

**HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY**

**FINANCIAL REPORT  
YEARS ENDED JUNE 30, 2023 AND 2022**

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# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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## Independent Auditors' Report

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**Board of Directors**  
**Harrisonburg-Rockingham Regional Sewer Authority**  
**Mt. Crawford, Virginia**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of Harrisonburg-Rockingham Regional Sewer Authority, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Harrisonburg-Rockingham Regional Sewer Authority, as of June 30, 2023 and 2022, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 Harrisonburg-Rockingham Regional Sewer Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' 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 auditors' report that includes our opinion. 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, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Harrisonburg-Rockingham Regional Sewer Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harrisonburg-Rockingham Regional Sewer Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harrisonburg-Rockingham Regional Sewer Authority's basic financial statements. The accompanying supporting schedules 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. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of Harrisonburg-Rockingham Regional Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harrisonburg-Rockingham Regional Sewer Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harrisonburg-Rockingham Regional Sewer Authority's internal control over financial reporting and compliance.

*Robinson, Farnum, Cox Associates*

Charlottesville, Virginia  
October 25, 2023

**To the Board of Directors  
Harrisonburg-Rockingham Regional Sewer Authority  
Mt. Crawford, Virginia**

As management of the Harrisonburg-Rockingham Regional Sewer Authority, (the Authority), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Enterprise fund financial statements.** The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

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

The statement of revenues, expenses and changes in net position presents information showing how the Authority'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 the 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. earned but unused vacation leave).

The basic enterprise fund financial statements can be found on pages 8 through 11 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 51 of this report. Required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits and OPEB to its employees is located immediately following the notes to the financial statements.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$52,036,588 (net position). Of this amount \$9,481,390 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total net position increased by \$1,638,338.
- The Authority's total debt decreased by \$4,401,913 during the current fiscal year. This decrease in debt is due to scheduled principal payments in excess of new borrowings.

### **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$52,036,588 at the close of the most recent fiscal year.

## Financial Analysis: (Continued)

By far the largest portion of the Authority's net position (81 percent) reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority'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.

	Net Position		
	2023	2022	2021
Current, restricted, and other assets	\$ 14,135,351	\$ 12,974,359	\$ 12,818,615
Capital assets	92,251,018	96,208,199	99,031,344
Total assets	\$ 106,386,369	\$ 109,182,558	\$ 111,849,959
Total deferred outflows of resources	\$ 289,106	\$ 472,282	\$ 611,865
Current liabilities	\$ 5,728,025	\$ 5,401,490	\$ 7,247,469
Long-term liabilities	48,574,521	52,782,432	56,436,262
Total liabilities	\$ 54,302,546	\$ 58,183,922	\$ 63,683,731
Total deferred inflows of resources	\$ 336,341	\$ 1,072,668	\$ 122,959
Net position:			
Net investment in capital assets	\$ 41,331,760	\$ 40,822,543	\$ 40,741,637
Restricted	1,223,438	1,032,938	449,282
Unrestricted	9,481,390	8,542,769	7,464,215
Total net position	\$ 52,036,588	\$ 50,398,250	\$ 48,655,134

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior two fiscal years.

	Change in Net Position		
	2023	2022	2021
Revenues:			
Operating revenues	\$ 6,834,809	\$ 6,485,208	\$ 6,226,857
Debt Service revenue	5,673,551	5,713,403	6,695,549
Investment income	336,216	17,272	5,616
Other revenue	28,386	118,856	2,396,592
Total revenues	\$ 12,872,962	\$ 12,334,739	\$ 15,324,614
Expenses:			
Operating expenses (excluding depreciation)	\$ 6,229,897	\$ 4,992,295	\$ 4,613,918
Depreciation expense	5,942,309	5,745,432	5,507,040
Interest expense	1,254,486	1,391,917	1,463,614
Other	89,432	398,479	1,508,416
Total expenses	\$ 13,516,124	\$ 12,528,123	\$ 13,092,988
Income (loss) before capital contributions	\$ (643,162)	\$ (193,384)	\$ 2,231,626
Capital contributions	2,281,500	1,936,500	1,826,637
Increase (decrease) in net position	\$ 1,638,338	\$ 1,743,116	\$ 4,058,263
Net position—July 1	50,398,250	48,655,134	44,596,871
Net position—June 30	\$ 52,036,588	\$ 50,398,250	\$ 48,655,134

## **Financial Analysis: (Continued)**

The Authority's net position increased by \$1,638,338 during the current year. Operating revenues increased by \$349,601 while operating expenses increased \$1,237,602 from FY 2022 levels. Key elements of these changes are explained in greater detail under the Review of Operations section.

## **Capital Asset and Debt Administration**

Capital Assets - The Authority's investment in capital assets as of June 30, 2023 amounts to \$92,251,018 (net of accumulated depreciation). Investment in capital assets decreased by approximately 4.1% during the year, due to depreciation in excess of additions to capital assets. Below is a comparison of the items that make up capital assets as of June 30, 2023 with that of June 30, 2022 and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 193,392	\$ 193,392	\$ 193,392
Plant	66,762,905	68,194,350	71,200,221
Machinery and equipment	23,813,730	26,340,617	21,064,506
Vehicles and equipment	361,074	465,793	492,613
Lease equipment	5,222	10,043	14,864
Construction in progress	1,114,695	1,004,004	6,080,612
Total capital assets	<u>\$ 92,251,018</u>	<u>\$ 96,208,199</u>	<u>\$ 99,046,208</u>

More detailed information on the Authority's capital assets is presented in Note 5 of the Notes to the financial statements.

**Long-Term Debt** - At the end of the current fiscal year, the Authority had \$52,506,570 in bonds outstanding versus \$56,908,483 last year, a decrease of 7.74%. The decrease is due to scheduled payments of debt in excess of new borrowings.

Other long-term obligations of the Authority include accrued vacation pay and other postemployment benefits. More detailed information on the Authority's long-term liabilities is presented in Note 6 of the notes to the financial statements.

**Operating Revenues:** A comparison of FY 2023 actual to budgeted revenue is shown on Schedule 1 - Schedule of Income and Expenses - By Fund. Operating revenues increased by \$349,601 (5.39%) during FY 2023 to \$6,834,809. The increase is mostly due to increased operations and maintenance fees.

**Operating Expenses:** A comparison of FY 2023 actual and budgeted expenses is found on Schedule 2 - Schedule of Operating Expenses - Budget and Actual. Operating and Maintenance (O&M) expenses were \$32,272 over budget. Operating expenses increased \$1,237,602 from FY 2022 levels.

## **Longer-Term Issues**

FY 2023 Capital Improvement Projects - The FY 2023 Capital Improvement Plan (CIP) was adopted by the Authority's Board of Directors on May 2, 2022. The total value of capital improvement projects capitalized during FY 2023 was \$1,874,437. Construction-in-Progress as of the end of FY 2023 totaled \$1,114,695.



### **Longer-Term Issues (Continued)**

In FY 2017, HRRSA with the assistance of Wiley|Wilson Engineers developed a 10-Year Level of Service (LOS) Master Plan to minimize manhole surcharging and support future growth via HRRSA's major interceptors. The LOS master plan identified improvements to the Blacks Run Interceptor as the priority. In FY 2021 and FY 2022, HRRSA lined approximately 3,000 linear feet of 36" sewer line in Purcell Park and replaced approximately 3,700 linear feet of gravity sewer with 48" ADS pipe between Stone Spring Road and I-81 as Phase I of the Blacks Run Interceptor Improvement (BRII) project. During FY 2023, HRRSA worked with the City of Harrisonburg to obtain easements for the alignment of Phase II of the project. HRRSA is deferring the final design and construction of Phase II of the BRII project. During FY 2023, HRRSA also continued to evaluate, maintain, and repair all sections of the interceptor system.

The North River Wastewater Treatment Facility was constructed in 1975. Multiple hydraulic capacity and treatment upgrades have occurred since that time. However, some of the electrical gear on our oldest equipment has never been replaced. Replacement parts are no longer available for this electrical gear. In FY 2022, HRRSA replaced all electrical gear inside electrical building #1. In FY 2023, HRRSA with the assistance of Wiley|Wilson completed the design and procurement of replacement gear for the digester building, electrical building #2, chemical building #2, and the de-chlorination building. HRRSA is currently in the process of procuring a qualified contractor to install the electrical gear. The electrical gear is scheduled to be delivered in the spring and summer of 2024 and will be installed in the next 12 - 18 months.

In FY 2023, HRRSA replaced the 250 kW Stamford emergency generator which was installed in the early 1970s at the Bridgewater pump station. The original generator was undersized for wet weather conditions, was located inside the building, had minimal fuel storage, and was in the 100-year flood plain. The new generator is a 400 kW CAT generator with an ASCO automatic transfer switch (ATS) which is capable of powering the entire station during wet weather conditions and has adequate fuel storage for several days. Lantz constructed a new platform and installed the new generator and ATS on the platform which is one foot above the 100-year floodplain. The emergency generator project should greatly improve the reliability and flood resiliency of the pump station.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, at P.O. Box 8, Mount Crawford, VA 22841.

