Maury Service Authority

Financial Report

Year Ended June 30, 2022

Officers
At June 30, 2022

Chairperson
John E. Riester, Jr.

Vice-Chairperson
Jonathan Goad

Secretary/Treasurer
Albert “Jay” Lewis

Board Members

John E. Riester, Jr.

Jonathan Goad

Charles Aligood

Albert “Jay” Lewis

William Fitzgerald

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ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | Consultants

Independent Auditors' Report

To the Board of Directors
Maury Service Authority
Lexington, Virginia

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Maury Service Authority, as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Maury Service Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Maury Service Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Maury Service Authority's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of the Maury Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Maury Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Maury Service Authority's internal control over financial reporting and compliance.

Robinson Farmer Cox Associates

Charlottesville, Virginia
December 7, 2022

As management of the Maury Service Authority (the Authority), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022.

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

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

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

The statement of revenues, expenses and changes in fund 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.

The basic enterprise fund financial statements can be found on pages 8 through 10 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for the schedules of pension and OPEB funding related to the Virginia Retirement System benefits. Other supplementary information presented includes budgetary comparison schedules.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by $27,100,608 (net position). Of this amount $4,797,004 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.

- The Authority's total net position increased by $19,294 during the year.

- The Authority's total long-term debt decreased by $513,739 during the current fiscal year due to principal payments on its indebtedness.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $27,100,608 at the close of the most recent fiscal year.

Financial Analysis: (Continued)

By far the largest portion of the Authority's net position (80 percent) reflects its net investment in capital assets. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	2022	2021
Assets:		
Current and other assets	$ 6,831,175	$ 5,715,728
Capital assets	31,081,921	32,174,826
Total Assets	$ 37,913,096	$ 37,890,554
Total Deferred Outflows of Resources	$ 154,821	$ 201,367
Liabilities:		
Long-term liabilities outstanding	$ 8,989,774	$ 9,503,513
Other liabilities	1,845,653	1,494,053
Total Liabilities	$ 10,835,427	$ 10,997,566
Total Deferred Inflows of Resources	$ 131,882	$ 13,041
Net position:		
Net investment in capital assets	$ 21,744,551	$ 22,319,683
Restricted for debt service and bond covenants	325,066	322,637
Restricted for pension benefits	233,987	110,595
Unrestricted	4,797,004	4,328,399
Total Net Position	$ 27,100,608	$ 27,081,314

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

	Change in Net Position	
	2022	2021
Revenues:		
Sales - City of Lexington	$ 3,169,893	$ 3,231,324
Sales - Rockbridge County PSA	1,720,164	1,643,051
Contribution for debt service payments	358,627	358,627
Investment income	7,080	8,468
Other revenue	106,985	157,088
Total revenues	$ 5,362,749	$ 5,398,558
Expenses:		
Operating expenses (excluding depreciation)	$ 4,027,303	$ 3,238,352
Depreciation expense	1,151,358	1,165,523
Special projects and studies	34,702	47,613
Interest expense	130,092	134,787
Total expenses	$ 5,343,455	$ 4,586,275
Increase (decrease) in net position	$ 19,294	$ 812,283
Net position—July 1	27,081,314	26,269,031
Net position—June 30	$ 27,100,608	$ 27,081,314

Financial Analysis: (Continued)

The Authority's net position increased by $19,294 during the current year. Operating revenues decreased by $34,421 and operating expenses (including depreciation) increased $774,786 over FY 2021 levels. Key elements of these changes are explained in greater detail under the Review of Operations section.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2022 amounted to $31,081,921 (net of accumulated depreciation). The net investment in capital assets decreased by approximately 3.4% during the year. Below is a comparison of the items that make up capital assets as of June 30, 2022 with that of June 30, 2021.

	2022	2021
Land and land improvements	$ 910,971	$ 910,971
Utility plant in service	30,170,950	31,224,945
Construction in progress	-	38,910
Total net capital assets	$ 31,081,921	$ 32,174,826

Additional information on the Authority’s capital assets is presented in Note 4 of the Notes to Financial Statements.

Long-term Debt - At the end of the current fiscal year, the Authority had $9,337,370 in bonds outstanding versus $9,816,369 last year, a decrease of 4.88%. The net decrease is due to the retirement of debt in excess of the issuance of bonds for the construction projects.

Additional information on the Authority's long-term liabilities is presented in Note 5 of the Notes to Financial Statements.

Review of Operations

Operating Revenues

Water sales revenues increased by $251,933, or 14.13%, over the previous year. Water rates increased by 8.11% during fiscal year 2022 to $4.00 with a 26,838 gallon, or 5.57%, increase in consumption.

