INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA (A Component Unit of the County of Brunswick, Virginia) FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA (A Component Unit of the County of Brunswick, Virginia) FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

Table of Contents

	Page
Directory of Officials	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13-38
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	39-40
Schedule of Employer Contributions -Pension Plan	41
Notes to Required Supplementary Information -Pension Plan	42
Schedule of Authority's Share of Net OPEB Liability - Group Life Insurance Plan	43
Schedule of Employer Contributions - Group Life Insurance Plan	44
Notes to Required Supplementary Information - Group Life Insurance Plan	45
Other Supplementary Information	
Supporting Schedule	
Schedule of Land and Improvements Held for Sale	46
Compliance	
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 <i>Government Auditing Standards</i>	47-48
Schedule of Findings and Responses	49

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of the County of Brunswick, Virginia)

DIRECTORY OF OFFICIALS

BOARD OF DIRECTORS

Gloria Menyweather-Woods, Chairman

Morris Taylor, Vice Chairman

Will Ford

Arnika Green

Dr. Arthur Jarrett

George Smith

• **T**he second

Raymond A. Thomas



Certified Public Accountants

Independent Auditors' Report

To the Honorable Members of the Board of Directors Industrial Development Authority of Brunswick County, Virginia Lawrenceville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Brunswick County, Virginia (a component unit of the County of Brunswick, Virginia) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Industrial Development Authority of Brunswick County, Virginia, as of June 30, 2021, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 on pages 3-9 and 39-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Industrial Development Authority of Brunswick County, Virginia's basic financial statements. The supporting schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supporting schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedule is 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 May 28, 2022, on our consideration of Industrial Development Authority of Brunswick County, Virginia'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 Industrial Development Authority of Brunswick County, Virginia'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 Industrial Development Authority of Brunswick County, Virginia's internal control, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Ksocistes

Charlottesville, Virginia May 28, 2022

To the Honorable Members of the Board of Directors Industrial Development Authority of Brunswick County, Virginia Lawrenceville, Virginia

As management of the Authority, we offer this narrative overview and analysis of the financial performance and overview of the Authority's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented herein in connection with the Authority's basic financial statements.

Financial Highlights for FY2021

The assets and deferred outflows of resources of the Authority exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,895,329.

The Authority's decrease in net position totaled \$675,427 for the current year. The decrease in net position for 2021, down from FY2020's decrease of \$520,486 can be attributed to the Authority's loss on the sale of property held for resale.

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 financial statements.

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 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 (i.e. earned but unused vacation leave).

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority as a Whole

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	-	June 30, 2021	 June 30, 2020
Current assets	\$	1,824,194	\$ 1,857,890
Noncurrent assets	_	11,100,701	 12,221,107
Total assets	\$_	12,924,895	\$ 14,078,997
Deferred outflows of resources	\$_	43,792	\$ 14,947
Current liabilities	\$	55,472	\$ 4,354
Noncurrent liabilities	_	15,608	 511,554
Total liabilities	\$	71,080	\$ 515,908
Deferred inflows of resources	\$_	2,278	\$ 7,280
Net Position:			
Net investment in capital assets	\$	7,644,073	\$ 7,903,958
Restricted		-	49,269
Unrestricted	-	5,251,256	 5,617,529
Total net position	\$	12,895,329	\$ 13,570,75

Summary of Statement of Net Position As of June 30, 2021 and 2020

The Authority's combined net position decreased by \$675,427 during the year.

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

Financial Analysis of the Authority as a Whole: (continued)

The following table shows the revenues and expenses of the Authority for the past two fiscal years:

	J	une 30, 2021	 June 30, 2020
Revenues: Operating revenue	\$	210,024	\$ 191,495
Intergovernmental grants		85,896	-
Other revenue		8,053	14,775
Gain (loss) on sale of land and improvements held for resale		(274,734)	 67,367
Total revenues	\$	29,239	\$ 273,637
Expenses:			
Operating expenses	\$	426,318	\$ 496,383
Depreciation and amortization		259,884	260,651
Industrial projects		18,464	37,089
Total expenses	\$	704,666	\$ 794,123
Increase (decrease) in net position	\$	(675,427)	\$ (520,486)
Net position beginning of year	_	13,570,756	 14,091,242
Net position end of year	\$	12,895,329	\$ 13,570,756

Changes in Net Position Years Ended June 30, 2021 and 2020

<u>Revenues</u>

The Industrial Development Authority's revenues decreased by \$244,398 during the current year. The decrease was related to the loss on the sale of land and improvements held for resale.

Expenses

For the fiscal year ended June 30, 2021, total expenses decreased by \$89,457. The decrease in operating expenses accounted for \$70,065 of the total decrease in FY2021.

Capital Assets and Other Investments

The Authority's investment in capital and other assets as of June 30, 2021 amounts to \$7,607,011 (net of accumulated depreciation and amortization). Below is a comparison of the items that comprise capital assets and other investments as of June 30, 2021 with that of June 30, 2020.