**- Financial Statements -**

**HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY**

Statements of Net Position  
At June 30, 2023 and 2022

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
Current Assets:		
Cash and cash equivalents	\$ 9,328,796	\$ 8,164,678
Accounts receivable	694,945	708,544
Prepaid items	39,339	7,231
Total Current Assets	\$ 10,063,080	\$ 8,880,453
Noncurrent Assets:		
Restricted Assets (Note 2):		
Cash and temporary investments	\$ 1,223,438	\$ 1,032,938
Cash and temporary investments held by trustee	1,993,362	1,982,626
Total Restricted Assets	\$ 3,216,800	\$ 3,015,564
Other Assets:		
Net pension asset	\$ -	\$ 223,070
Patronage equities	855,471	855,272
Total Other Assets	\$ 855,471	\$ 1,078,342
Capital Assets:		
Land	\$ 193,392	\$ 193,392
Plant	132,963,019	131,265,336
Machinery, equipment and vehicles	51,137,242	50,980,198
Office furniture and equipment	174,551	174,551
Lease equipment	19,824	19,824
Computer equipment	461,759	442,049
	\$ 184,949,787	\$ 183,075,350
Accumulated depreciation	93,813,464	87,871,155
	\$ 91,136,323	\$ 95,204,195
Construction in progress	1,114,695	1,004,004
Net Capital Assets	\$ 92,251,018	\$ 96,208,199
Total Noncurrent Assets	\$ 96,323,289	\$ 100,302,105
Total Assets	\$ 106,386,369	\$ 109,182,558
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	\$ 215,831	\$ 389,213
OPEB related items	73,275	83,069
Total Deferred Outflows of Resources	\$ 289,106	\$ 472,282

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Statements of Net Position At June 30, 2023 and 2022 (Continued)

LIABILITIES	2023	2022
Current Liabilities:		
Accounts payable	\$ 479,373	\$ 247,145
Retainage payable	13,870	28,388
Accrued expenses	96,326	85,216
Current maturities of long-term debt	2,902,595	2,838,660
Current portion of lease liability	4,899	4,809
Unearned revenue	14,319	-
Compensated absences	223,281	214,646
Total Current Liabilities	\$ 3,734,663	\$ 3,418,864
Current Liabilities Payable From Restricted Assets:		
Current maturities of long-term debt	\$ 1,606,543	\$ 1,561,385
Accrued interest payable	386,819	421,241
Total Current Liabilities Payable From Restricted Assets	\$ 1,993,362	\$ 1,982,626
Noncurrent Liabilities:		
Net OPEB liabilities	\$ 279,723	\$ 268,633
Net pension liability	296,904	-
Lease liability (net of current portion)	462	5,361
Revenue bonds (net of unamortized premiums)	47,997,432	52,508,438
Total Noncurrent Liabilities	\$ 48,574,521	\$ 52,782,432
Total Liabilities	\$ 54,302,546	\$ 58,183,922
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 266,299	\$ 977,335
OPEB related items	70,042	95,333
Total Deferred Inflows of Resources	\$ 336,341	\$ 1,072,668
NET POSITION		
Net investment in capital assets	\$ 41,331,760	\$ 40,822,543
Restricted:		
Debt service and bond covenants	1,223,438	1,032,938
Net pension asset	-	223,070
Unrestricted	9,481,390	8,542,769
Total Net Position	\$ 52,036,588	\$ 50,398,250

The accompanying notes to financial statements are an integral part of this statement.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue:		
Operations and maintenance	\$ 5,379,229	\$ 4,970,575
Septage/waste treatment	1,177,079	1,101,997
Pretreatment	195,996	408,436
Nutrient credit sales	82,505	4,200
Total Operating Revenue	<u>\$ 6,834,809</u>	<u>\$ 6,485,208</u>
Operating Expenses:		
Power	\$ 1,217,382	\$ 855,493
Operations and maintenance	471,955	392,955
Sewage treatment	1,049,576	612,785
Biosolids expenses	487,374	411,817
Professional expenses	66,944	108,774
Personnel	2,713,013	2,415,027
Administrative	223,653	195,444
Total Operating Expenses	<u>\$ 6,229,897</u>	<u>\$ 4,992,295</u>
Operating Income Before Depreciation and amortization	\$ 604,912	\$ 1,492,913
Depreciation and amortization	<u>5,942,309</u>	<u>5,745,432</u>
Operating income (loss)	<u>\$ (5,337,397)</u>	<u>\$ (4,252,519)</u>
Nonoperating Revenues (Expenses):		
Debt service revenue	\$ 5,673,551	\$ 5,713,403
Investment income	336,216	17,272
Patronage refunds and miscellaneous	28,386	93,656
Gain (loss) on disposal of assets	-	25,200
Interest expense and bond fees	(1,254,486)	(1,391,917)
Planning and repair expenses	(89,432)	(398,479)
Nonoperating revenues (expenses)	<u>\$ 4,694,235</u>	<u>\$ 4,059,135</u>
Income (loss) before capital contributions	\$ (643,162)	\$ (193,384)
Capital contributions	<u>2,281,500</u>	<u>1,936,500</u>
Change in Net Position	\$ 1,638,338	\$ 1,743,116
Net Position, Beginning of Year	<u>50,398,250</u>	<u>48,655,134</u>
Net Position, End of Year	<u><u>\$ 52,036,588</u></u>	<u><u>\$ 50,398,250</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY**

Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,865,148	\$ 6,586,624
Payments to suppliers	(3,316,765)	(3,321,504)
Payments to and on behalf of employees	(2,715,355)	(2,531,410)
Net cash provided by (used for) operating activities	<u>\$ 833,028</u>	<u>\$ 733,710</u>
Cash flows from noncapital financing activities:		
Planning and major repair outlays	\$ (89,432)	\$ (398,479)
Net cash provided by (used for) noncapital financing activities	<u>\$ (89,432)</u>	<u>\$ (398,479)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (2,026,373)	\$ (3,097,840)
Proceeds from localities-debt service revenues	5,673,551	5,713,403
Proceeds from localities-capital contributions	2,281,500	1,936,500
Proceeds from issuance of bonds	-	1,700,118
Principal payments on bonds and lease liability	(4,406,722)	(5,260,022)
Interest and fees paid on bonds and lease liability	(1,262,180)	(1,393,043)
Net cash provided by (used for) capital and related financing activities	<u>\$ 259,776</u>	<u>\$ (400,884)</u>
Cash flows from investing activities:		
Interest income	\$ 336,216	\$ 17,272
Patronage refunds	25,766	81,726
Net cash provided by (used for) investing activities	<u>\$ 361,982</u>	<u>\$ 98,998</u>
Net Increase (Decrease) in cash and cash equivalents	\$ 1,365,354	\$ 33,345
Cash and cash equivalents, beginning of year (including \$3,216,800 and \$3,773,689 respectively reported in restricted accounts)	<u>11,180,242</u>	<u>11,146,897</u>
Cash and cash equivalents, end of year (including \$3,015,564 and \$3,015,564, respectively reported in restricted accounts)	<u><u>\$ 12,545,596</u></u>	<u><u>\$ 11,180,242</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (5,337,397)	\$ (4,252,519)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,942,309	5,745,432
Miscellaneous revenues	2,421	46,682
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	13,599	54,734
(Increase) decrease in prepaid items	(32,108)	25,125
Increase (decrease) in accounts payable	232,227	(769,361)
(Increase) decrease in pension deferred outflows of resources	173,382	61,514
(Increase) decrease in OPEB deferred outflows of resources	9,794	6,982
Increase (decrease) in pension deferred inflows of resources	(711,036)	897,357
Increase (decrease) in OPEB deferred inflows of resources	(25,291)	52,352
Increase (decrease) in net OPEB liabilities	11,090	(59,849)
Increase (decrease) in net pension liability/asset	519,974	(1,074,651)
Increase (decrease) in accrued expenses	11,110	19,011
Increase (decrease) in unearned revenue	14,319	-
Increase (decrease) in compensated absences	8,635	(19,099)
Net cash flows from operating activities	<u><u>\$ 833,028</u></u>	<u><u>\$ 733,710</u></u>

The accompanying notes to financial statements are an integral part of this statement.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022

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### **NOTE 1 - FORMATION OF THE HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY:**

The Harrisonburg-Rockingham Regional Sewer Authority (“HRRSA”) is a public body politic and corporate organized and existing under the provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the “Enabling Act”), and Chapter 61, 1971 Va. Acts of Assembly (the “HRRSA Enabling Act”). HRRSA was created by concurrent resolutions adopted by the governing bodies of the Member Jurisdictions and was chartered by the State Corporation Commission on July 15, 1970. The SCC charter was extended for fifty years on September 13, 2005. The purpose for which HRRSA was formed is to acquire, finance, construct, operate and maintain facilities for the collection and treatment of sewage within its service area.

The Enabling Act provides that HRRSA is authorized, among other things (a) to acquire, construct, improve, operate and maintain any sewer system or sewage disposal system, (b) to issue revenue bonds of HRRSA, payable solely from revenues, to pay all or any part of the cost of a sewer system or sewage disposal system, (c) to fix, revise, charge and collect rates, fees and charges for the use of and for the services furnished by any system operated by HRRSA, and (d) to enter into contracts with any counties, towns and cities, providing for or relating to the furnishing of services and facilities or to the use of any sewer system or sewage disposal system of HRRSA, including the provision of charges therefore. The Enabling Act also provides that HRRSA is subject in all respects to the jurisdiction of the Virginia State Water Control Board under the provisions of the State Water Control Law.

#### **Financial Reporting Entity:**

The member jurisdictions are the City of Harrisonburg, the County of Rockingham and the Towns of Bridgewater, Dayton and Mt. Crawford. These governmental entities have an ongoing financial responsibility to the Authority because a covenant to pay the Authority’s rates and charges is included in the service contract.

The Authority’s governing body is composed of four members appointed by the City of Harrisonburg and one member each appointed by the other member jurisdictions. Therefore, none of the participants appoints a voting majority of board members.