Sewage treatment revenues decreased by $236,251 or 7.64%, from the previous year. The sewage treatment rate increased by 6.89% to $7.91. However, there was a 56,801 gallon, or 13.60% decrease in consumption.

Operating Expenses

Water operating expenses (excluding depreciation) increased by $290,720 in fiscal year 2022 over 2021 amounts. This represents a 26.58% increase from the previous year. Maintenance costs increased by $96,868 over the prior year.

Sewer operating expenses (excluding depreciation) increased by $498,231 in fiscal year 2022 over 2021 amounts. This represents a 23.23% increase over the previous year. Maintenance costs increased by $308,948 over the prior year.

Review of Operations: (Continued)

Long-Term Considerations

Water: The MSA has aging and failing water treatment facilities that have gone past the end of their useful life. This is a challenge the MSA staff works tirelessly to overcome to sustainably provide clean water. The water demand also fluctuates due to the aging distribution system of the MSA customers. This fluctuation in demand is difficult to manage.

Wastewater: The MSA has aging and failing wastewater treatment facilities that have gone past the end of their useful life. This is a challenge the MSA staff works tirelessly to overcome to sustainably provide clean water. The operating revenues will continue to fluctuate with the rainfall until the Infiltration and Inflow (I&I) is significantly reduced in the customer's collection systems. The MSA also experiences significantly higher strength waste streams to the wastewater treatment facilities that is contributing to overloading of the facilities.

Projects

Wastewater and Water: The MSA has completed a Water Facilities Assessment Report and is conducting the Wastewater Facilities Assessment Report to understand the needs of the MSA facilities and begin developing a plan to address these needs. The MSA expects to complete the Water Storage and Transmission System PER, Water Treatment Plant Improvement PER, Raw Water Pumping Station Replacement PER.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director at 130 Osage Lane, Lexington, VA 24450.

Financial Statements

MAURY SERVICE AUTHORITY

Statement of Net Position
As of June 30, 2022

	Water	Wastewater	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 1,240,704	$ 3,009,351	$ 4,250,055
Accounts receivable	486,803	736,374	1,223,177
Amounts due from other funds	-	798,890	798,890
Total Current Assets	$ 1,727,507	$ 4,544,615	$ 6,272,122
Noncurrent Assets:			
Restricted Assets:			
Cash and cash equivalents	$ 325,066	$ -	$ 325,066
Other Assets:			
Net pension asset	$ 86,482	$ 147,505	$ 233,987
Capital Assets:			
Land and improvements	$ 276,046	$ 634,925	$ 910,971
Plant, lines and equipment	15,630,269	32,662,141	48,292,410
Total Capital Assets	$ 15,906,315	$ 33,297,066	$ 49,203,381
Accumulated depreciation	5,700,010	12,421,450	18,121,460
Net Capital Assets	$ 10,206,305	$ 20,875,616	$ 31,081,921
Total Noncurrent Assets	$ 10,617,853	$ 21,023,121	$ 31,640,974
Total Assets	$ 12,345,360	$ 25,567,736	$ 37,913,096
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	$ 39,333	$ 72,543	$ 111,876
OPEB related items	16,007	26,938	42,945
Total Deferred Outflows of Resources	$ 55,340	$ 99,481	$ 154,821
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 142,211	$ 327,835	$ 470,046
Accrued payroll liabilities	24,471	52,297	76,768
Accrued interest payable	8,809	-	8,809
Amounts due to other funds	798,890	-	798,890
Compensated absences - current portion	3,405	5,582	8,987
Revenue bonds - current portion	159,144	323,009	482,153
Total Current Liabilities	$ 1,136,930	$ 708,723	$ 1,845,653
Long-term Liabilities:			
Compensated absences - current portion	$ 30,649	50,235	$ 80,884
Revenue bonds payable - net of current portion	6,271,149	2,584,068	8,855,217
Net OPEB Liability	19,918	33,755	53,673
Total Long-term Liabilities	$ 6,321,716	$ 2,668,058	$ 8,989,774
Total Liabilities	$ 7,458,646	$ 3,376,781	$ 10,835,427
DEFERRED INFLOWS OF RESOURCES			
Pension related items	$ 38,917	$ 67,722	$ 106,639
OPEB related items	9,367	15,876	25,243
Total Deferred Inflows of Resources	$ 48,284	$ 83,598	$ 131,882
NET POSITION			
Net investment in capital assets	$ 3,776,012	$ 17,968,539	$ 21,744,551
Restricted for debt service and bond covenants	325,066	-	325,066
Restricted for pension benefits	86,482	147,505	233,987
Unrestricted	706,210	4,090,794	4,797,004
Total Net Position	$ 4,893,770	$ 22,206,838	$ 27,100,608

