	10,613	11,291	8,560	8,974
Changes of benefit terms	-	6,746	-	-	-	-
Differences between expected and actual experience	-	(16,107)	-	7,716	-	76,581
Changes of assumptions	18,784	11,123	-	44,403	-	(764)
Benefit payments	(15,598)	(16,798)	-	-	-	-
Net change in total OPEB liability	22,487	5,421	19,093	72,144	18,874	95,414
Total OPEB liability - beginning	266,843	289,330	294,751	313,844	385,988	404,862
Total OPEB liability - ending	\$ 289,330	\$ 294,751	\$ 313,844	\$ 385,988	\$ 404,862	\$ 500,276
Covered-employee payroll	\$ 2,576,472	\$ 1,501,048	\$ 1,546,079	\$ 1,378,351	\$ 1,420,114	\$ 1,802,723
Total OPEB liability as a percentage of covered-employee payroll	11.23%	19.64%	20.30%	28.00%	28.51%	27.75%

*Assumes all actuarial assumptions are exactly realized. Update procedures were used to roll forward the Service Cost and Total OPEB liability to the June 30, 2023 measurement date.

**There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan. The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

**OTHER SUPPLEMENTARY
INFORMATION**

**City of Winchester, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Drug Fund	Sanitation Fund	State Street Aid	
Assets				
Cash & cash equivalents	\$ 91,624	\$ 339,345	\$ 593,815	\$ 1,024,783
Receivables, net	-	107,084	55,685	162,769
Due from other funds	835	140	-	975
Intergovernmental	-	-	-	-
Total assets	<u>92,459</u>	<u>446,569</u>	<u>649,500</u>	<u>1,188,527</u>
Liabilities				
Accounts payable	-	-	200,000	200,000
Due to other funds	-	-	277	277
Total liabilities	<u>-</u>	<u>-</u>	<u>200,277</u>	<u>200,277</u>
Fund Balances				
Restricted For:				
Drug control	92,459	-	-	92,459
Sanitation	-	446,569	-	446,569
State Street Aid	-	-	449,223	449,223
Total fund balances	<u>92,459</u>	<u>446,569</u>	<u>449,223</u>	<u>988,251</u>
Total liabilities and fund balances	<u>\$ 92,459</u>	<u>\$ 446,569</u>	<u>\$ 649,500</u>	<u>\$ 1,188,528</u>

See independent auditor's report

City of Winchester, Tennessee
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>Sanitation Fund</u>	<u>State Street Aid</u>		
Revenues					
Charges for services	\$ -	\$ 1,138,941	\$ -	\$ -	\$ 1,138,941
Fines and forfeitures	6,120	-	-	-	6,120
Investment income	993	4,126	6,385	-	11,504
Intergovernmental	-	-	325,682	-	325,682
Total revenues	<u>7,113</u>	<u>1,143,067</u>	<u>332,067</u>	<u>-</u>	<u>1,482,247</u>
Expenditures					
Repairs and maintenance	-	-	6,865	-	6,865
Utilities	-	-	159,467	-	159,467
Supplies	1,800	-	1,379	-	3,179
Other operating	-	1,182,157	-	-	1,182,157
Debt service	-	-	-	353,116	353,116
Capital outlay	-	-	200,000	-	200,000
Total expenditures	<u>1,800</u>	<u>1,182,157</u>	<u>367,711</u>	<u>353,116</u>	<u>1,904,784</u>
Excess (deficiency) of revenues over (under) expenditures	5,313	(39,090)	(35,644)	(353,116)	(422,537)
Other Financing Sources (Uses)					
Sale of capital assets	14,000	-	-	-	14,000
Transfers in (out)	-	-	-	353,116	353,116
Total other financing sources and uses	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>353,116</u>	<u>367,116</u>
Net Change in Fund Balances	19,313	(39,090)	(35,644)	-	(55,421)
Fund Balances - beginning	<u>73,146</u>	<u>485,659</u>	<u>484,867</u>	<u>-</u>	<u>1,043,672</u>
Fund Balances - ending	<u>\$ 92,459</u>	<u>\$ 446,569</u>	<u>\$ 449,223</u>	<u>\$ -</u>	<u>\$ 988,251</u>