No participating government has access to the Authority’s resources or surpluses, nor is any participant liable for the Authority’s debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations, the Harrisonburg-Rockingham Regional Sewer Authority has been determined to be a joint venture of its member jurisdictions. The Authority is not a component unit of any of the participating governments. There are no component units to be included within the Authority’s financial statements.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. Basis of Accounting:**

The Harrisonburg-Rockingham Regional Sewer Authority operates as an enterprise fund or business-type activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows all applicable Governmental Accounting Standards Board (GASB) pronouncements.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **A. Basis of Accounting: (Continued)**

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses 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 nonoperating revenues and expenses.

#### **B. Allowance for Doubtful Accounts:**

The Authority bills the member jurisdictions for substantially all of its services and consequently no provision for doubtful accounts is considered necessary.

#### **C. Basic Financial Statements:**

For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Required Supplementary Information
  - Schedule of Changes in Net Pension Liability and Related Ratios
  - Schedule of Employer Contributions-Pension Plan
  - Notes to Required Supplementary Information-Pension Plan
  - Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios-Health Insurance
  - Notes to Required Supplementary Information-Health Insurance
  - Schedule of Authority's Share of Net OPEB Liability-Group Life Insurance (GLI) Plan
  - Schedule of Employer Contributions-Group Life Insurance (GLI) Plan
  - Notes to Required Supplementary Information-Group Life Insurance (GLI) Plan

#### **D. Capital Assets:**

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.



HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Capital Assets: (Continued)**

As the Authority constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewage treatment plant and equipment	10 to 50
Machinery and equipment	3 to 25
Office furniture and equipment	10
Vehicles	5
Lease equipment	3 to 5

**E. Leases**

The Authority leases various machinery and equipment requiring recognition. A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

*Lessee*

The Authority recognizes a lease liability and intangible right-to-use lease asset (lease asset) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **E. Leases: (Continued)**

##### *Key Estimates and Judgments*

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee).

The Authority monitors changes in circumstances that would require a remeasurement or modification of its leases. The Authority will remeasure the lease asset and liability (lessee) if certain changes occur that are expected to significantly affect the amount of the lease liability.

#### **F. Interest on Indebtedness:**

Interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Accordingly, interest costs of the Authority are treated as nonoperating expenses.

#### **G. Cash and Cash Equivalents:**

The Authority's cash and cash equivalents consist of demand deposits, investments in the Virginia State Treasurer's Local Government Investment Pool, and investments in United States Government Securities money market mutual funds, all of which have original maturities of three months or less from the date of acquisition.

#### **H. Investments:**

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

#### **I. Budgets and Budgetary Accounting:**

A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting wholesale rates, in accordance with the requirements of the Service Contract, among the member jurisdictions. Rates are not subjected to regulatory scrutiny but may be changed at any time by the Authority's Board of Directors if necessary in order to adjust revenues. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **J. Inventory:**

Consumption of materials and supplies is recorded as an expense when used. No inventory amount is recorded as an asset, as available inventory is not significant.

#### **K. Use of Estimates:**

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

#### **L. Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

#### **M. Net Position:**

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

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#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **N. Net Position Flow Assumption:**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

##### **O. Pensions:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### **P. Other Postemployment Benefits (OPEB)**

###### ***Medical Insurance - Pay-as-you Go***

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense have been determined on the same basis as they were reported by the plan actuary. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms.

###### ***Group Life Insurance***

For purposes of measuring the net GLI Plan OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Plan OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### **Q. Restricted Assets:**

The Authority maintains a number of restricted accounts which are required by contract with the users, by bond resolution, or by the Board of Directors. At June 30, 2023 and 2022, restricted assets consisted of the following:

	<u>2023</u>	<u>2022</u>
Restricted Assets:		
Cash and temporary investments held by Authority:		
O & M Reserve Account	\$ <u>1,223,438</u>	\$ <u>1,032,938</u>
Cash and temporary investments held by Trustee:		
Bond Service fund	\$ <u>1,993,362</u>	\$ <u>1,982,626</u>
Restricted asset balance June 30	\$ <u><u>3,216,800</u></u>	\$ <u><u>3,015,564</u></u>
Board designated accounts, included in current assets:		
Special reserve account	\$ 367,031	\$ 309,881
Planning and repair account	6,740,988	5,344,513
Capital outlay escrow	<u>71,822</u>	<u>64,872</u>
Total	\$ <u><u>7,179,841</u></u>	\$ <u><u>5,719,266</u></u>

Special Reserve Account: The purpose of this account is to hold monies in reserve for the financing of special unanticipated repairs, maintenance, additions, and/or improvements as designated by the Board.

Operating and Maintenance (O & M) Reserve Account: This account is required by contract to equal two months of operations and maintenance expenses under the current budget. This fund is to be used for current operations and maintenance if there are insufficient monies in the operation and maintenance account (unrestricted) caused by extraordinary maintenance and repairs and for capital expenditures.

Planning and Repair Account: This account, held by the Authority, may be used to pay costs or expenses related to the construction, replacement, renewal, or improvement of the Authority's sewage disposal system.

Bond Service Fund: This account, established by the 1992 and 1998 Bond Resolutions, is held in trust and is to be used by the trustee to pay all interest and principal requirements of the bonds. The Authority covenants that it will pay to the Trustee, on a monthly basis, funds sufficient to service the current interest and principal requirements of the Sewer Revenue Bonds.

Capital Outlay Escrow: This account was established by the Board and is used to accumulate funds for capital outlay purchases, such as vehicles.

#### **R. Long-Term Obligations:**

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

### **NOTE 3 - DEPOSITS AND INVESTMENTS:**

#### **Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institution holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The Authority has no formal deposit and investment policy.

#### **Investments:**

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

#### **Credit Risk of Debt Securities**

The Authority's rated debt investments as of June 30, 2023 and 2022 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<b>Authority's Rated Debt Investments' Values</b>			
	<b>2023</b>		<b>2022</b>
	<b>Fair Quality</b>		<b>Fair Quality</b>
	<b>Ratings</b>		<b>Ratings</b>
<b>Rated Debt Investments</b>	<b>AAAm</b>		<b>AAAm</b>
Local Government Investment Pool	\$ 8,403,666	\$	6,752,575
Money market fund - Federated Automated Money Trust	1,993,362		1,982,626
Total deposits and investments	\$ 10,397,028	\$	8,735,201

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

#### **NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)**

##### **Interest Rate Risk:**

<b>Investment Maturities (in Years) as of June 30, 2023</b>		
	<b>Fair Value</b>	<b>Less Than 1 Year</b>
Local Government Investment Pool	\$ <u>8,403,666</u>	\$ <u>8,403,666</u>
	\$ <u><u>8,403,666</u></u>	\$ <u><u>8,403,666</u></u>

  

<b>Investment Maturities (in Years) as of June 30, 2022</b>		
	<b>Fair Value</b>	<b>Less Than 1 Year</b>
Local Government Investment Pool	\$ <u>6,752,575</u>	\$ <u>6,752,575</u>
	\$ <u><u>6,752,575</u></u>	\$ <u><u>6,752,575</u></u>

##### **External Investment Pools**

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is measured at amortized cost. There are no withdrawal limitations or restrictions imposed on participants.

#### **NOTE 4 - FAIR VALUE MEASUREMENTS:**

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

### NOTE 4 - FAIR VALUE MEASUREMENTS: (CONTINUED)

- Level 2 – Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Authority is providing the following information related to its investments:

	Fair Value Measurements at Reporting Date Using			
	Total June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury & Agency Money Market Funds	\$ 1,993,362	\$ 1,993,362	\$ -	\$ -
Total investments measured at fair value	<u>\$ 1,993,362</u>	<u>\$ 1,993,362</u>	<u>\$ -</u>	<u>\$ -</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)			
	Total June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury & Agency Money Market Funds	\$ 1,982,626	\$ 1,982,626	\$ -	\$ -
Total investments measured at fair value	<u>\$ 1,982,626</u>	<u>\$ 1,982,626</u>	<u>\$ -</u>	<u>\$ -</u>



# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## **NOTE 5 - CAPITAL ASSETS:**

Details of changes in capital assets for the year ended June 30, 2023 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 193,392	\$ -	\$ -	\$ 193,392
Construction in progress	<u>1,004,004</u>	<u>1,902,565</u>	<u>1,791,874</u>	<u>1,114,695</u>
Total capital assets not being depreciated	<u>\$ 1,197,396</u>	<u>\$ 1,902,565</u>	<u>\$ 1,791,874</u>	<u>\$ 1,308,087</u>
<b>Capital assets being depreciated:</b>				
Plant	\$ 131,265,336	\$ 1,710,283	\$ -	\$ 132,975,619
Machinery and equipment	50,309,344	144,444	-	50,453,788
Vehicles	670,854	-	-	670,854
Office furniture and equipment	174,551	19,710	-	194,261
Lease equipment	19,824	-	-	19,824
Computer equipment	<u>442,049</u>	<u>-</u>	<u>-</u>	<u>442,049</u>
Total capital assets being depreciated	<u>\$ 182,881,958</u>	<u>\$ 1,874,437</u>	<u>\$ -</u>	<u>\$ 184,756,395</u>
<b>Accumulated depreciation:</b>				
Plant	\$ (63,070,986)	\$ (3,141,728)	\$ -	\$ (66,212,714)
Machinery and equipment	(23,968,727)	(2,671,331)	-	(26,640,058)
Vehicles	(437,663)	(75,474)	-	(513,137)
Office furniture and equipment	(155,934)	(5,341)	-	(161,275)
Lease equipment	(9,781)	(4,821)	-	(14,602)
Computer equipment	<u>(228,064)</u>	<u>(43,614)</u>	<u>-</u>	<u>(271,678)</u>
Total accumulated depreciation	<u>\$ (87,871,155)</u>	<u>\$ (5,942,309)</u>	<u>\$ -</u>	<u>\$ (93,813,464)</u>
Total capital assets, being depreciated, net	<u>\$ 95,010,803</u>	<u>\$ (4,067,872)</u>	<u>\$ -</u>	<u>\$ 90,942,931</u>
Total capital assets net	<u><u>\$ 96,208,199</u></u>	<u><u>\$ (2,165,307)</u></u>	<u><u>\$ 1,791,874</u></u>	<u><u>\$ 92,251,018</u></u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## **NOTE 5 - CAPITAL ASSETS: (CONTINUED)**