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

MAURY SERVICE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	Water	Wastewater	Total
Operating Revenue:			
Sales:			
Lexington	$ 1,154,028	$ 2,015,865	$ 3,169,893
Rockbridge County Service Authority	881,093	839,071	1,720,164
Miscellaneous revenue	-	106,985	106,985
Total Operating Revenue	$ 2,035,121	$ 2,961,921	$ 4,997,042
Operating Expenses:			
Personnel and benefits	$ 598,353	$ 1,082,836	$ 1,681,189
Electricity	168,166	233,028	401,194
Chemicals	87,482	200,412	287,894
Insurance	43,339	33,695	77,034
Maintenance	134,223	590,646	724,869
Professional fees	147,532	69,405	216,937
Other expenses	205,209	432,977	638,186
Depreciation	387,971	763,387	1,151,358
Total Operating Expenses	$ 1,772,275	$ 3,406,386	$ 5,178,661
Operating Income (loss)	$ 262,846	$ (444,465)	$ (181,619)
Nonoperating Revenues (Expenses):			
Contribution for debt service payments	$ 35,618	$ 323,009	$ 358,627
Interest income	3,698	3,382	7,080
Special projects and studies	(26,476)	(8,226)	(34,702)
Interest expense	(130,092)	-	(130,092)
Total Nonoperating Revenues (Expenses)	$ (117,252)	$ 318,165	$ 200,913
Change in net position	$ 145,594	$ (126,300)	$ 19,294
Net position, beginning of year	4,748,176	22,333,138	27,081,314
Net position, end of year	$ 4,893,770	$ 22,206,838	$ 27,100,608

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

MAURY SERVICE AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2022

	Water	Wastewater	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	$ 2,024,716	$ 2,964,594	$ 4,989,310
Payments to suppliers	(696,284)	(1,285,300)	(1,981,584)
Payments to and for employees	(596,426)	(1,039,399)	(1,635,825)
Net Cash Provided by (Used for) Operating Activities	$ 732,006	$ 639,895	$ 1,371,901
Cash Flows from Noncapital Financing Activities:			
Contribution for debt service payments	$ 35,618	$ 323,009	$ 358,627
Interfund loans	(46,754)	46,754	-
Net Cash Provided By (Used for) Noncapital Financing Activities	$ (11,136)	$ 369,763	$ 358,627
Cash Flows from Capital and Related Financing Activities:			
Purchase and construction of assets	$ (68,001)	$ (29,226)	$ (97,227)
Principal payments on bonds	(155,990)	(323,009)	(478,999)
Interest paid on indebtedness	(130,305)	-	(130,305)
Net Cash Provided by (Used for) Capital and Related Financing Activities	$ (354,296)	$ (352,235)	$ (706,531)
Cash Flows from Investing Activities:			
Interest income	$ 3,698	$ 3,382	$ 7,080
Net Cash Provided by (Used for) Investing Activities	$ 3,698	$ 3,382	$ 7,080
Increase (decrease) in cash and cash equivalents	$ 370,272	$ 660,805	$ 1,031,077
Cash and cash equivalents - beginning - including restricted	1,195,498	2,348,546	3,544,044
Cash and cash equivalents - ending - including restricted	$ 1,565,770	$ 3,009,351	$ 4,575,121
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ 262,846	$ (444,465)	$ (181,619)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	387,971	763,387	1,151,358
Payments for special projects and studies	(26,476)	(8,226)	(34,702)
(Increase) decrease in accounts receivable	(10,405)	2,673	(7,732)
(Increase) decrease in prepaid expenses	-	-	-
(Increase) decrease in net pension asset	(42,156)	(81,236)	(123,392)
(Increase) decrease in pension deferred outflows	9,282	21,592	30,874
(Increase) decrease in OPEB deferred outflows	4,618	11,054	15,672
Increase (decrease) in accounts payable	116,143	283,089	399,232
Increase (decrease) in accrued payroll liabilities	7,724	27,459	35,183
Increase (decrease) in compensated absences	(7,752)	5,540	(2,212)
Increase (decrease) in net OPEB liability	(9,228)	(20,374)	(29,602)
Increase (decrease) in pension deferred inflows	30,943	65,142	96,085
Increase (decrease) in OPEB deferred inflows	8,496	14,260	22,756
Net Cash Provided by (Used for) Operating Activities	$ 732,006	$ 639,895	$ 1,371,901
Schedule of non-cash capital and related financing activities:			
Construction payables	$ (38,774)	$ -	$ (38,774)

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

Note 1—Formation of the Maury Service Authority:

The Maury Service Authority was formed on August 7, 1970 as a political subdivision of the Commonwealth of Virginia by the Cities of Buena Vista and Lexington and the County of Rockbridge pursuant to the Virginia Water and Sewer Authorities Act (1950 as amended). The Authority is governed by a Board of Directors appointed by the founding localities. The Authority is responsible for acquiring, financing, constructing, and maintaining facilities for the improvement, treatment, storage and transmission of potable water. The Authority also provides wastewater treatment services to the participating jurisdictions.