See independent auditor's report

City of Winchester, Tennessee
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Drug Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual	
Revenues				
Fines and forfeitures	\$ 7,500	\$ 7,500	\$ 6,120	\$ (1,380)
Interest earnings	250	250	993	743
Total revenues	7,750	7,750	7,113	(637)
Expenditures				
Supplies	5,000	5,000	1,800	3,200
Total expenditures	5,000	5,000	1,800	3,200
Excess (deficiency) of revenues over (under) expenditures	2,750	2,750	5,313	2,563
Other Financing Sources (Uses)				
Sale of capital assets	-	-	14,000	14,000
Total other financing sources (uses)	-	-	14,000	14,000
Net Change in Fund Balance	\$ 2,750	\$ 2,750	19,313	\$ 16,563
Fund Balance - beginning			73,146	
Fund Balance - ending			\$ 92,459	

City of Winchester, Tennessee
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Sanitation Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for services	\$ 1,068,000	\$ 1,068,000	\$ 1,138,941	\$ 70,941
Investment income	2,000	2,000	4,126	2,126
Total revenues	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,143,067</u>	<u>73,067</u>
Expenditures				
Other operating	1,089,000	1,089,000	1,182,157	(93,157)
Total expenditures	<u>1,089,000</u>	<u>1,089,000</u>	<u>1,182,157</u>	<u>(93,157)</u>
Net Change in Fund Balance	<u>\$ (19,000)</u>	<u>\$ (19,000)</u>	(39,090)	<u>\$ (20,090)</u>
Fund Balance - beginning			<u>485,659</u>	
Fund Balance - ending			<u>\$ 446,569</u>	

City of Winchester, Tennessee
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
State Street Aid
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Gasoline and Motor Fuel tax	\$ 337,500	\$ 337,500	\$ 325,682	\$ (11,818)
Investment income	1,750	1,750	6,385	4,635
Total revenues	<u>339,250</u>	<u>339,250</u>	<u>332,067</u>	<u>(7,183)</u>
Expenditures				
Repairs and maintenance	15,000	15,000	6,865	8,135
Utilities	145,000	145,000	159,467	(14,467)
Supplies	-	-	1,379	(1,379)
Capital outlay	225,000	225,000	200,000	25,000
Total expenditures	<u>385,000</u>	<u>385,000</u>	<u>367,711</u>	<u>17,289</u>
Net Change in Fund Balance	<u>\$ (45,750)</u>	<u>\$ (45,750)</u>	(35,644)	<u>\$ 10,106</u>
Fund Balance - beginning			<u>484,867</u>	
Fund Balance - ending			<u>\$ 449,223</u>	

City of Winchester, Tennessee
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures				
Debt service	\$ 353,116	\$ 353,116	\$ 353,116	\$ -
Total expenditures	<u>353,116</u>	<u>353,116</u>	<u>353,116</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(353,116)	(353,116)	(353,116)	-
Other Financing Sources (Uses)				
Transfers in (out)	353,116	353,116	353,116	-
Total other financing sources (uses)	<u>353,116</u>	<u>353,116</u>	<u>353,116</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - beginning			<u>-</u>	
Fund Balance - ending			<u>\$ -</u>	

OTHER INFORMATION SECTION

City of Winchester, Tennessee
Schedule of Utility Rate Structure and Number of Customers
For the Year Ended June 30, 2023

Water Customer Rates

	Inside City Limits	Outside City Limits
First 2,000 gallons	\$11.64 minimum bill	\$19.80 minimum bill
Next 8,000 gallons	4.83 per thousand gallons	8.23 per thousand gallons
Over 10,000 gallons	4.28 per thousand gallons	7.29 per thousand gallons

Sewer Customer Rates

The sewer rate is 192 percent of the water bills.