Details of changes in capital assets for the year ended June 30, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 193,392	\$ -	\$ -	\$ 193,392
Construction in progress	<u>6,080,612</u>	<u>3,104,597</u>	<u>8,181,205</u>	<u>1,004,004</u>
Total capital assets not being depreciated	<u>\$ 6,274,004</u>	<u>\$ 3,104,597</u>	<u>\$ 8,181,205</u>	<u>\$ 1,197,396</u>
<b>Capital assets being depreciated:</b>				
Plant	\$ 131,185,620	\$ 79,716	\$ -	\$ 131,265,336
Machinery and equipment	42,501,902	7,807,442	-	50,309,344
Vehicles	677,300	75,804	82,250	670,854
Office furniture and equipment	153,482	21,069	-	174,551
Lease equipment	19,824	-	-	19,824
Computer equipment	<u>442,049</u>	<u>-</u>	<u>-</u>	<u>442,049</u>
Total capital assets being depreciated	<u>\$ 174,980,177</u>	<u>\$ 7,984,031</u>	<u>\$ 82,250</u>	<u>\$ 182,881,958</u>
<b>Accumulated depreciation:</b>				
Plant	\$ (59,985,399)	\$ (3,085,587)	\$ -	\$ (63,070,986)
Machinery and equipment	(21,437,396)	(2,531,331)	-	(23,968,727)
Vehicles	(445,471)	(74,442)	(82,250)	(437,663)
Office furniture and equipment	(152,725)	(3,209)	-	(155,934)
Lease equipment	(4,960)	(4,821)	-	(9,781)
Computer equipment	<u>(182,022)</u>	<u>(46,042)</u>	<u>-</u>	<u>(228,064)</u>
Total accumulated depreciation	<u>\$ (82,207,973)</u>	<u>\$ (5,745,432)</u>	<u>\$ (82,250)</u>	<u>\$ (87,871,155)</u>
Total capital assets, being depreciated, net	<u>\$ 92,772,204</u>	<u>\$ 2,238,599</u>	<u>\$ -</u>	<u>\$ 95,010,803</u>
Total capital assets net	<u>\$ 99,046,208</u>	<u>\$ 5,343,196</u>	<u>\$ 8,181,205</u>	<u>\$ 96,208,199</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 6 - LONG-TERM OBLIGATIONS:

### A. Changes in Long-Term Obligations:

The following is a summary of long-term obligations transactions for the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct borrowings and placements:					
Revenue bonds	\$ 56,908,483	\$ -	\$ (4,401,913)	\$ 52,506,570	\$ 4,509,138
Lease liability	10,170	-	(4,809)	5,361	4,899
Net OPEB liabilities	268,633	75,497	(64,407)	279,723	-
Net pension liability	-	709,617	(412,713)	296,904	-
Compensated absences	214,646	42,929	(34,294)	223,281	223,281
Totals	<u>\$ 57,401,932</u>	<u>\$ 828,043</u>	<u>\$ (4,918,136)</u>	<u>\$ 53,311,839</u>	<u>\$ 4,737,318</u>

The following is a summary of long-term obligations transactions for the year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct borrowings and placements:					
Revenue bonds	\$ 60,463,690	\$ 1,700,118	\$ (5,255,325)	\$ 56,908,483	\$ 4,400,045
Unamortized issuance premiums	47,907	-	(47,907)	-	-
Total direct borrowings and placements	\$ 60,511,597	\$ 1,700,118	\$ (5,303,232)	\$ 56,908,483	\$ 4,400,045
Lease liability	14,865	-	(4,695)	10,170	4,809
Net OPEB liabilities	328,482	44,787	(104,636)	268,633	-
Net pension liability	851,581	1,373,621	(2,225,202)	-	-
Compensated absences	233,745	46,749	(65,848)	214,646	214,646
Totals	<u>\$ 61,940,270</u>	<u>\$ 3,165,275</u>	<u>\$ (7,703,613)</u>	<u>\$ 57,401,932</u>	<u>\$ 4,619,500</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

### NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

#### B. Annual Amortization of Long-Term Obligations:

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2023 are as follows:

Year Ending June 30,	Direct Borrowings and Placements		Lease Liability	
	Revenue Bonds		Principal	Interest
	Principal	Interest		
2024	\$ 4,509,138	\$ 1,170,536	\$ 4,899	\$ 57
2025	4,619,124	1,060,549	462	1
2026	4,731,884	947,789	-	-
2027	4,847,489	832,184	-	-
2028	4,966,012	713,662	-	-
2029	5,087,527	592,146	-	-
2030	5,212,112	467,561	-	-
2031	3,239,444	339,827	-	-
2032	1,186,899	291,970	-	-
2033	1,207,925	270,943	-	-
2034	1,229,352	249,517	-	-
2035	1,251,186	227,683	-	-
2036	1,273,436	205,433	-	-
2037	1,044,648	182,767	-	-
2038	814,964	164,175	-	-
2039	832,445	146,694	-	-
2040	850,304	128,836	-	-
2041	868,548	110,591	-	-
2042	887,187	91,953	-	-
2043	906,228	72,911	-	-
2044	925,682	53,458	-	-
2045	602,524	33,623	-	-
2046	275,000	24,865	-	-
2047	280,111	19,754	-	-
2048	285,317	14,548	-	-
2049	290,620	9,246	-	-
2050	281,464	3,844	-	-
Total	\$ 52,506,570	\$ 8,427,065	\$ 5,361	\$ 58

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

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### NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

#### C. Details of Long-Term Obligations:

Direct Borrowings and Placements:

Revenue Bonds:

\$30,000,000 Series 2007 Sewer Revenue Bond dated December 20, 2007 bearing interest at 2.52%, due in semi-annual installments of combined principal and interest of \$984,273, final maturity September 1, 2030. \$ 13,376,381

\$33,219,297 Series 2008B Sewer Revenue Bond dated November 25, 2008 bearing interest at 2.72%, due in semi-annual installments of combined principal and interest of \$1,116,129, final maturity September 1, 2030. 15,052,631

\$8,665,505 Series 2015 Sewer Revenue Bond dated February 27, 2015 with allonge dated September 22, 2015 bearing interest at 1.20%, due in semi-annual installments beginning November 1, 2017 of combined principal and interest of \$249,865, final maturity November 1, 2036. 6,209,747

\$12,740,000 Series 2017 Sewer Revenue Bond dated December 8, 2017 bearing interest at 2.25%, due in semi-annual installments beginning September 1, 2020 of combined principal and interest of \$339,637, final maturity November 1, 2044. 11,526,472

\$6,618,791 Series 2020 Sewer Revenue Bond dated September 10, 2020 bearing interest at 1.85%, due in semi-annual installments beginning September 1, 2022 of combined principal and interest of \$149,933, final maturity March 1, 2050. 6,341,339

Total Direct Borrowings and Placements \$ 52,506,570

\$19,124 lease liability for copier equipment at a discount rate of 1.85%. Monthly payments through June 1, 2024. 5,361

Net OPEB liabilities 279,723

Net pension liability 296,904

Compensated absences 223,281

Total Long-Term Obligations \$ 53,311,839

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)**

#### **D. Presentation of Long-Term Debt:**

The following is a summary of long-term debt accounts:

	June 30,	
	2023	2022
Revenue Bonds:		
2020 Series	\$ 6,341,339	\$ 6,521,447
Current portion	(183,395)	(178,238)
	<u>\$ 6,157,944</u>	<u>\$ 6,343,209</u>
2007 Series	\$ 13,376,381	\$ 14,977,519
Current portion	(1,641,739)	(1,601,137)
	<u>\$ 11,734,642</u>	<u>\$ 13,376,382</u>
2008B Series	\$ 15,052,631	\$ 16,838,935
Current portion	(1,835,223)	(1,786,305)
	<u>\$ 13,217,408</u>	<u>\$ 15,052,630</u>
2015 Series	\$ 6,209,747	\$ 6,631,162
Current portion	(426,488)	(421,416)
	<u>\$ 5,783,259</u>	<u>\$ 6,209,746</u>
2017 Series	\$ 11,526,472	\$ 11,939,420
Current portion	(422,293)	(412,949)
	<u>\$ 11,104,179</u>	<u>\$ 11,526,471</u>
Revenue Bonds	<u>\$ 47,997,432</u>	<u>\$ 52,508,438</u>

#### **E. Revenue Covenants:**

The Authority is required to establish, charge and collect rates and enter into agreements with the Units contracting with the Authority for use of its services and facilities. Under the contracts, net revenues will in each fiscal year be sufficient to provide, together with any other funds available, an amount at least equal to the sum of 100% of the principal and interest requirements on account of all the bonds then outstanding under the Resolution.

#### **F. Direct Borrowings and Placements:**

Revenue bonds totaling \$52,506,570 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 7 - COMPENSATED ABSENCES:**

Effective July 1, 2014, the Authority combined its annual and sick leave plans into a single Paid Time Off (PTO) leave plan. Employee accumulated annual leave balances as of June 30, 2014 were converted to PTO leave and accumulated sick leave was converted to frozen sick leave. As of July 1, 2014, Authority employees earn Paid Time Off (PTO) leave each month in accordance with the years of service. Accumulated unpaid PTO and other compensatory leave amounts are accrued when incurred. Accumulated sick leave which was converted to frozen sick leave was accrued when incurred. At June 30, 2023 and 2022, the liability for accrued leave (including frozen sick leave) was \$223,281 and \$214,646, respectively.