Financial Reporting Entity - The Authority's financial statements include all of its funds and accounts. There are no potential component units which should be included in the reporting entity. The Authority is construed as a joint venture between the localities listed above.

Note 2—Summary of Significant Accounting Policies:

A. Basis of Accounting: The Maury Service Authority operates as enterprise funds and its financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

   The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. Allowance for Doubtful Accounts: The Authority bills the City of Lexington and the Rockbridge County Public Service Authority for substantially all of its services and consequently no provision for doubtful accounts is considered necessary.

C. Basic Financial Statements: Since the Authority is only engaged in business-type activities, it is only required to present the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

   - Management's Discussion and Analysis
   - Enterprise fund financial statements
     - Statement of Net Position
     - Statement of Revenues, Expenses, and Changes in Net Position
     - Statement of Cash Flows
     - Notes to Financial Statements
   - Required supplementary information
     - Pension and OPEB Funding Information

Note 2—Summary of Significant Accounting Policies: (Continued)

D. Cash and Cash Equivalents: The Authority's cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, overnight repurchase agreements and short-term U.S. Governmental obligations, with an original maturity of three months or less from the date of acquisition, all of which are readily convertible to known amounts of cash.

E. Capital Assets:

Capital assets are tangible and intangible assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $7,000 and an estimated useful life in excess of two years.

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

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water and Sewage treatment plant and equipment	10 to 50
Machinery and equipment	3 to 25
Office furniture and fixtures	10
Automobiles	5 to 10

F. Inventory: Consumption of materials and supplies is recorded as an expense when used. No inventory amounts are recorded as an asset, as available inventories are not significant.

G. Budgets and Budgetary Accounting: A budget is prepared for informational, fiscal planning purposes, and to provide the basis for setting wholesale rates. None of the participating entities are required to approve the budgets. The budgets are adopted as planning documents and are not legal controls over expenses.

The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation of utility plant assets and amortization. A review of the budgetary comparison schedules presented herein will disclose how accurately the Authority was able to forecast its revenues and expenditures.

Note 2—Summary of Significant Accounting Policies: (Continued)

H. 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.

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

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

J. Long-term Obligations: Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

K. Net Position: The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Note 2—Summary of Significant Accounting Policies: (Continued)

K. Net Position: (Continued)

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

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

M. Other Postemployment Benefits (OPEB): For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan's fiduciary net 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.

Note 3—Deposits and Investments:

Deposits:

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

Note 3—Deposits and Investments: (Continued)

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & 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).

The Authority does not have a formal investment policy and no investments at June 30, 2022.

Note 4—Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
WATER:				
Capital assets not being depreciated:				
Land and improvements	$ 276,046	$ -	$ -	$ 276,046
Construction in progress	38,910	-	38,910	-
Total capital assets not being depreciated	$ 314,956	$ -	$ 38,910	$ 276,046
Capital assets being depreciated:				
Water plant and lines	$ 15,322,486	$ 38,911	$ -	$ 15,361,397
Equipment, furniture and vehicles	239,646	29,226	-	268,872
Total capital assets being depreciated	$ 15,562,132	$ 68,137	$ -	$ 15,630,269
Accumulated depreciation:				
Water plant and lines	$ (5,162,262)	$ (372,077)	$ -	$ (5,534,339)
Equipment, furniture and vehicles	(149,777)	(15,894)	-	(165,671)
Total accumulated depreciation	$ (5,312,039)	$ (387,971)	$ -	$ (5,700,010)
Total capital assets, being depreciated, net	$ 10,250,093	$ (319,834)	$ -	$ 9,930,259
Total water capital assets, net	$ 10,565,049	$ (319,834)	$ 38,910	$ 10,206,305

Note 4—Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
WASTEWATER:				
Capital assets not being depreciated:				
Land and improvements	$ 634,925	$ -	$ -	$ 634,925
Total capital assets not being depreciated	$ 634,925	$ -	$ -	$ 634,925
Capital assets being depreciated:				
Wastewater treatment plant	$ 28,661,192	$ -	$ -	$ 28,661,192
Equipment, furniture and vehicles	3,971,723	29,226	-	4,000,949
Total capital assets being depreciated	$ 32,632,915	$ 29,226	$ -	$ 32,662,141
Accumulated depreciation:				
Wastewater treatment plant	$ (9,658,993)	$ (572,314)	$ -	$ (10,231,307)
Equipment, furniture and vehicles	(1,999,070)	(191,073)	-	(2,190,143)
Total accumulated depreciation	$ (11,658,063)	$ (763,387)	$ -	$ (12,421,450)
Total capital assets, being depreciated, net	$ 20,974,852	$ (734,161)	$ -	$ 20,240,691
Total wastewater capital assets, net	$ 21,609,777	$ (734,161)	$ -	$ 20,875,616
Total capital assets, net	$ 32,174,826	$ (1,053,995)	$ 38,910	$ 31,081,921