Power Customer Rates

Residential Rate Structure:

Customer charge	
per delivery point per month	\$25.00
Less hydro allocation credit	(1.60)
Energy charges - cents per KWh	0.09708

General Power Rate Structure:

Part 1

Customer charge	
per delivery point per month	\$27.00
Additional KW	40.00
Energy charges - centers per KWh	0.10700

Part 2

Customer charge	
per delivery point per month	\$170.00
Demand charges - per KW per month	
First 50 KW	-
Additional KW	14.37
Energy charge - cents per KWh	
First 15,000 KWh per month	0.08853
Additional KWh per month	0.06639

Part 3

Customer charge	
per delivery point per month	\$600.00
Demand charges - per KW per month	
First 1,000 KW	14.41
Additional KW	14.41
Energy charge - cents per KWh	0.07604

Number of Customers

Service	June 30, 2023
Water	8,896
Sewer	4,375
Power	6,720

City of Winchester, Tennessee
Schedule of Principal and Interest Requirements
By Fiscal Year
June 30, 2023

Governmental Activities Long-Term Debt

Year Ending June 30,	General Obligation Capital Outlay Note, Series 2018		General Obligation Capital Outlay, Series 2019A		General Obligation Capital Outlay, Series 2019B		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	106,000	17,759	97,000	19,532	97,000	19,532	300,000	56,823
2025	109,000	15,480	101,000	17,418	101,000	17,418	311,000	50,316
2026	113,000	13,136	105,000	15,216	105,000	15,216	323,000	43,568
2027	118,000	10,707	110,000	12,928	110,000	12,928	338,000	36,563
2028	122,000	8,170	114,000	10,531	114,000	10,531	350,000	29,232
2029	127,000	5,547	118,000	8,044	118,000	8,044	363,000	21,635
2030	131,000	2,816	123,000	5,472	123,000	5,472	377,000	13,760
2031	-	-	128,000	2,790	128,000	2,790	256,000	5,580
	<u>\$ 826,000</u>	<u>\$ 73,615</u>	<u>\$ 896,000</u>	<u>\$ 91,931</u>	<u>\$ 896,000</u>	<u>\$ 91,931</u>	<u>\$ 2,618,000</u>	<u>\$ 257,477</u>

Business-Type Activities Long-Term Debt

Year Ending June 30,	Water and Sewer Revenue Refunding Bonds, Series 2018	
	Principal	Interest
2024	380,000	197,638
2025	395,000	186,238
2026	405,000	174,388
2027	415,000	162,238
2028	430,000	149,788
2029	440,000	136,888
2030	455,000	122,588
2031	470,000	107,800
2032	485,000	91,350
2033	505,000	74,375
2034	520,000	56,700
2035	540,000	38,500
2036	560,000	19,594
	<u>\$ 6,000,000</u>	<u>\$ 1,518,085</u>

See independent auditor's report

City of Winchester, Tennessee
Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2023

<u>Description of Indebtedness</u>	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2023
<u>Governmental Activities</u>								
<u>Capital Outlay Notes Payable</u>								
General Obligation Capital Outlay Note, Series 2018	\$ 1,300,000	2.15%	2018	2030	\$ 928,000	\$ -	\$ 102,000	\$ 826,000
General Obligation Capital Outlay Notes, Series 2019A	1,250,000	2.18%	2019	2031	990,000	-	94,000	896,000
General Obligation Capital Outlay Notes, Series 2019B	1,250,000	2.18%	2019	2031	990,000	-	94,000	896,000
Total Capital Outlay Notes Payable					<u>\$ 2,908,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 2,618,000</u>
<u>Business Activities</u>								
<u>Capital Outlay Notes Payable</u>								
Revenue Refunding Bonds, Series 2018	\$ 7,825,000	2.00-3.50%	2018	2036	\$ 6,370,000	\$ -	\$ 370,000	\$ 6,000,000
Total Capital Outlay Notes Payable					<u>\$ 6,370,000</u>	<u>\$ -</u>	<u>\$ 370,000</u>	<u>\$ 6,000,000</u>

City of Winchester, Tennessee
Schedule of Changes in Property Taxes Receivable
June 30, 2023

Year of Levy	Gross Property Taxes Receivable July 1, 2022	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Property Taxes Receivable June 30, 2023
2023	\$ -	\$ -	\$ 3,684,154	\$ -	\$ -	\$ 3,684,154
2022	3,282,418		301,840	(26,697)	(3,407,682)	149,879
2021	140,620	-	-	5,089	(107,111)	38,598
2020	39,284	-	-	(3,290)	(11,532)	24,462
2019	23,674	-	-	(1,200)	(4,664)	17,810
2018	18,224	-	-	(747)	(3,231)	14,246
2017	14,142	-	-	(416)	(1,036)	12,690
2016	16,052	-	-	(400)	(959)	14,693
2015	4,806	-	-	(328)	(991)	3,487
2014	4,230	-	-	(220)	(860)	3,150
2013	2,888	-	-	(9)	(108)	2,771
	<u>\$ 3,546,338</u>	<u>\$ -</u>	<u>\$ 3,985,994</u>	<u>\$ (28,218)</u>	<u>\$ (3,538,174)</u>	<u>\$ 3,965,940</u>
Less allowance for uncollectable accounts						<u>(106,665)</u>
Balance, end of year, net of allowance						<u>\$ 3,859,275</u>