### **NOTE 8 - PENSION PLAN:**

#### ***Plan Description***

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

#### ***Benefit Structures***

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 8 - PENSION PLAN: (CONTINUED)**

#### ***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

#### ***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

#### ***Employees Covered by Benefit Terms***

As of the June 30, 2021 and 2020 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	<b><u>2021 Number</u></b>	<b><u>2020 Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>25</u>	<u>25</u>
Inactive members:		
Vested inactive members	6	5
Non-vested inactive members	7	8
Inactive members active elsewhere in VRS	<u>6</u>	<u>6</u>
Total inactive members	19	19
Active members	<u>30</u>	<u>28</u>
Total covered employees	<u><u>74</u></u>	<u><u>72</u></u>



HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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**NOTE 8 - PENSION PLAN: (CONTINUED)**

***Contributions***

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

The Authority’s contractually required employer contribution rate for the year ended June 30, 2023 and June 30, 2022 were 5.93% and 5.58% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$98,964 and \$89,504 for the years ended June 30, 2023 and June 30, 2022, respectively.

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

***Actuarial Assumptions - General Employees***

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

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

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 8 - PENSION PLAN: (CONTINUED)**

#### ***Actuarial Assumptions - General Employees: (Continued)***

Mortality rates:

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 8 - PENSION PLAN: (CONTINUED)

### Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

### Discount Rate

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

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## **NOTE 8 - PENSION PLAN: (CONTINUED)**

### ***Discount Rate: (Continued)***

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

### ***Changes in Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 8,511,791	\$ 8,734,861	\$ (223,070)
Changes for the year:			
Service cost	\$ 130,885	\$ -	\$ 130,885
Interest	567,490	-	567,490
Differences between expected and actual experience	(14,938)	-	(14,938)
Contributions - employer	-	89,361	(89,361)
Contributions - employee	-	85,146	(85,146)
Net investment income	-	(5,764)	5,764
Benefit payments, including refunds of employee contributions	(470,845)	(470,845)	-
Administrative expenses	-	(5,478)	5,478
Other changes	-	198	(198)
Net changes	\$ 212,592	\$ (307,382)	\$ 519,974
Balances at June 30, 2022	\$ 8,724,383	\$ 8,427,479	\$ 296,904

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 8 - PENSION PLAN: (CONTINUED)

### Changes in Net Pension Liability: (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 7,894,056	\$ 7,042,475	\$ 851,581
Changes for the year:			
Service cost	\$ 130,490	\$ -	\$ 130,490
Interest	520,175	-	520,175
Changes of assumptions	260,303	-	260,303
Differences between expected and actual experience	82,300	-	82,300
Contributions - employer	-	84,391	(84,391)
Contributions - employee	-	80,597	(80,597)
Net investment income	-	1,907,572	(1,907,572)
Benefit payments, including refunds of employee contributions	(375,533)	(375,533)	-
Administrative expenses	-	(4,820)	4,820
Other changes	-	179	(179)
Net changes	\$ 617,735	\$ 1,692,386	\$ (1,074,651)
Balances at June 30, 2021	\$ 8,511,791	\$ 8,734,861	\$ (223,070)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
<b>2022</b>			
Authority's Net Pension Liability	\$ 1,405,058	\$ 296,904	\$ (607,243)
<b>2021</b>			
Authority's Net Pension Liability	\$ 850,701	\$ (223,070)	\$ (1,113,028)

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

### **NOTE 8 - PENSION PLAN: (CONTINUED)**

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$81,138. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,233	\$ 9,925
Change in assumptions	77,634	-
Net difference between projected and actual earnings on pension plan investments	-	256,374
Employer contributions subsequent to the measurement date	<u>98,964</u>	<u>-</u>
Total	<u>\$ 215,831</u>	<u>\$ 266,299</u>

For the year ended June 30, 2022, the Authority recognized pension expense of \$(26,422). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 91,059	\$ 31,094
Change in assumptions	208,650	-
Net difference between projected and actual earnings on pension plan investments	-	946,241
Employer contributions subsequent to the measurement date	<u>89,504</u>	<u>-</u>
Total	<u>\$ 389,213</u>	<u>\$ 977,335</u>

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 8 - PENSION PLAN: (CONTINUED)**

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

\$98,964 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b><u>Year ended June 30</u></b>	
2024	\$ 12,643
2025	(108,256)
2026	(170,855)
2027	117,039
Thereafter	-

\$89,504 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b><u>Year ended June 30</u></b>	
2023	\$ (69,972)
2024	(99,381)
2025	(220,381)
2026	(287,892)
Thereafter	-

#### ***Pension Plan Data***

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

HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS:

Medical Insurance - Pay-as-you Go:

Plan Description

In addition to the pension benefits described in Note 8, the Authority administers a single-employer defined benefit healthcare plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the Authority’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The Authority administers a single-employer healthcare plan (“the Retiree Plan”). The plan provides for participation by eligible retirees of the Authority and their dependents in the health insurance programs available to Authority employees. The Retiree Health Plan will provide retiring employees the option to continue health insurance offered by the Authority. An eligible Authority retiree may receive this benefit until the retiree is eligible to receive Medicare. Participants in the Harrisonburg-Rockingham Regional Sewer Authority (Authority) must meet the eligibility requirements based on service earned with the Authority to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for a benefit. Participants must meet one of the following criteria to be eligible for benefits:

- Participants must attain the age of 50 with at least 30 years of service with the Virginia Retirement System (VRS), have 15 years of service with the Authority and must have participated in the health plan for the last 5 years prior to retirement.
- Participants must attain the age of 55 with at least 15 years of service with the Authority and must have participated in the health plan for the last 5 years prior to retirement.

Health benefits include medical, dental, and vision coverage. Retirees under the age of 65 may elect the Anthem BCBS (PPO) medical option and a separate dental option. Retirees may elect to cover a spouse until the earliest of any of the following conditions: the retiree reaches age 65, the spouse reaches age 65 or the spouse becomes eligible for Medicare.

All benefits cease upon the death of the retiree.

The benefits, employee contributions and the employer contributions are governed by the Board of Directors of the Harrisonburg-Rockingham Regional Sewer Authority and can be amended through Board action. The Retiree Health Plan does not issue a publicly available financial report.

Plan Membership

At June 30, 2023 and 2022 (measurement dates), the following employees were covered by the benefit terms:

	2023	2022
Total active employees with coverage	30	30
Total retirees with coverage	1	1
Total	31	31



HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

**Medical Insurance - Pay-as-you Go: (Continued)**

***Contributions***

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority Board. The amount paid by the Authority for OPEB as the benefits came due during the years ended June 30, 2023 and 2022 were \$9,402 and \$8,736, respectively.

***Total OPEB Liability***

The Authority’s Total OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022.

***Actuarial Assumptions***

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2023
Salary Increases	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% for 20 or more years of service.
Discount Rate	3.54% for accounting and funding disclosures as of June 30, 2022 3.65% for accounting and funding disclosures as of June 30, 2023

***Pre-Retirement Mortality Rates***

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

***Post-Retirement Mortality Rates***

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

The date of the most recent actuarial experience study for which significant assumptions were based is January 1, 2022.

***Discount Rate***

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The final equivalent single discount rate used for this year’s valuation is 3.65% as of the end of the fiscal year.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

### Medical Insurance - Pay-as-you Go: (Continued)

#### *Changes in Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balances at June 30, 2022	\$ 170,834
Changes for the year:	
Service cost	7,102
Interest	6,134
Effect of Assumptions Changes or Inputs	3,068
Benefit payments	(9,402)
Balances at June 30, 2023	\$ <u>177,736</u>

	<u>Total OPEB Liability</u>
Balances at June 30, 2021	\$ 193,306
Changes for the year:	
Service cost	9,144
Interest	4,279
Effect of Economic/Demographic Gains or Losses	(7,229)
Effect of Assumptions Changes or Inputs	(19,930)
Benefit payments	(8,736)
Balances at June 30, 2022	\$ <u>170,834</u>

#### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
June 30, 2023	\$ 192,246	\$ 177,736	\$ 164,341
	<u>(2.54%)</u>	<u>(3.54%)</u>	<u>(4.54%)</u>
June 30, 2022	\$ 185,078	\$ 170,834	\$ 157,696

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

### **Medical Insurance - Pay-as-you Go: (Continued)**

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.7% increasing annually to an ultimate rate of 3.2%) or one percentage point higher (4.7% increasing by to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

		Rates		
		1% Decrease (4.00% decreasing to 3.00%)	Healthcare Cost Trend (5.00% decreasing to 4.00%)	1% Increase (6.00% decreasing to 5.00%)
June 30, 2023	\$	159,918	\$ 177,736	\$ 199,167
June 30, 2022	\$	154,533	\$ 170,834	\$ 190,445

#### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2023, the Authority recognized OPEB expense in the amount of \$14,071. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,077	\$ 5,753
Changes in assumptions	5,038	42,297
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ <u>47,115</u>	\$ <u>48,050</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

### Medical Insurance - Pay-as-you Go: (Continued)

#### *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)*

For the year ended June 30, 2022, the Authority recognized OPEB expense in the amount of \$13,909. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 49,591	\$ 6,491
Changes in assumptions	3,042	49,310
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 52,633</u>	<u>\$ 55,801</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023 will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ 835
2025	835
2026	821
2027	733
2028	733
Thereafter	(4,892)

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022 will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ 486
2024	486
2025	486
2026	472
2027	384
Thereafter	(5,482)

Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

#### **Group Life Insurance (GLI) Plan (OPEB Plan):**

##### ***Plan Description***

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

##### ***Eligible Employees***

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

##### ***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

#### **Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

##### ***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$10,325 and \$9,944 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

##### ***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB***

At June 30, 2023 and 2022, the entity reported a liability of \$101,987 and \$97,799, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .00850% as compared to .00840% at June 30, 2021.