	_	2021	2020
Land, Property and Equipment (net)	\$	37,062	\$ 42,028
Investment in industrial assets		7,607,011	7,861,930
Land and improvements held for resale	_	2,866,852	4,176,018
Total capital assets and other investments	\$	10,510,925	\$ 12,079,976

The decrease in land, property and equipment the increase in investment in industrial assets is attributed to the additional investment in industrial assets. Additional information on the Authority's capital and other assets can be found in Notes 3, 4, and 7 of this report.

Economic Factors and Review of Operations

2021 was a good year for the Industrial Development Authority of Brunswick County and our citizens. We came through the challenges of COVID, we continue to promote business with many successes including Resurgence and Covid Relief grant programs. We continued to use our website to provide as much disclosure of our activities as we can. We provided grants, community center leadership and funding. We have a solidified Economic Development Team with Alfreda Reynolds, BC Economic Development Director. We have an incredible working relationship with the Brunswick County Board of Supervisors. Our Agricultural Taskforce has had success. Collaborating with Southside Planning District Commission and gained a better understanding of their resources of knowledge and funding. We have worked with entrepreneurs, community activists and charitable organization to help, lead and most importantly better define our role. We have learned that our impact is far reaching and people care what we think. That we have a responsibility to lead and encourage.

Economic Development

Highlighting this year's economic development activities resulting in both immediate and projected job creation for our community:

Impact

9 New or Proposed Businesses Assisted

35 Existing Businesses Assisted

22 Jobs Created

Partnership Projects:

BCIDA & Lawrenceville Funded Historic District Update

- Survey completed January 2021
- NRN submitted April 2021
- Update approved August 2021
- 97 newly contributing historic buildings that can now seek tax credit rehabilitation credits

Economic Development: (continued)

Sledge & Barkley

Selected Owners Rep for Renovation Project Prepared scope of work for selective demolition, repairs, and abatement (Phase 1 rehabilitation) Solicited bids for selective demolition and abatement (VBAF Grant & ESHPF Grant) Executed agreement with VDHR for ESHPF grant Conducted site visit with VDHR staff to kick off ESHPF grant Solicited bids for repairs under ESHPF grant Submitted Parts 1 & 2 of Historic Tax Credit Application Received conditional approval for Virginia Historic Rehabilitation Tax Credits (approx. \$900,000 estimated credits); awaiting NPS response Ongoing marketing & vetting of potential buyers

Evaluated proposal for acquisition from private developer; determined not in alignment with project goals & priorities for BCIDA

GRANT SOURCE	AMOUNT RECEIVED	ТҮРЕ
VBAF Grant	\$50,000	Grant Funds
TRRC	\$71,900	Grant Funds
ESHPF	\$250,000	Grant Funds
Grant Administration	\$2,500	SPDC
Total Grant Funding Received	\$374,400	
IDA Funds Committed	\$71,900	
Total Project Cost	\$446,300	

319 North Main Street & 317 North Main Street BCIDA invested approximately \$460,000 Building sold to investor for \$440,000 6 Full time Jobs Created Approximate annual local taxes \$8,000 Four one-bedroom apartments at approx. \$750/month Two new businesses

Economic Development: (continued)

PROJECT	PARTNER	PURPOSE
Lawrenceville Historic District Update	Town of Lawrenceville	Register Nomination Update
St. Paul's College Historic District Survey	J.S. Russell/Saint Paul's College Museum & Archives	Register Nomination Update/Sharing of Survey Data (upcoming)
GRANT SOURCE	AMOUNT RECEIVED	PURPOSE/PROJECT
Tobacco Region Revitalization Commission (TRRC) Grant	<u> \$300,000 + \$200,000 (Loan)</u>	Vegetable Packing
<u>Governor's Agricultural & Forestry</u> Industries Development (AFID) Grant	<u>\$335,000</u>	Vegetable Packing
Resurgence Grant	<u>\$88,000</u>	Merchant Assistance Program
<u>Virginia Department of Historic</u> <u>Resources</u>	<u>\$250,000</u>	Hurricane Damage Repair to Sledge & Barkley Building
DEQ Brownfield Grants	<u>\$100,000</u>	Sledge & Barkley & 129 Hicks Street
Virginia Outdoors Federation	<u>\$25,000</u>	Lawrenceville Park Project
Dominion Power	<u>\$92,000</u>	Pop's Bar & Grill
<u>EZ</u>	<u>\$18,000</u>	Pop's Bar & Grill
<u>SBRAF</u>	<u>\$261,000</u>	Business Covid Relief

Properties Acquired

139 Hicks Street Acquired for \$27,000 Investing in Improvements Utilizing Brownfield Grant 50,000.00 Dance Studio owner fully responsible for all costs Financing for 2 years at 4% Clean up of Environmental issues No net outlay for BCIDA Approximate local tax \$10,000/year (town + county)

Bar 9

\$95,000 state/federal tax credits awarded \$110,000 in grant funding \$125,000 approximate BCIDA investment BCIDA facilitated private investment At project conclusion, privately owned building and business Meal tax revenue for 2021: \$13,856 Real Estate Tax revenue for 2021: \$958. New local ownership 2021 Return on public investment: anticipated less than 8 years (in first 18 months, 12% ROI)

Audit

Financial Statement Findings & Improving Operations

Key Responses from 2020 Audit

- Improve technical knowledge to prepare financial statements
- Adjust financial records preparation to conform with generally accepted accounting principles

2021 Responses/Adjustments

- Utilizing professional CPA for support of preparing financial records
- Adjusted internal operations to meet professional best practices.
- CPA did not do a satisfactory job due to principals health and staffing issues. We have secured a larger CPA firm to use moving forward. We will also undergo a special audit for the year 2022.