Note 5—Long-term Liabilities:

A. Changes in Long-term Liabilities:

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

	Beginning Balance	Issuances/ Additions	Retirements/ Reductions	Ending Balance	Due Within One Year
Water Revenue Bonds	$ 6,586,283	$ -	$ 155,990	$ 6,430,293	$ 159,144
Compensated absences	41,806	39,904	47,656	34,054	3,405
Net OPEB Liability	29,146	21,899	31,127	19,918	-
Total Water Long-term Liabilities	$ 6,657,235	$ 61,803	$ 234,773	$ 6,484,265	$ 162,549
Wastewater Revenue Bonds	$ 3,230,086	$ -	$ 323,009	$ 2,907,077	$ 323,009
Compensated absences	50,277	60,113	54,573	55,817	5,582
Net OPEB Liability	54,129	34,133	54,507	33,755	-
Total Wastwater Long-term Liabilities	$ 3,334,492	$ 94,246	$ 432,089	$ 2,996,649	$ 328,591
Totals	$ 9,991,727	$ 156,049	$ 666,862	$ 9,480,914	$ 491,140

Note 5—Long-term Liabilities: (Continued)

B. Details of Long-term Liabilities:

Direct Borrowings and Direct Placements - Water Revenue Bonds:

$7,598,000 Water Revenue Bond, Series 2012, issued through Rural Development dated June 5, 2012 bearing interest at 2%. Payments of interest only are due on June 5, 2013 and 2014. Beginning July 5, 2014, monthly payments of combined principal and interest of $23,858 are due through June 5, 2052.	$ 6,430,293
Compensated Absences	$ 34,054
Net OPEB Liability	$ 19,918
Total Water Long-term Liabilities	$ 6,484,265
Direct Borrowings and Direct Placements - Wastewater Revenue Bonds:	
$6,543,947 Wastewater Revenue bond, Series 2009, dated May 7, 2009 due in semi-annual installments of principal of $163,599 commencing on December 1, 2011 through June 1, 2031. No interest.	$ 2,907,077
Compensated Absences	$ 55,817
Net OPEB Liability	$ 33,755
Total Wastewater Long-term Liabilities	$ 2,996,649
Total Long-Term Liabilities	$ 9,480,914

C. Default Provisions:

In the event of default on revenue bonds, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

Note 5—Long-term Liabilities: (Continued)

D. Annual Amortization of Long-term Liabilities:

The annual requirements to amortize all long-term debt outstanding as of June 30, 2022 are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements			
	Water Revenue Bonds		Wastewater Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	$ 159,144	$ 127,152	$ 323,009	$ -
2024	162,357	123,939	323,009	-
2025	165,634	120,662	323,009	-
2026	168,977	117,319	323,009	-
2027	172,388	113,908	323,009	-
2028	175,867	110,429	323,008	-
2029	179,417	106,879	323,008	-
2030	183,038	103,258	323,008	-
2031	186,733	99,563	323,008	-
2032	190,502	95,794	-	-
2033	194,347	91,949	-	-
2034	198,270	88,026	-	-
2035	202,272	84,024	-	-
2036	206,355	79,941	-	-
2037	210,520	75,776	-	-
2038	214,769	71,527	-	-
2039	219,104	67,192	-	-
2040	223,526	62,770	-	-
2041	228,038	58,258	-	-
2042	232,641	53,655	-	-
2043	237,337	48,959	-	-
2044	242,127	44,169	-	-
2045	247,014	39,282	-	-
2046	252,000	34,296	-	-
2047	257,087	29,209	-	-
2048	262,276	24,020	-	-
2049	267,569	18,726	-	-
2050	272,970	13,326	-	-
2051	278,480	7,816	-	-
2052	239,534	2,232	-	-
Total	$ 6,430,293	$ 2,114,056	$ 2,907,077	$ -

For the year ended June 30, 2022 the City of Lexington and County of Rockbridge each contributed one-half of the Wastewater Revenue Bond debt payment.

Note 6—Interfund Balances:

Amounts reported as due to and from other funds totaled $798,890 at June 30, 2022. This balance represents water fund expenses that were paid for by the wastewater fund.