Note: All uncollected taxes for years prior to 2021 have been turned over to the Franklin County's Clerk and Master for collections.

City of Winchester, Tennessee
Schedule of Property Tax Rates and Assessments
Last Ten Fiscal Years

<u>Year of Levy</u>	<u>Fiscal Year</u>	<u>Tax Rate Per \$100 Franklin</u>	<u>Tax Assessment</u>
2023	2024	0.8525	\$ 3,684,154
2022	2023	0.8525	3,282,418
2021	2022	1.0233	2,643,045
2020	2021	0.9733	2,606,825
2019	2020	0.9733	2,487,178
2018	2019	0.9733	2,404,286
2017	2018	0.9733	2,288,754
2016	2017	0.9733	2,134,041
2015	2016	0.8233	1,803,105
2014	2015	0.8233	1,737,682

See independent auditor's report

**GOVERNMENT AUDITING
STANDARDS SECTION**

CITY OF WINCHESTER, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	FEDERAL ASSISTANCE LISTING NO.	PROGRAM	PASS-THROUGH ENTITY IDENTIFYING NUMBER	EXPENDITURES
<u>FEDERAL AWARDS</u>				
U.S. Department of Justice	16.61	Bulletproof Vest Partnership Program	N/A	2,279
Total U.S. Department of Justice				<u>2,279</u>
U.S. Department of Homeland Security				
<u>Pass-through funding:</u>				
TN Dept of Safety & Homeland Security				
TN Highway Safety Office	20.607	High Visibility Enforcement Project	Z22THS367	3,973
TN Highway Safety Office	20.607	High Visibility Enforcement Project	Z23THS363	4,000
Total U.S. Department of Homeland Security				<u>7,973</u>
U.S. Department of the Transportation				
<u>Pass-through funding:</u>				
TN Department of Transportation	20.205	Bypass Road Resurfacing	26LPLM-F3-036	27,934
Total U.S. Department of the Treasury				<u>27,934</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>38,186</u>
<u>STATE AWARDS</u>				
TN Department of Environment and Conservative	N/A	Water Infrastructure Investment Plan	32701-04934	37,422
TN Department of Tourism	N/A	Tourism Cooperative Marketing Matching Grants	32601-74310	4,300
TN Department of Transportation	N/A	SR-15 David Crockett Highway Sidwalks	26LPLM-S3-037	5,581
TOTAL EXPENDITURES OF STATE AWARDS				<u>47,303</u>

CITY OF WINCHESTER, TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Winchester, Tennessee under programs of the federal government for the year ended June 30, 2023. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Federal and state awards received directly by the Winchester Airport Authority, Inc. are not included in the Schedule, but are shown in the Authority's separately issued financial statements.
3. Pass-through entity contract numbers are presented where available.
4. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

The MG Group, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Tullahoma, Tennessee

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 Mayor
And Members of City Council
City of Winchester, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Winchester, Tennessee's basic financial statements, and have issued our report thereon dated December 29, 2023. Our report includes a reference to other auditors who audited the financial statements of the City of Winchester's proprietary funds as describes in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Winchester, Tennessee'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 of Winchester, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Winchester, Tennessee 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Winchester, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions

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of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

MG Group, P.C.

Tullahoma, Tennessee
December 29, 2023

CITY OF WINCHESTER, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

There are no financial statement findings to report in the current year.

City of Winchester, Tennessee
Summary Schedule of Prior Year Findings
June 30, 2023

Prior-year Financial Statement Findings

Prior Year Finding Number	Title of Finding	Status/Current Year Finding Number
2022-001	Budgeted Expenditures in Excess of Appropriations	Corrected