Priorities for 2022

- Packing plant
- Southern States marketing & reuse plan
- Researching new locations to replave utilized industrial parks
- Upgrades to water system
- Adequate wastewater treatment for new industry
- Seek ways to work with existing businesses and determine needed businesses (i.e. dentist, eye doctor, etc.)
- Community outreach & community communication
- Frito Lay warehouse
- Locate a DATA centr
- Expand markets and options for farmers
- Sledge & Barkley begin Phase 2
- Improve office operations/procedures

Board Initiatives for 2022

- Strategic planning
- Framework for priority setting:
- Is there a need?
- Is there interest?
- Investors
- Community
- What is the return on investment?
- Annual report to community?

Brunswick County, represented by the IDA and County Administration, continued to participate as a member of the Virginia Growth Alliance (VGA), a regional marketing and economic development organization with 13 participating localities located in proximity to each other in Southside Virginia.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Authority's Executive Director, 116 West Hicks Street, Lawrenceville, VA 23868.

- Basic Financial Statements -

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of County of Brunswick, Virginia)

Statement of Net Position As of June 30, 2021

Assets and Deferred Outflows of Resources		
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	\$	1,415,532
Investments (Note 2)		390,234
Accounts receivable	_	18,428
Total current assets	\$	1,824,194
Noncurrent Assets:		
<u>Capital Assets</u> Land, property and equipment (net of accumulated depreciation of \$25,566) (Note 3)	\$	37,062
Other Assets		
Investment in industrial assets (net of amortization of \$2,589,727) (Note 5) Land and improvements held for sale (Note 6)	\$	7,607,011 2,866,852
Notes receivable		589,776
Total other assets	\$	11,063,639
Total noncurrent assets	\$	11,100,701
Total assets	\$	12,924,895
Deferred Outflows of Resources:		<i></i>
Pension related items	Ş	36,977
OPEB related items	· ·	6,815
Total deferred outflows of resources	\$	43,792
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities Current Liabilities:		
Accounts payable	\$	51,997
Escrow accounts		3,475
Total current liabilities	\$	55,472
Noncurrent Liabilities:		
Net pension liability	\$	2,424
Net OPEB liability	_	13,184
Total noncurrent liabilities	\$	15,608
Total liabilities	\$ <u>_</u>	71,080
Deferred Inflows of Resources:		
OPEB related items	\$	2,278
Total deferred inflows of resources	\$	2,278
Net Position:		
Investment in capital assets (Note 7)	\$	7,644,073
Unrestricted		5,251,256
Total net position	\$	12,895,329

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of County of Brunswick, Virginia)

Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2021

Operating revenue:		
Lease revenue	Ş	68,403
Miscellaneous/other		141,621
Gain (Loss) on disposal of property		(274,734)
Grants	-	85,896
Total operating revenue	\$	21,186
Operating expenses:		
Wages and salaries	Ş	188,001
Fringe benefits		98,040
Contractual and professional services		45,174
Other charges		59,989
Depreciation and amortization		259,884
Industrial projects		18,464
Incentive payments	-	35,114
Total operating expenses	\$	704,666
Operating income (loss)	\$ _	(683,480)
Nonoperating revenues (expenses):		
Interest and investment income	\$ _	8,053
Total nonoperating revenues (expenses)	\$ _	8,053
Change in net position	\$	(675,427)
Net position, beginning of year	_	13,570,756
Net position, end of year	\$ _	12,895,329

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of County of Brunswick, Virginia)

Statement of Cash Flows Year Ended June 30, 2021

Cash flows from operating activities: Receipts from clients and agencies Proceeds from sale of property Proceeds from sale of land and improvements held for resale Additions to land and improvements held for resale Payments to vendors and governments Payments to employees	\$	291,216 625,000 463,641 (554,208) (106,342) (267,846)
Net cash provided by (used for) operating activities	\$	451,461
Cash flows from noncapital financing activities: (Increase) decrease in notes receivable	\$	(497,914)
Cash flows from investing activities: Interest received	\$	8,053
Increase (decrease) in cash and cash equivalents	\$	(38,400)
Cash and cash equivalents at beginning of year		1,844,166
Cash and cash equivalents at end of year	ş	1,805,766
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income (loss)	\$	(683,480)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: Depreciation and amortization Changes in operating assets and liabilities:		259,884
Change in accounts receivable		(4,704)
Change in net pension asset		49,269
Change in land and improvements held for resale Change in deferred outflows - OPEB related		1,309,166 (738)
Change in deferred outflows - pension related		(28,107)
Change in accounts payables		48,193
Change in escrow accounts		2,926
Change in advance from Brunswick County		(500,000)
Change in deferred inflows - pension related		(4,103)
Change in deferred inflows - OPEB related		(899)
Change in net pension liability		2,424
Change in net OPEB liability	_	1,630
Net cash provided by (used for) operating activities	\$ <u> </u>	451,461
Noncash financing items:		
Repayment of advance to Brunswick County	\$	(500,000)