For the years ended June 30, 2023 and 2022, the participating employer recognized GLI OPEB expense of \$3,826 and \$4,284, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

#### Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

#### *GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,076	\$ 4,091
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,373
Change in assumptions	3,804	9,934
Changes in proportion	3,955	1,594
Employer contributions subsequent to the measurement date	<u>10,325</u>	<u>-</u>
Total	<u>\$ 26,160</u>	<u>\$ 21,992</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,154	\$ 745
Net difference between projected and actual earnings on GLI OPEB program investments	-	23,342
Change in assumptions	5,392	13,381
Changes in proportion	3,946	2,064
Employer contributions subsequent to the measurement date	<u>9,944</u>	<u>-</u>
Total	<u>\$ 30,436</u>	<u>\$ 39,532</u>

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

## Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

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### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

#### Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

#### *GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)*

\$10,325 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2024	\$	(1,218)
2025		(1,169)
2026		(4,698)
2027		1,526
2028		(598)
Thereafter		-

\$9,944 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2023	\$	(4,540)
2024		(3,455)
2025		(3,407)
2026		(6,907)
2027		(731)
Thereafter		-



HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

**Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

- Pre-Retirement:
  - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
  - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
  - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
  - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
  - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

### **Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

#### ***Actuarial Assumptions: (Continued)***

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

#### ***Net GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Plan represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022 and 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program	
		2022	2021
Total GLI OPEB Liability	\$	3,672,085	\$ 3,577,346
Plan Fiduciary Net Position		2,467,989	2,413,074
GLI Net OPEB Liability (Asset)	\$	<u>1,204,096</u>	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%	67.45%

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

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

#### Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

##### *Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

##### *Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

### Notes to Financial Statements

As of June 30, 2023 and 2022 (Continued)

#### **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

##### **Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

###### ***Discount Rate: Continued)***

to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
<b>2022</b>				
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$	148,403 \$	97,799 \$	64,476
<b>2021</b>				
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$	142,888 \$	97,799 \$	61,388

###### ***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**

### ***OPEB Aggregate Totals***

	June 30, 2023			
	Deferred Outflows	Deferred Inflows	Net/Total OPEB Liability	OPEB Expense
VRS OPEB Plan:				
Group Life Insurance Program	\$ 26,160	\$ 21,992	\$ 101,987	\$ 3,826
Authority Stand-Alone Plan	47,115	48,050	177,736	14,071
Totals	<u>\$ 73,275</u>	<u>\$ 70,042</u>	<u>\$ 279,723</u>	<u>\$ 17,897</u>
	June 30, 2022			
	Deferred Outflows	Deferred Inflows	Net/Total OPEB Liability	OPEB Expense
VRS OPEB Plan:				
Group Life Insurance Program	\$ 30,436	\$ 39,532	\$ 97,799	\$ 4,284
Authority Stand-Alone Plan	52,633	55,801	170,834	13,909
Totals	<u>\$ 83,069</u>	<u>\$ 95,333</u>	<u>\$ 268,633</u>	<u>\$ 18,193</u>

## **NOTE 10 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the State to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers compensation and other liability insurance coverage. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

The Authority provides employee health and accident insurance through participation in the City of Harrisonburg's health insurance pool. The Authority pays a monthly premium to the pool for health insurance coverage. Settled claims resulting from these risks have not exceeded pool insurance coverage in any of the past three fiscal years.

## **NOTE 11 - UPCOMING PRONOUNCEMENTS:**

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

## HARRISONBURG-ROCKINGHAM REGIONAL SEWER AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### **NOTE 11 - UPCOMING PRONOUNCEMENTS: (CONTINUED)**

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

### **NOTE 12 - CONSTRUCTION COMMITMENTS:**

The Authority has active construction projects as of June 30, 2023. The Black Run Interceptor Replacement Project is funded by the Series 2020 bond issue. The other projects are funded by capital contributions from the member jurisdictions and Planning and Repair Account funds. At year end the Authority's commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Bridgewater Pump Station	\$ 519,046	403,037	\$ 116,009
Various	3,347,949	3,021,411	326,538

- Required Supplementary Information -

Schedule of and Changes in Net Pension (Asset) Liability and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018
<b>Total pension liability</b>					
Service cost	\$ 130,885	\$ 130,490	\$ 129,221	\$ 117,655	\$ 127,125
Interest	567,490	520,175	496,085	490,691	471,683
Differences between expected and actual experience	(14,938)	82,300	83,534	(160,649)	(27,620)
Changes in assumptions	-	260,303	-	205,020	-
Benefit payments, including refunds of employee contributions	(470,845)	(375,533)	(328,394)	(297,943)	(301,370)
<b>Net change in total pension liability</b>	<b>\$ 212,592</b>	<b>\$ 617,735</b>	<b>\$ 380,446</b>	<b>\$ 354,774</b>	<b>\$ 269,818</b>
<b>Total pension liability - beginning</b>	<b>8,511,791</b>	<b>7,894,056</b>	<b>7,513,610</b>	<b>7,158,836</b>	<b>6,889,018</b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 8,724,383</u></b>	<b><u>\$ 8,511,791</u></b>	<b><u>\$ 7,894,056</u></b>	<b><u>\$ 7,513,610</u></b>	<b><u>\$ 7,158,836</u></b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 89,361	\$ 84,391	\$ 80,932	\$ 79,772	\$ 93,738
Contributions - employee	85,146	80,597	78,042	76,429	74,384
Net investment income	(5,764)	1,907,572	134,589	448,816	473,589
Benefit payments, including refunds of employee contributions	(470,845)	(375,533)	(328,394)	(297,943)	(301,370)
Administrative expense	(5,478)	(4,820)	(4,642)	(4,477)	(4,114)
Other	198	179	(159)	(283)	(421)
<b>Net change in plan fiduciary net position</b>	<b>\$ (307,382)</b>	<b>\$ 1,692,386</b>	<b>\$ (39,632)</b>	<b>\$ 302,314</b>	<b>\$ 335,806</b>
<b>Plan fiduciary net position - beginning</b>	<b>8,734,861</b>	<b>7,042,475</b>	<b>7,082,107</b>	<b>6,779,793</b>	<b>6,443,987</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 8,427,479</u></b>	<b><u>\$ 8,734,861</u></b>	<b><u>\$ 7,042,475</u></b>	<b><u>\$ 7,082,107</u></b>	<b><u>\$ 6,779,793</u></b>
<b>Authority's net pension (asset) liability - ending (a) - (b)</b>	<b>\$ 296,904</b>	<b>\$ (223,070)</b>	<b>\$ 851,581</b>	<b>\$ 431,503</b>	<b>\$ 379,043</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>96.60%</b>	<b>102.62%</b>	<b>89.21%</b>	<b>94.26%</b>	<b>94.71%</b>
<b>Covered payroll</b>	<b>\$ 1,841,406</b>	<b>\$ 1,734,161</b>	<b>\$ 1,666,900</b>	<b>\$ 1,626,398</b>	<b>\$ 1,573,349</b>
<b>Authority's net pension liability as a percentage of covered payroll</b>	<b>16.12%</b>	<b>-12.86%</b>	<b>51.09%</b>	<b>26.53%</b>	<b>24.09%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.



Schedule of and Changes in Net Pension (Asset) Liability and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 128,242	\$ 134,331	\$ 141,510	\$ 140,711
Interest	456,498	427,006	415,446	399,558
Differences between expected and actual experience	3,999	157,464	(44,646)	-
Changes in assumptions	(72,197)	-	-	-
Benefit payments, including refunds of employee contributions	(297,851)	(297,123)	(397,209)	(229,374)
<b>Net change in total pension liability</b>	<b>\$ 218,691</b>	<b>\$ 421,678</b>	<b>\$ 115,101</b>	<b>\$ 310,895</b>
<b>Total pension liability - beginning</b>	<b>6,670,327</b>	<b>6,248,649</b>	<b>6,133,548</b>	<b>5,822,653</b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 6,889,018</u></b>	<b><u>\$ 6,670,327</u></b>	<b><u>\$ 6,248,649</u></b>	<b><u>\$ 6,133,548</u></b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 93,493	\$ 113,630	\$ 116,681	\$ 131,211
Contributions - employee	73,333	70,370	72,522	77,714
Net investment income	709,648	100,911	267,145	800,801
Benefit payments, including refunds of employee contributions	(297,851)	(297,123)	(397,209)	(229,374)
Administrative expense	(4,143)	(3,683)	(3,796)	(4,294)
Other	(630)	(43)	(56)	42
<b>Net change in plan fiduciary net position</b>	<b>\$ 573,850</b>	<b>\$ (15,938)</b>	<b>\$ 55,287</b>	<b>\$ 776,100</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,870,137</b>	<b>5,886,075</b>	<b>5,830,788</b>	<b>5,054,688</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 6,443,987</u></b>	<b><u>\$ 5,870,137</u></b>	<b><u>\$ 5,886,075</u></b>	<b><u>\$ 5,830,788</u></b>
<b>Authority's net pension (asset) liability - ending (a) - (b)</b>	<b>\$ 445,031</b>	<b>\$ 800,190</b>	<b>\$ 362,574</b>	<b>\$ 302,760</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>93.54%</b>	<b>88.00%</b>	<b>94.20%</b>	<b>95.06%</b>
<b>Covered payroll</b>	<b>\$ 1,544,856</b>	<b>\$ 1,471,161</b>	<b>\$ 1,466,601</b>	<b>\$ 1,501,832</b>
<b>Authority's net pension liability as a percentage of covered payroll</b>	<b>28.81%</b>	<b>54.39%</b>	<b>24.72%</b>	<b>20.16%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