Note 7—Concentration of Revenue:

The Maury Service Authority receives substantially all its revenues from the City of Lexington and the Rockbridge County Public Service Authority. For the year ended June 30, 2022, the Water Fund had sales of $1,154,028 and $881,093 with the City of Lexington and Rockbridge County Service Authority, respectively, while the Wastewater Fund had sales of $2,015,865 and $839,071 with the City and Authority, respectively. As of June 30, 2022, the Water Fund had receivables from the City and Authority of $262,067 and $224,735, respectively and the Wastewater Fund had receivables from the City and Authority of $496,640 and $237,245, respectively.

Note 8—Risk Management:

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

Note 9—Pension Plan:

Plan Description

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

Note 9—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 or age 50 with at least 10 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age 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 equals 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 9—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 Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2020 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	2
Inactive members active elsewhere in VRS	2
Total inactive members	4
Active members	20
Total covered employees	27

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2022 was 6.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

Note 9—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 $56,708 and $50,793 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The net pension liability (asset) (NPA) 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 asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

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

Note 9—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

Note 9—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total 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

Note 9—Pension Plan: (Continued)

Discount Rate (Continued)

employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 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 Asset

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances at June 30, 2020	$ 439,209	$ 549,804	$ (110,595)
Changes for the year:			
Service cost	$ 117,730	$ -	$ 117,730
Interest	28,799	-	28,799
Assumption changes	9,280	-	9,280
Differences between expected and actual experience	(24,366)	-	(24,366)
Contributions - employer	-	50,720	(50,720)
Contributions - employee	-	42,899	(42,899)
Net investment income	-	161,525	(161,525)
Benefit payments, including refunds of employee contributions	(25,115)	(25,115)	-
Administrative expenses	-	(325)	325
Other changes	-	16	(16)
Net changes	$ 106,328	$ 229,720	$ (123,392)
Balances at June 30, 2021	$ 545,537	$ 779,524	$ (233,987)

Note 9—Pension Plan: (Continued)

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

The following presents the net pension 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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's Net Pension Asset	$ (153,885)	$ (233,987)	$ (299,236)

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

For the year ended June 30, 2022, the Authority recognized pension expense of $60,202. At June 30, 2022, 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	$ 42,729	$ 22,287
Changes of assumptions	12,310	-
Net difference between projected and actual earnings on pension plan investments	-	84,223
Changes in proportionate share	129	129
Employer contributions subsequent to the measurement date	56,708	-
Total	$ 111,876	$ 106,639

Note 9—Pension Plan: (Continued)

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

$56,708 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30		
2023	$	(3,698)
2024		(3,846)
2025		(18,179)
2026		(25,748)
2027		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10—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 Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

The specific information for GLI Plan 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, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 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 $5,853 and $5,136 for the years ended June 30, 2022 and June 30, 2021, 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, 2022, the entity reported a liability of $53,673 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2021. The covered employer's proportion of the Net GLI

Note 10—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)

OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .00460% as compared to .00499% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $14,696. 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.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,122	$ 409
Net difference between projected and actual earnings on GLI OPEB plan investments	-	12,811
Change of assumptions	2,959	7,344
Changes in proportionate share	28,011	4,679
Employer contributions subsequent to the measurement date	5,853	-
Total	$ 42,945	$ 25,243

$5,853 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OEPB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2023	$ 9,853
2024	5,383
2025	572
2026	(2,688)
2027	(1,271)
Thereafter	-

Note 10—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, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

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

Note 10—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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the 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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	$	1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed

Note 10—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the GLI Plan Net OPEB Liability	$ 78,418	$ 53,673	$ 33,690

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11—Compensated Absences:

The Authority has accrued the liability arising from outstanding compensated absences. Full-time employees accrue paid leave at varying rates as services are provided. The balance was $89,871 at year-end.

Note 12—Contract Obligations:

In fiscal year 2022, the Authority entered into a contract for switchgear replacement. The contract amounted to $411,700 with $383,200 outstanding at June 30, 2022.

Note 13— Upcoming Pronouncements:

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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 fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

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

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

Note 14—Subsequent Events:

In October 2022, the Virginia Department of Health approved a funding package of $3,000,000, based on the Authority's loan application. The package includes an interest rate of 1.0% below market rates for 20 years (or the design life of the project, whichever is less), at a rate not less than 1.0%. The final loan amount will be set at closing, which has not yet taken place. The Authority has accepted the initial funding package offer and has requested additional principal forgiveness towards the development of the Asset Management Plan (AMP), Capital Improvements Plan (CIP), and Waterworks Business Operations Plan (WBOP).

Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2017 through June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability					
Service cost	$ 117,730	$ 97,881	$ 109,183	$ 99,909	$ -
Interest	28,799	20,977	13,463	(32)	(2)
Differences between expected and actual experience	(24,366)	15,588	(5,726)	95,699	-
Changes of assumptions	9,280	-	9,905	-	-
Benefit payments	(25,115)	(12,003)	(4,778)	(789)	(66)
Net change in total pension liability	$ 106,328	$ 122,443	$ 122,047	$ 194,787	$ (68)
Total pension liability - beginning	439,209	316,766	194,719	(68)	-
Total pension liability - ending (a)	$ 545,537	$ 439,209	$ 316,766	$ 194,719	$ (68)
Plan fiduciary net position					
Contributions - employer	$ 50,720	$ 122,108	$ 103,141	$ 76,397	$ 68,109
Contributions - employee	42,899	47,046	39,120	34,076	30,602
Net investment income	161,525	8,401	21,566	10,462	6,570
Benefit payments	(25,115)	(12,003)	(4,778)	(789)	(66)
Administrator charges	(325)	(128)	(45)	6	60
Other	16	(12)	(15)	(14)	(10)
Net change in plan fiduciary net position	$ 229,720	$ 165,412	$ 158,989	$ 120,138	$ 105,265
Plan fiduciary net position - beginning	549,804	384,392	225,403	105,265	-
Plan fiduciary net position - ending (b)	$ 779,524	$ 549,804	$ 384,392	$ 225,403	$ 105,265
Authority's net pension liability (asset) - ending (a) - (b)	$ (233,987)	$ (110,595)	$ (67,626)	$ (30,684)	$ (105,333)
Plan fiduciary net position as a percentage of the total pension liability	142.89%	125.18%	121.35%	115.76%	-154801.47%
Covered payroll	$ 951,200	$ 1,027,725	$ 831,960	$ 699,040	$ 618,940
Authority's net pension liability (asset) as a percentage of covered payroll	-24.60%	-10.76%	-8.13%	-4.39%	-17.02%

Schedule is intended to show information for 10 years. The Authority began participation in the VRS pension plan on July 1, 2016.

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2017 through June 30, 2022

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)
2022	$ 56,708	$ 56,708	$ -	$ 1,083,910	5.23%
2021	50,793	50,793	-	951,200	5.34%
2020	122,158	122,158	-	1,027,725	11.89%
2019	103,181	103,181	-	831,960	12.40%
2018	76,438	76,438	-	699,040	10.93%
2017	68,455	68,455	-	618,940	11.06%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Schedule is intended to show information for 10 years. The Authority began participation in the VRS pension plan on July 1, 2016.

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2022

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

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

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

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, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.00460%	$ 53,673	$ 951,200	5.64%	67.45%
2020	0.00499%	83,275	1,027,725	8.10%	52.64%
2019	0.00428%	69,647	838,825	8.30%	52.00%
2018	0.00372%	57,000	706,893	8.06%	51.22%
2017	0.00335%	51,000	618,940	8.24%	48.86%

Schedule is intended to show information for 10 years. The Authority began participation in the VRS GLI plan on July 1, 2016.

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2022

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)
2022	$ 5,853	$ 5,853	$ -	$ 1,083,910	0.54%
2021	5,136	5,136	-	951,200	0.54%
2020	5,344	5,344	-	1,027,725	0.52%
2019	4,362	4,362	-	838,825	0.52%
2018	3,676	3,676	-	706,893	0.52%
2017	3,218	3,218	-	618,940	0.52%

Schedule is intended to show information for 10 years. The Authority began participation in the VRS GLI plan on July 1, 2016.

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

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

Non-Largest Ten Locality Employers - General Employees:

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

Supporting Schedules

Schedule of Revenues and Expenses - Budget and Actual - Water Fund
Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Water sales	$ 1,944,000	$ 2,035,121	$ 91,121
Interest income	10,000	3,698	(6,302)
Contribution for debt service payments	35,655	35,618	(37)
Total revenue	$ 1,989,655	$ 2,074,437	$ 84,782
EXPENSES:			
Wages	$ 528,169	$ 425,981	$ 102,188
Payroll taxes	40,328	30,774	9,554
VRS and ICMA	46,180	37,327	8,853
Insurance - health	147,097	102,891	44,206
Employee appreciation	-	1,382	(1,382)
Accountant	8,298	6,508	1,790
Audit fee	8,750	8,999	(249)
Chemicals	85,500	87,482	(1,982)
Contract services	11,085	12,949	(1,864)
Dues	3,976	3,813	163
Education	4,635	4,612	23
Electricity	180,000	168,166	11,834
Gas, grease, oil	8,240	13,406	(5,166)
Generator expense	5,874	2,294	3,580
Honoraria	3,870	-	3,870
Insurance - general	56,305	43,339	12,966
IT contract	8,808	5,131	3,677
Janitorial supplies	2,612	767	1,845
Lab supplies	6,365	10,961	(4,596)
Legal and advisory services	5,000	10,236	(5,236)
Maintenance	66,888	134,223	(67,335)
Monitoring	7,975	4,979	2,996
Office expenses	3,965	10,505	(6,540)
Payroll fees	-	2,585	(2,585)