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

Note to Financial Statements As of June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose

Industrial Development Authority of Brunswick County (the "Authority") was organized on August 23, 1971 in accordance with Chapter 33 Section 15.2-4901 Et. Seq., of the <u>Code of Virginia</u> (1950), as amended (the "Act"). The purpose of the Authority shall be to acquire, own, lease, and dispose of properties to enable it to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in the Commonwealth of Virginia and to further the use of its agricultural products and natural resources. The Act empowers the Authority to issue tax exempt bonds to fund the Authority's purpose. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof.

The Authority is a separate and distinct entity from the County of Brunswick, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia. The Authority is considered to be a component unit of the County of Brunswick, Virginia.

The Authority is governed by a Board of Directors appointed by the Board of Supervisors of Brunswick County, Virginia to serve a term of four years, with a limit of two terms.

B. Financial Reporting Entity

The basic criterion for including organizations within the reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. Industrial Development Authority of Brunswick County, Virginia's financial statements include all operations of Industrial Development Authority of Brunswick County, Virginia. The Authority has no component units.

C. Basic Financial Statements

<u>Management's Discussion and Analysis</u> - the financial statements are required to be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Enterprise Fund Financial Statements

<u>Statement of Net Position</u> - The Statement of Net Position is designed to display financial position of the Authority. Governments will report all capital assets in the Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of a government will be broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Basis of Accounting

Industrial Development Authority of Brunswick County, Virginia operates as an enterprise fund 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 accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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 lease revenue, sale of property, bond and fee revenues, and Tobacco Settlement Grants. 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.

E. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition, all of which are readily convertible to known amounts of cash.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F. Capital Assets: (Continued)

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

Assets	Years
Buildings	39
Improvements	5
Machinery, equipment and vehicles	5 to 7

G. <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. The items are comprised of certain items related to the measurement of the net pension liability (asset) and OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability (asset) and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period 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. In addition, certain items related to the measurement of the net pension liability (asset) and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

H. Land and Improvements Held for Sale

Land and improvements held for sale are recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, and estimated fair value at the date of contribution, if contributed. Subsequent improvements are added to the land and improvements held for sale.

I. Pensions

For purposes of measuring the net pension liability (asset), 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 net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Other Postemployment Benefits (OPEB)

Group Life Insurance

For purposes of measuring the net GLI Program 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 Program 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.

K. Other Significant Accounting Policies

- Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded;
- Other assets are reported at cost;
- Long-term leases of industrial assets are reported as sales pursuant to standards of the Governmental Accounting Standards Board.

L. 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.

M. Net Position

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

N. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted 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.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 2 - 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 <u>Code of Virginia</u>. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

To protect against potential fraud and embezzlement, the assets of the Authority shall be secured through thirdparty custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Investments officials shall be bonded to protect the public against embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchases using the delivery versus payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping.

The Authority's investments at June 30, 2021 consist solely of investment in the Commonwealth of Virginia Local Government Investment Pool.

Credit Risk of Debt Securities

The Authority's rated investments as of June 30, 2021 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments		AAAm		
Local Government Investment Pool	\$	390,234		
Total	Ş	390,234		

Rated Debt Investments' Values

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's policy limits the investment of operating funds to investments with a stated maturity of no more than 5 years from the date of purchase. The average maturity of the investment portfolio may not exceed 3 years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

Investment Maturities				
	_	Value	_	Less than 1 Year
Local Government Investment Pool	\$	390,234	\$	390,234
Total	\$	390,234	\$	390,234

External Investment Pool

The fair 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 an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Summary of Cash and Cash Equivalents

The following is a reconciliation between the types of cash and investments held by the Authority and the Statement of Net Position:

Deposits and cash on hand Virginia State Treasurer's Local Government Investment Pool Certificates of Deposit	\$	915,532 390,234 500,000
Total	\$_	1,805,766
Per Statement of Net Position: Cash and cash equivalents Investments	\$	1,415,532 390,234
Total	\$ <u>_</u>	1,805,766

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 3 - CAPITAL ASSETS:

A summary of capital asset activity for the year ended June 30, 2021 follows:

	_	Balance July 1, 2020	Increases	 Decreases	Balance June 30, 2021
Capital assets not being depreciated: Land	\$_	13,194	5	\$ \$	13,194
Capital assets being depreciated: Machinery, equipment and vehicles	\$_	49,434	5	\$ \$	49,434
Accumulated depreciation: Machinery, equipment and vehicles	\$_	20,600	54,966	\$ \$	25,566
Total accumulated depreciation	\$_	20,600	4,966	\$ - \$	25,566
Capital assets being depreciated, net	\$_	28,834	5 (4,966)	\$ - \$	23,868
Capital assets, net	\$_	42,028	6 (4,966)	\$ - \$	37,062

NOTE 4 - 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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 4 - PENSION PLAN: (CONTINUED)

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. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 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 plus service credit 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 plus service credit 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.