# Harrisonburg-Rockingham Regional Sewer Authority

## Schedule of Employer Contributions

### Pension Plan

Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 98,964	\$ 98,964	\$ -	\$ 1,912,083	5.18%
2022	89,504	89,504	-	1,841,406	4.86%
2021	84,535	84,535	-	1,734,161	4.87%
2020	81,282	81,282	-	1,666,900	4.88%
2019	79,905	79,905	-	1,626,398	4.91%
2018	93,875	93,875	-	1,573,349	5.97%
2017	93,647	93,647	-	1,544,856	6.06%
2016	113,806	113,806	-	1,471,161	7.74%
2015	116,852	116,852	-	1,466,601	7.97%
2014	129,908	129,908	-	1,501,832	8.65%

## Harrisonburg-Rockingham Regional Sewer Authority

### Notes to Pension Required Supplementary Information

#### Pension Plan

Year Ended June 30, 2023

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Harrisonburg-Rockingham Regional Sewer Authority

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios

Authority OPEB - Retiree Health Insurance

For the Measurement Dates of June 30, 2018 through June 30, 2023

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service cost	\$ 7,102	\$ 9,144	\$ 8,520	\$ 9,310	\$ 8,478	\$ 8,876
Interest	6,134	4,279	4,384	6,087	6,658	6,417
Effect of Economic/Demographic Gains or Losses	-	(7,229)	-	72,133	-	-
Effect of Assumptions Changes or Inputes	3,068	(19,930)	712	(42,635)	5,056	(4,792)
Benefit payments	(9,402)	(8,736)	(20,260)	(18,915)	(19,370)	(23,419)
<b>Net change in total OPEB liability</b>	<b>\$ 6,902</b>	<b>\$ (22,472)</b>	<b>\$ (6,644)</b>	<b>\$ 25,980</b>	<b>\$ 822</b>	<b>\$ (12,918)</b>
<b>Total OPEB liability - beginning</b>	<b>170,834</b>	<b>193,306</b>	<b>199,950</b>	<b>173,970</b>	<b>173,148</b>	<b>186,066</b>
<b>Total OPEB liability - ending</b>	<b>\$ 177,736</b>	<b>\$ 170,834</b>	<b>\$ 193,306</b>	<b>\$ 199,950</b>	<b>\$ 173,970</b>	<b>\$ 173,148</b>
 <b>Covered-employee payroll</b>	 \$ 1,817,124	 \$ 1,817,124	 \$ 1,639,941	 \$ 1,639,941	 \$ 1,547,871	 \$ 1,547,871
 <b>Authority's total OPEB liability as a percentage of covered employee payroll</b>	 9.78%	 9.40%	 11.79%	 12.19%	 11.24%	 11.19%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

## Harrisonburg-Rockingham Regional Sewer Authority

Notes to Required Supplementary Information  
Authority OPEB - Retiree Health Insurance  
Year Ended June 30, 2023

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Valuation Date: 1/1/2022  
Measurement Date: 6/30/2023

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

### *Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of pay
Discount Rate	3.54% as of June 30, 2022; 3.65% as of June 30, 2023
Inflation	2.50% per year as of June 30, 2021; 2.50% per year as of June 30, 2023
Healthcare Trend Rate	The healthcare trend rate assumption starts at 3.70% in 2018, increases to 7.80% in 2019 and gradually declines to 4.20% by the year 2087
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table fully generational using scale MP-2014. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Table projected with Scale BB to 2020.

# Harrisonburg-Rockingham Regional Sewer Authority

## Schedule of Authority's Share of Net OPEB Liability

### Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2022	0.00850%	\$ 101,987	\$ 1,841,406	5.54%	67.21%
2021	0.00840%	97,799	1,734,161	5.64%	67.45%
2020	0.00810%	135,176	1,666,900	8.11%	52.64%
2019	0.00830%	135,063	1,626,398	8.30%	52.00%
2018	0.00827%	125,000	1,573,349	7.94%	51.22%
2017	0.00838%	127,000	1,544,856	8.22%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

# Harrisonburg-Rockingham Regional Sewer Authority

## Schedule of Employer Contributions

### Group Life Insurance (GLI) Plan

Years Ended June 30, 2014 through June 30, 2023

Date	Contributions		Contributions		Contributions	
	Contractually Required Contribution (1)	in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)	
2023	\$ 10,325	\$ 10,325	\$ -	\$ 1,912,083	0.54%	
2022	9,944	9,944	-	1,841,406	0.54%	
2021	9,364	9,364	-	1,734,161	0.54%	
2020	8,668	8,668	-	1,666,900	0.52%	
2019	8,443	8,443	-	1,626,398	0.52%	
2018	8,183	8,183	-	1,573,349	0.52%	
2017	8,035	8,035	-	1,544,856	0.52%	
2016	7,798	7,798	-	1,471,403	0.53%	
2015	7,774	7,774	-	1,466,818	0.53%	
2014	7,960	7,960	-	1,501,832	0.53%	

## Harrisonburg-Rockingham Regional Sewer Authority

### Notes to Required Supplementary Information

#### Group Life Insurance (GLI) Plan

Year Ended June 30, 2023

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

#### Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change



**- Other Supplementary Information -**

**- Supporting Schedules -**

Schedule of Income and Expenses - By Fund  
 Years Ended June 30, 2023 and 2022

	<u>Budgeted Operating</u>	<u>Unrestricted Operating</u>	<u>Special Reserve</u>	<u>Debt Service</u>
Operating Revenue:				
Operations and maintenance	\$ 5,379,233	\$ 5,379,229	\$ -	\$ -
Septage/waste treatment	650,000	1,177,079	-	-
Pretreatment	87,500	195,996	-	-
Nutrient credit sales	80,892	82,505	-	-
Total Operating Revenue	<u>\$ 6,197,625</u>	<u>\$ 6,834,809</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses:				
Power	\$ 1,083,625	\$ 1,217,382	\$ -	\$ -
Operations and maintenance	534,000	471,955	-	-
Sewage treatment	758,000	1,049,576	-	-
Biosolids expenses	540,000	487,374	-	-
Professional expenses	120,000	66,944	-	-
Personnel	2,923,000	2,713,013	-	-
Administrative	239,000	223,653	-	-
Total Operating Expenses	<u>\$ 6,197,625</u>	<u>\$ 6,229,897</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Income Before Depreciation	<u>\$ -</u>	\$ 604,912	\$ -	\$ -
Depreciation		5,942,309	-	-
Operating income (loss)		<u>\$ (5,337,397)</u>	<u>\$ -</u>	<u>\$ -</u>
Nonoperating Revenues (Expenses):				
Debt service revenue		\$ -	\$ -	\$ 5,673,551
WQIF grant		-	-	-
Investment income		16	12,481	44,979
Patronage refunds and miscellaneous		28,386	-	-
Gain (loss) on disposal of assets		-	-	-
Transfers		(1,359,854)	44,669	-
Bond issuance costs		-	-	-
Interest expense and bond fees		-	-	(1,254,486)
Refund to Rockingham County		-	-	-
Planning and repair expenses		-	-	-
Nonoperating revenues (expenses)		<u>\$ (1,331,452)</u>	<u>\$ 57,150</u>	<u>\$ 4,464,044</u>
Income (loss) before capital contributions		<u>\$ (6,668,849)</u>	<u>\$ 57,150</u>	<u>\$ 4,464,044</u>
Capital contributions		2,281,500	-	-
Change in Net Position		<u><u>\$ (4,387,349)</u></u>	<u><u>\$ 57,150</u></u>	<u><u>\$ 4,464,044</u></u>

## Schedule of Income and Expenses - By Fund

Years Ended June 30, 2023 and 2022

	O & M Reserve	Planning & Repair	Capital Outlay Escrow	2023 Actual Total	2022 Actual Total
Operating Revenue:					
Operations and maintenance	\$ -	\$ -	\$ -	\$ 5,379,229	\$ 4,970,575
Septage/waste treatment	-	-	-	1,177,079	1,101,997
Pretreatment	-	-	-	195,996	408,436
Nutrient credit sales	-	-	-	82,505	4,200
Total Operating Revenue	\$ -	\$ -	\$ -	\$ 6,834,809	\$ 6,485,208
Operating Expenses:					
Power	\$ -	\$ -	\$ -	\$ 1,217,382	\$ 855,493
Operations and maintenance	-	-	-	471,955	392,955
Sewage treatment	-	-	-	1,049,576	612,785
Biosolids expenses	-	-	-	487,374	411,817
Professional expenses	-	-	-	66,944	108,774
Personnel	-	-	-	2,713,013	2,415,027
Administrative	-	-	-	223,653	195,444
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 6,229,897	\$ 4,992,295
Operating Income Before Depreciation	\$ -	\$ -	\$ -	\$ 604,912	\$ 1,492,913
Depreciation	-	-	-	5,942,309	5,745,432
Operating income (loss)	\$ -	\$ -	\$ -	\$ (5,337,397)	\$ (4,252,519)
Nonoperating Revenues (Expenses):					
Debt service revenue	\$ -	\$ -	\$ -	\$ 5,673,551	\$ 5,713,403
WQIF grant	-	-	-	-	-
Investment income	37,284	234,506	6,950	336,216	17,272
Patronage refunds and miscellaneous	-	-	-	28,386	93,656
Gain (loss) on disposal of assets	-	-	-	-	25,200
Transfers	153,216	1,161,969	-	-	-
Bond issuance costs	-	-	-	-	-
Interest expense and bond fees	-	-	-	(1,254,486)	(1,391,917)
Refund to Rockingham County	-	-	-	-	-
Planning and repair expenses	-	(89,432)	-	(89,432)	(398,479)
Nonoperating revenues (expenses)	\$ 190,500	\$ 1,307,043	\$ 6,950	\$ 4,694,235	\$ 4,059,135
Income (loss) before capital contributions	\$ 190,500	\$ 1,307,043	\$ 6,950	\$ (643,162)	\$ (193,384)
Capital contributions	-	-	-	2,281,500	1,936,500
Change in Net Position	\$ 190,500	\$ 1,307,043	\$ 6,950	\$ 1,638,338	\$ 1,743,116