Schedule of Revenues and Expenses - Budget and Actual - Water Fund
Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES: (Continued)			
Professional fees	$ 20,600	$ 30,698	$ (10,098)
Project support	-	91,092	(91,092)
Safety	1,093	451	642
Solids handling	15,000	117,102	(102,102)
Special projects	55,620	26,476	29,144
Telephone	5,995	7,942	(1,947)
Travel	5,445	845	4,600
Vehicles	4,775	661	4,114
Wearing apparel	4,410	5,175	(765)
Landfill contract	501	1,030	(529)
Payment on water plant bond:			
Principal	220,000	-	220,000
Interest	5,000	-	5,000
Loan payment on Loop Project:			
Principal	155,990	155,990	-
Interest	130,306	130,305	1
Asset repair and replacement	125,000	68,001	56,999
Total expenses	$ 1,989,655	$ 1,765,078	$ 224,577
Net income (loss)	$ -	$ 309,359	$ 309,359

Reconciliation to Statement of Revenues, Expenses and Changes in Net Position:

Net income (loss) - Budgetary Basis	$ 309,359
Principal payments on bonds and loans	155,990
Depreciation	(387,971)
Interest accrual	213
Capital asset additions	68,001
Rounding	2
Change in Net Position - GAAP Basis	$ 145,594

This schedule is presented on the Authority's budgetary basis of accounting. Depreciation is excluded from the schedule and loan payments are included.

Schedule of Revenues and Expenses - Budget and Actual - Wastewater Fund
Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Sewer sales	$ 2,556,245	$ 2,854,936	$ 298,691
Interest	10,000	3,382	(6,618)
Contribution for debt service payments	-	323,009	323,009
Miscellaneous	10,000	106,985	96,985
Total revenue	$ 2,576,245	$ 3,288,312	$ 712,067
EXPENSES:			
Wages	$ 882,206	$ 765,988	$ 116,218
Payroll taxes	67,412	55,276	12,136
VRS and ICMA	77,194	66,570	10,624
Insurance - health	263,428	192,288	71,140
Employee appreciation	-	2,715	(2,715)
Accountant	9,281	7,345	1,936
Audit fee	8,750	9,001	(251)
Chemicals	185,500	200,412	(14,912)
Contract services	10,440	16,496	(6,056)
Dues	5,181	2,927	2,254
Education	11,357	9,093	2,264
Electricity	265,000	233,028	31,972
Gas, grease, oil	15,490	23,236	(7,746)
Generator expense	8,322	3,310	5,012
Honoraria	3,870	-	3,870
Insurance - general	47,355	33,695	13,660
Janitorial supplies	7,557	3,336	4,221
Lab supplies	74,240	58,682	15,558
Legal and advisory services	5,000	12,851	(7,851)
Maintenance	104,172	590,646	(486,474)
Monitoring	34,093	38,433	(4,340)
Office expenses	4,917	16,099	(11,182)
Permits expense	3,090	12,084	(8,994)

Schedule of Revenues and Expenses - Budget and Actual - Wastewater Fund
Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES: (Continued)			
Professional fees	$ 20,000	$ 40,209	$ (20,209)
Safety	2,122	2,890	(768)
Solids handling	39,900	180,773	(140,873)
Special projects	55,620	8,226	47,394
Telephone	6,922	6,491	431
Travel	5,305	827	4,478
Vehicles	16,391	42,448	(26,057)
Wearing apparel	8,820	5,984	2,836
IT contract	9,860	6,614	3,246
Landfill contract	4,450	3,253	1,197
Loan payment on sewer plant bonds:			
Principal	-	323,009	(323,009)
Asset repair and replacement	313,000	29,226	283,774
Total expenses	$ 2,576,245	$ 3,003,461	$ (427,216)
Net income (loss)	$ -	$ 284,851	$ 284,851

Reconciliation to Statement of Revenues, Expenses and Changes in Net Position:	
Net income (loss) - Budgetary Basis	$ 284,851
Principal payments on bonds	323,009
Depreciation	(763,387)
Capital asset additions	29,226
Rounding	1
Change in Net Position - GAAP Basis	$ (126,300)

This schedule is presented on the Authority's budgetary basis of accounting. Depreciation is excluded from the schedule and loan payments are included.

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 *Government Auditing Standards*

To the Board of Directors
Maury Service Authority
Lexington, 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 Maury Service Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Maury Service Authority's financial statements and have issued our report thereon dated December 7, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson Farmer Cox Associates

Charlottesville, Virginia
December 7, 2022