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. 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. 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.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 4 - PENSION PLAN: (CONTINUED)

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 <u>Code of Virginia</u>, 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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members: Vested inactive members	1
Inactive members active elsewhere in VRS	1
Total inactive members	2
Active members	3
Total covered employees	8

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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, 2021 was 6.82% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 4 - PENSION PLAN: (CONTINUED)

Contributions: (Continued)

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 \$7,660 and \$8,870 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions - 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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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*

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

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 4 - 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:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014
retirement healthy, and disabled)	projected to 2020
Retirement Rates	Lowered rates at older ages and changed final
	retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age
	and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

NOTE 4 - 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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49 %	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
	*Expected arithme	tic nominal return	7.14%

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

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, 2020, the alternate rate was the employer contribution rate used

NOTE 4 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

in FY 2012 or 10% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		Increase (Decrease)					
	_	Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (Asset) (a) - (b)	
Balances at June 30, 2019	\$	384,988	\$	434,257	\$	(49,269)	
Changes for the year:							
Service cost	\$	22,595	\$	-	\$	22,595	
Interest		25,142		-		25,142	
Assumption changes		-		-		-	
Differences between expected							
and actual experience		27,972		-		27,972	
Contributions - employer		-		8,953		(8,953)	
Contributions - employee		-		7,097		(7,097)	
Net investment income		-		8,261		(8,261)	
Benefit payments, including refunds							
of employee contributions		(25,028)		(25,028)		-	
Administrative expenses		-		(285)		285	
Other changes		-		(10)		10	
Net changes	\$	50,681	\$	(1,012)	\$	51,693	
Balances at June 30, 2020	\$	435,669	\$	433,245	\$	2,424	

NOTE 4 - PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability/asset of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension asset 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%)			
Net Pension Liability (Asset)	\$	42,756 \$	2,424 \$	(32,001)			

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

For the year ended June 30, 2021, the Authority recognized pension expense of \$27,229. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	16,463	\$-
Net difference between projected and actual earnings on pension plan investments		12,854	-
Employer contributions subsequent to the measurement date	-	7,660	<u>.</u>
Total	\$	36,977	\$

\$7,660 was 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 Asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	
2022	\$	11,781
2023		8,965
2024		4,422
2025		4,146
2026		-
Thereafter		-

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 4 - PENSION PLAN: (CONTINUED)

Pension Plan Data

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

NOTE 5 - INVESTMENT IN INDUSTRIAL ASSETS:

The Authority funded an expansion of the Town of Lawrenceville's water treatment plant. This investment is valued at \$4,202,887 and is being amortized over a 40 year life. In return for this investment, the Authority receives a share of revenues created by the plant expansion. Amortization expense for fiscal year ended June 30, 2021 was \$105,072. Accumulated amortization as of June 30, 2021 was \$1,746,613.

In 2015, the Authority entered into an agreement with Dominion Energy for water and wastewater expansion to service the new plant operations. The Authority has a total investment in the project of \$5,325,411 that is being amortized over a 40 year life. Amortization expense for fiscal year ended June 30, 2021 was \$133,135, and accumulated amortization was \$809,692 as of June 30, 2021.

In 2018, the Authority purchased the old Southern States warehouse, for a total investment of \$668,440 and is being amortized over 40 years. Amortization expense for fiscal year ended June 30, 2021 was \$16,711 and accumulated amortization was \$33,422 as of June 30, 2021.

Details of the Authority's investment in Industrial Assets are as follows:

		Cost	_	Accumulated Amortization	_	Net Industrial Assets
Water Treatment Plant Dominion Plant Water Line Improvements Southern States Warehouse	\$	4,202,887 5,325,411 668,440	\$ _	(1,746,613) (809,692) (33,422)	\$ _	2,456,274 4,515,719 635,018
Total Industrial Assets	\$_	10,196,738	\$_	(2,589,727)	\$_	7,607,011

NOTE 6 - LAND AND IMPROVEMENTS HELD FOR SALE:

The Authority has invested \$1,447,582 in a 114 acre site adjacent to Route 1 in the Town of Alberta. The Park was named the I-85 Business Center Park to attract small to medium size manufacturers and service industries.

The Authority has purchased land previously owned by St. Paul's College, a 414 acre site with a value of \$926,359.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 6 - LAND AND IMPROVEMENTS HELD FOR SALE: (CONTINUED)

The Authority has purchased the Sledge & Barkley building in the amount of \$231,910. The property consists of five lots, and was purchased from Robert L. Dobbs.

The Authority has purchased the property located at 121 W. Hicks Street, Lawrenceville, Virginia from Tammy Elizabeth Edwards in the amount of \$102,328.

The Authority has purchased the property located at 127 W. Hicks Street, Lawrenceville, Virginia in the amount of \$132,302.