Schedule of Operating Expenses - Budget and Actual  
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Power costs:				
Plant	\$ 1,060,000	\$ 1,060,000	\$ 1,194,679	\$ (134,679)
Bridgewater pumping station	20,700	20,700	20,291	409
Metering	2,925	2,925	2,412	513
Total Power Costs	<u>\$ 1,083,625</u>	<u>\$ 1,083,625</u>	<u>\$ 1,217,382</u>	<u>\$ (133,757)</u>
Operation and Maintenance:				
Sewage treatment equipment	\$ 275,000	\$ 275,000	\$ 295,567	\$ (20,567)
Generator	95,000	95,000	50,542	44,458
Bridgewater pumping station	10,000	10,000	3,793	6,207
Sewer lines	9,000	9,000	4,168	4,832
Buildings	45,000	45,000	23,832	21,168
Grounds	45,000	45,000	38,516	6,484
Vehicles	55,000	55,000	55,537	(537)
Total Operation and Maintenance	<u>\$ 534,000</u>	<u>\$ 534,000</u>	<u>\$ 471,955</u>	<u>\$ 62,045</u>
Sewage Treatment:				
Chemicals	\$ 560,000	\$ 560,000	\$ 897,635	\$ (337,635)
Laboratory	110,000	110,000	115,425	(5,425)
Pretreatment	35,000	35,000	2,674	32,326
Lubricants	20,000	20,000	10,259	9,741
Tools/other	8,000	8,000	7,632	368
Environmental/safety	25,000	25,000	15,951	9,049
Total Sewage Treatment	<u>\$ 758,000</u>	<u>\$ 758,000</u>	<u>\$ 1,049,576</u>	<u>\$ (291,576)</u>
Biosolids Expenses:				
Chemicals	\$ 300,000	\$ 300,000	\$ 276,740	\$ 23,260
Laboratory	15,000	15,000	11,648	3,352
Equipment	35,000	35,000	43,398	(8,398)
Contract hauling - liquid	43,000	43,000	-	43,000
Contract hauling - dewatered	147,000	147,000	153,214	(6,214)
Landfill fees	-	-	1,324	(1,324)
Sales tax/fees	-	-	1,050	(1,050)
Total Biosolids Expenses	<u>\$ 540,000</u>	<u>\$ 540,000</u>	<u>\$ 487,374</u>	<u>\$ 52,626</u>

Schedule of Operating Expenses - Budget and Actual  
 Year Ended June 30, 2023 (continued)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Professional Expenses:				
Board members expense	\$ 13,000	\$ 13,000	\$ 10,676	\$ 2,324
Legal	35,000	35,000	8,444	26,556
Other	72,000	72,000	47,824	24,176
Total Professional Expenses	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 66,944</u>	<u>\$ 53,056</u>
Personnel Expenses:				
Salaries	\$ 2,210,000	\$ 2,210,000	\$ 2,124,388	\$ 85,612
Payroll taxes	170,000	170,000	160,446	9,554
Virginia Retirement System	150,000	150,000	110,142 *	39,858
Health and disability insurance	344,000	344,000	281,133	62,867
Uniform service	25,000	25,000	27,171	(2,171)
Travel and training	16,000	16,000	7,814	8,186
Miscellaneous	8,000	8,000	1,919	6,081
Total Personnel Expenses	<u>\$ 2,923,000</u>	<u>\$ 2,923,000</u>	<u>\$ 2,713,013</u>	<u>\$ 209,987</u>
Administrative:				
Insurance - regular	\$ 115,000	\$ 115,000	\$ 116,493	\$ (1,493)
Office supplies	20,000	20,000	13,290	6,710
Dues and subscriptions	20,000	20,000	19,948	52
Licenses	20,000	20,000	13,319	6,681
Telephone/internet/security	60,000	60,000	59,034	966
Advertising	4,000	4,000	1,569	2,431
Total Administrative	<u>\$ 239,000</u>	<u>\$ 239,000</u>	<u>\$ 223,653</u>	<u>\$ 15,347</u>
Total Operating Expenses	<u>\$ 6,197,625</u>	<u>\$ 6,197,625</u>	<u>\$ 6,229,897</u>	<u>\$ (32,272)</u>

\* - Actual employer payments to the Virginia Retirement System were \$98,964 during the year.

## Insurance Coverage

At June 30, 2023

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Dates</u>	<u>Type</u>	<u>Policy Limits</u>
Virginia Municipal Liability Pool	Member #301	7/1/22-7/1/23	Workmen's Compensation and Employer's Liability	\$ 1,000,000
		7/1/22-7/1/23	Automobile Contribution	1,000,000
			Values per policy	182,275,267
			Fidelity/Crime Contribution	100,000
			Comprehensive general liability	1,000,000
			Excess umbrella liability	5,000,000
			Boiler: Machinery Contribution	1,000,000
		7/1/22-7/1/23	Local government liability	1,000,000

## Average Daily Flow and Revenue by Locality

	Fiscal Year 2023	Fiscal Year 2022
<b>City of Harrisonburg:</b>		
Average Daily Flow (mgd)	6.686	7.080
Operation & Maintenance Payments	\$ 2,996,183	\$ 2,800,834
Capital Outlay Payments	145,653	144,392
Pretreatment Payments	5,822	14,074
Projects	1,125,123	945,728
Debt Service Payments	2,683,076	2,737,579
Total Payments	<u>\$ 6,955,857</u>	<u>\$ 6,642,607</u>
<b>Town of Dayton:</b>		
Average Daily Flow (mgd)	1.718	1.838
Operation & Maintenance Payments	\$ 740,631	\$ 731,214
Capital Outlay Payments	36,004	37,774
Pretreatment Payments	499	443
Projects	278,120	247,408
Debt Service Payments	669,155	679,703
Total Payments	<u>\$ 1,724,409</u>	<u>\$ 1,696,542</u>
<b>Town of Bridgewater:</b>		
Average Daily Flow (mgd)	0.692	0.643
Operation & Maintenance Payments	\$ 282,992	\$ 255,322
Capital Outlay Payments	13,757	13,208
Pretreatment Payments	478	457
Projects	106,269	86,506
Debt Service Payments	503,189	505,990
Total Payments	<u>\$ 906,685</u>	<u>\$ 861,483</u>
<b>Rockingham County:</b>		
Average Daily Flow (mgd)	2.999	3.166
Operation & Maintenance Payments	\$ 1,347,005	\$ 1,171,966
Capital Outlay Payments	65,482	60,545
Pretreatment Payments	529	439
Projects	505,825	396,550
Debt Service Payments	1,807,578	1,780,157
Total Payments	<u>\$ 3,726,419</u>	<u>\$ 3,409,657</u>
<b>Town of Mount Crawford:</b>		
Average Daily Flow (mgd)	0.030	0.029
Operation & Maintenance Payments	\$ 12,417	\$ 11,245
Capital Outlay Payments	604	581
Projects	4,663	3,808
Debt Service Payments	10,553	9,975
Total Payments	<u>\$ 28,237</u>	<u>\$ 25,609</u>
TOTAL DAILY AVERAGE FLOW (mgd)	12.125	12.756



## Pledged Revenue Coverage - Sewer Revenue Bonds

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)		Less Operating Expenses (2)		Net Revenues Available For Debt Service		Debt Service		Coverage		
							Principal	Interest			
2014	\$	10,783,848	\$	4,582,468	\$	6,201,380	\$	3,354,653	\$	2,249,632	111%
2015		10,970,116		4,255,568		6,714,548		3,478,953		2,106,046	120%
2016		11,012,859		4,365,420		6,647,439		3,717,191		1,688,512	123%
2017		10,906,339		4,323,977		6,582,362		3,831,754		1,571,537	122%
2018		11,044,363		4,176,134		6,868,229		4,350,220		1,553,096	116%
2019		11,826,729		4,719,843		7,106,886		4,478,574		1,427,192	120%
2020		12,434,755		4,713,115		7,721,640		4,564,049		1,645,396	124%
2021		12,928,022		4,618,878		8,309,144		5,098,601		1,441,923	127%
2022		12,215,883		4,992,295		7,223,588		5,255,327		1,393,043	109%
2023		12,844,576		6,229,897		6,614,679		4,401,913		1,277,758	116%

(1) Operating revenue, debt service revenue and investment income.

(2) Net of depreciation.

- Compliance -



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

**Independent Auditors' 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***

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**Board of Directors  
Harrisonburg-Rockingham Regional Sewer Authority  
Mt. Crawford, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Harrisonburg-Rockingham Regional Sewer Authority as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Harrisonburg-Rockingham Regional Sewer Authority's basic financial statements and have issued our report thereon dated October 25, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrisonburg-Rockingham Regional Sewer Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 25, 2023