The Authority has purchased the property located at 139 W. Hicks Street, Lawrenceville, Virginia in the amount of \$26,371.

NOTE 7 - NOTES RECEIVABLE:

The Authority hold four notes receivable for amounts due on sale of inventory and property:

In 2019, the Authority sold the Echo World property for \$100,000 to be paid over 7 years, at 5% interest. At June 30, 2021 the balance due on this note was \$85,676.

In 2021, the Authority sold property located at 304 New Hicks Street for \$70,000, to be paid over 3 years, at 5% interest. At June 30, 2021 the balance due on this note was \$66,500.

In 2021, the Authority sold the Flowers on Main property for \$24,000, to be paid over 3 years at varying interest rates between 4%-5%. The balance due at June 30, 2021 was \$22,800.

Property was sold in 2021 for \$415,000 to be paid over 7 years at 5% interest. The balance due at June 30, 2021 was \$414,800.

NOTE 8 - NET POSITION:

The Authority has net position as follows:

Capital Assets (Note 3)	\$	37,062
Investment in Industrial Assets (net of amortization of \$2,334,808)		
(Note 5)	_	7,607,011
Net investment in capital assets	\$	7,644,073
Total unrestricted	\$	5,251,256

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 9 - INTERGOVERNMENTAL AND INDUSTRIAL AGREEMENTS:

Industrial Development Agreements

In pursuit of advancing economic development, Industrial Development Authority of Brunswick County has entered into agreements with industries, the Commonwealth of Virginia and other local governments. These agreements are complex and vary in their terms, length, and extent of legal and financial commitment accruing to the Authority. A summary of the significant agreements follows:

Commonwealth of Virginia

The Authority owns and leases to the Virginia Department of Corrections the land and structure upon which a 1500 inmate private prison facility has been constructed. The agreement provides that the Commonwealth will purchase the facility at the end of the initial twenty-year lease for the sum of \$1.00, and further provides for the Commonwealth to remit payments in lieu of taxes in a negotiated amount (initially \$332,320) during the twenty-year term of the lease.

Town of Lawrenceville, Virginia

The Authority funded an expansion of the Lawrenceville Water Treatment Plant capacity by one million gallons per day of treatment capacity. By contract, the Authority owns the entire 1,000,000 gallons of additional treatment capacity, and as a result, that water capacity constitutes a substantial asset of the Authority. In addition, the Authority is entitled to receive a share of the water charges to users identified as "Authority customers," defined as all customers (except residential) located outside the Town boundaries who/which connect to the Town's water system after the date of the Lawrenceville/IDA contract. The share of the Authority has been pegged at 46.7%, which the parties determined to represent that share of water charges representing capital recovery costs (as opposed to operation and maintenance costs, which are retained by the Town).

County of Brunswick, Virginia

Under arrangements similar to that between the Authority and the Virginia Department of Corrections, the Authority issued bonds for the construction of a new Courthouse facility for Brunswick County. The payments from the County to the Authority equal the Authority's obligation to the bond holders.

County of Mecklenburg, Virginia

One funding source for the RRRBP project was an Industrial Development Grant in the sum of \$1,298,600. The RRRBP property is owned jointly by the Authority and the Industrial Development Authority of Mecklenburg County. The Authority has been designated as the administrator of that \$1,298,600 grant.

Industrial Development Authority of Mecklenburg County, Virginia

The Authority has entered into a contractual arrangement with the Industrial Development Authority of Mecklenburg County for operation of the RRRBP, which is owned jointly and equally by the two Authorities.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 9 - INTERGOVERNMENTAL AND INDUSTRIAL AGREEMENTS: (CONTINUED)

Private Industry

GEO Group has secured a contract with the Commonwealth to operate the private prison for a term of five years. GEO Group has agreed to a contract with the County. That agreement provides for GEO Group to make payments of \$40,000 per year to the Authority during the term of GEO Group's initial five year operating agreement. If GEO Group's contract to operate the private prison is not renewed by the Commonwealth after the initial five-year contract expires, payments from GEO Group to the Authority will cease.

NOTE 10 - CONDUIT DEBT OBLIGATIONS:

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to privatesector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the State, nor any political subdivision thereof, is obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued by the Authority include the following:

Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2004A, issued September 14, 2004 (School Improvement/ Renovation Project)	\$ 7,500,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2004B, issued September 14, 2004 (School Improvement/ Renovation Project)	850,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2003, issued December 31, 2003 (Brunswick Academy Association)	2,000,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2002, issued July 31, 2002 (Saint Paul's College Project)	1,800,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Bonds, Series 1997, issued December 5, 1997 (Brunswick County Courthouse Facilities)	4,000,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Bonds, Series 1996, issued July 11, 1996 (Commonwealth of Virginia Correctional Facility)	58,095,000
Industrial Development Authority of Brunswick County, Virginia Exempt Facility Revenue Bonds, Series 1996, issued December 16, 1996 (Aegis Waste Solutions, Inc. Project)	5,200,000

NOTE 11 - SOURCES OF REVENUE:

Each business entity applying for tax-exempt industrial revenue bonds must pay a filing fee unless waived by the Authority. If bonds are subsequently issued, the entity must then pay an annual service fee until the bonds are retired. The Board of Supervisors of Brunswick County, Virginia has appropriated funds for the operations and development expenditures of the Authority.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 12 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description:

The Group Life Insurance (GLI) Plan was established pursuant to \$51.1-500 et seq. of the <u>Code of Virginia</u>, 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 plan, 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 plan. 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 plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt 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 \$8,616 as of June 30, 2021.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 12 - 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 <u>Code of Virginia</u>, 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$859 and \$845 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the entity reported a liability of \$13,184 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 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, 2020, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .00080% as compared to .00071% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$855. 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.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 12 - 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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	-	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	846	\$ 119
Net difference between projected and actual earnings on GLI OPEB program investments		396	-
Change in assumptions		659	275
Change in proportion		4,055	1,884
Employer contributions subsequent to the measurement date	_	859	 -
Total	\$	6,815	\$ 2,278

\$859 was 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, 2022. 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:

Year Ended June 30		
2022	Ś	550
2022	Ļ	662
2024		764
2025		1,117
2026		531
Thereafter		54

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 12 - 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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. 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*

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

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 12 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

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

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan'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, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	_	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	_	52.64%

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.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 12 - 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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49 %	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
	*Expected arithme	tic nominal return	7.14%

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

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 member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 12 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate: (Continued)

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, 2020 on, employers are assumed 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%)						
Board's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 17,331 \$	13,184 \$	9,816						

GLI Program Fiduciary Net Position

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

NOTE 13 - UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Note to Financial Statements As of June 30, 2021 (Continued)

NOTE 13 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2020.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

- Required Supplementary Information -

(A Component Unit of County of Brunswick, Virginia)

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2020

		,		
	_	2020	2019	2018
Total pension liability				
Service cost	\$	22,595 \$	5,977 \$	19,165
Interest		25,142	23,377	22,150
Changes of assumptions		-	8,690	-
Differences between expected and actual experience		27,972	25,197	(4,172)
Benefit payments, including refunds of employee contributions	_	(25,028)	(24,432)	(14,773)
Net change in total pension liability	\$	50,681 \$	38,809 \$	22,370
Total pension liability - beginning		384,988	346,179	323,809
Total pension liability - ending (a)	\$	435,669 \$	384,988 \$	346,179
Plan fiduciary net position				
Contributions - employer	\$	8,953 \$	8,313 \$	-
Contributions - employee		7,097	6,494	4,055
Net investment income		8,261	27,446	29,530
Benefit payments, including refunds of employee contributions		(25,028)	(24,432)	(14,773)
Administrative expense		(285)	(274)	(260)
Other		(10)	(17)	(26)
Net change in plan fiduciary net position	\$	(1,012) \$	17,530 \$	18,526
Plan fiduciary net position - beginning		434,257	416,727	398,201
Plan fiduciary net position - ending (b)	\$	433,245 \$	434,257 \$	416,727
Political subdivision's net pension liability (asset) -				
ending (a) - (b)	\$_	2,424 \$	(49,269) \$	(70,548)
Plan fiduciary net position as a percentage of the total				
pension liability (asset)		99.44%	112.80%	120.38%
Covered payroll	\$	162,549 \$	139,872 \$	81,107
Political subdivision's net pension asset as a percentage of covered payroll		1.49%	-35.22%	-86.98%

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.

(A Component Unit of County of Brunswick, Virginia)

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2020

	2017	2016	2015	2014
Total pension liability	2017	2010	2013	2014
Service cost \$	5,475 \$	5,338 \$	5,280 \$	18,602
Interest	21,942	19,780	18,364	16,275
Changes of assumptions	(16,105)	-	-	-
Differences between expected and actual experience	1,621	10,927	1,693	-
Benefit payments, including refunds of employee contributions	(5,161)	(5,155)	(5,072)	(4,999)
Net change in total pension liability \$	7,772 \$	30,890 \$	20,265 \$	29,878
Total pension liability - beginning	316,037	285,147	264,882	235,004
Total pension liability - ending (a) \$	323,809 \$	316,037 \$	285,147 \$	264,882
Plan fiduciary net position				
Contributions - employer \$	- \$	11,739 \$	11,547 \$	10,599
Contributions - employee	ڊ - 6,208	6,008	5,909	5,895
Net investment income	43,523	6,339	14,624	41,497
Benefit payments, including refunds of employee contributions	(5,161)	(5,155)	(5,072)	(4,999)
Administrative expense	(246)	(200)	(185)	(1,777)
Other	(39)	(200)	(105)	2
Net change in plan fiduciary net position \$	44,285 \$	18,728 \$	26,818 \$	52,783
Plan fiduciary net position - beginning	353,916	335,188	308,370	255,587
Plan fiduciary net position - ending (b) \$	398,201 \$	353,916 \$	335,188 \$	308,370
Political subdivision's net pension liability (asset) -				
ending (a) - (b)	(74,392) \$	(37,879) \$	(50,041) \$	(43,488)
Plan fiduciary net position as a percentage of the total				
pension liability (asset)	122.97%	111.99%	117.55%	116.42%
Covered payroll \$	124,163 \$	120,153 \$	118,184 \$	117,897
Political subdivision's net pension asset as a percentage of covered payroll	-59.91%	-31.53%	-42.34%	-36.89%

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.

(A Component Unit of County of Brunswick, Virginia)

Schedule of Employer Contributions - Pension Plan Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$	7,660	\$ 7,660	\$ -	\$	158,988	4.82%
2020		8,870	8,870	-		162,549	5.46%
2019		8,312	8,312	-		139,872	5.9 4%
2018		-	-	-		81,107	0.00%
2017		-	-	-		124,163	0.00%
2016		11,739	11,739	-		120,153	9.77%
2015		11,547	11,547	-		118,184	9.77%
2014		10,599	10,599	-		117,897	8.99 %
2013		10,315	10,315	-		114,742	8.99 %
2012		6,451	6,451	-		106,096	6.08%
2012		0,151	0,151			,.,.	0.00%

Current year contributions are from Authority records and prior year contributions are from the VRS actuarial valuation performed each year.

(A Component Unit of County of Brunswick, Virginia)

Notes to Required Supplementary Information - Pension Plan Year Ended June 30, 2021

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

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

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020

Date	Employer's Proportion of the Net Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	 Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2020	0.00080% \$	13,184	\$ 162,549	8.11%	52.64%
2019	0.00071%	11,554	139,872	8.26%	52.00%
2018	0.00043%	6,000	81,107	7.40%	51.22%
2017	0.00067%	10,000	124,163	8.05%	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.

Schedule of Employer Contributions Group Life Insurance (GLI) Plan Years Ended June 30, 2017 and June 30, 2021

Date	 Contractually Required Contribution	 Contributions in Relation to Contractually Required Contribution	 Contribution Deficiency (Excess)	 Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 859	\$ 859	\$ -	\$ 158,988	0.54%
2020	845	845	-	162,549	0.52%
2019	727	727	-	139,872	0.52%
2018	425	425	-	81,107	0.52%
2017	577	577	-	124,163	0.46%

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

Notes to Required Supplementary Information Group Life Insurance (GLI) Plan Year Ended June 30, 2021

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

- Other Supplementary Information -

Supporting Schedule

(A Component Unit of Brunswick County, Virginia)

Schedule of Land and Improvements Held for Sale As of June 30, 2021

		, -			
Property Location	Acres Unsold at June 30, 2020	Land Cost	Cost of Improvements	Cost Basis to Date June 30, 2020	Cost Per Acre June 30, 2020
St. Pauls College	414.00 \$	905,176 \$	21,183 \$	926,359 \$	2,238
Sledge & Barkley Building	Unknown	49,123	182,787	231,910	N/A
121 W. Hicks Building	Unknown	13,881	88,447	102,328	N/A
127 W. Hicks Building	Unknown	14,612	117,690	132,302	N/A
139 Hicks Building	Unknown	26,371	-	26,371	N/A
I-85 Business Center Park	114.00	693,298	754,284	1,447,582	12,698
Totals	528 \$	1,702,461 \$	1,164,391 \$	2,866,852	

- Compliance -



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*

To the Honorable Members of the Board of Directors Industrial Development Authority of Brunswick County, Virginia Lawrenceville, 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 Industrial Development Authority of Brunswick County, Virginia (a component unit of the County of Brunswick, Virginia) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Brunswick County, Virginia and have issued our report thereon dated May 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Brunswick County, Virginia's internal control over financial reporting (internal control) as a basis 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 Industrial Development Authority of Brunswick County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Brunswick County, Virginia'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Authority of Brunswick County, Virginia'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*.

Industrial Development Authority of Brunswick County Virginia's Response to Findings

Industrial Development Authority of Brunswick County, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Industrial Development Authority of Brunswick County, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Koloinson, Farmer, Cox, Kesociates

Charlottesville, Virginia May 28, 2022

Schedule of Findings and Responses Year Ended June 30, 2021

Section I - Summary of Auditors' Results						
Financial Statements						
Type of auditors' re	Unmodified					
Internal control ov Material weakne Significant defic	Yes None reported					
Noncompliance ma	No					
Section II - Financial Statement Findings						
2021-001						
Criteria:	The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires an adequate level of technical expertise.					
Condition:	The Authority currently lacks sufficient technical knowledge to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America.					
Cause:	Authority staff do not have the skill, nor does the Authority utilize a knowledgeable third-party consultant, to prepare financial statements free from material misstatement.					
Effect:	The financial records prepared by management required significant audit adjustments to be in conformity with accounting principles generally accepted in the United States of America.					
Recommendation:	It is recommended that Authority staff obtain additional technical training or use a third-party consultant to prepare the financial statements free of material misstatement.					
Management's response:	The Authority has limited resources to meet financial reporting requirements. However, othe controls are in place to mitigate associated risks. Monthly financial reports are provided to the Boar for review, which is considered an integral part of the monitoring controls over the Authority financial records.					

Section III - Status of Prior Audit Findings

Findings 2020-001 was recurring in fiscal year 2021 as 2021-001.