ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

FINANCIAL REPORT

June 30, 2022

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ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

June 30, 2022

BOARD OF DIRECTORS

Susan W. Custer, Chairman
Tuckahoe District
Term Expires November 13, 2022

Edward S. Whitlock, III, Vice Chair
Tuckahoe District
Term Expires November 13, 2025

Dennis J. Berman, Treasurer
Three Chopt District
Term Expires November 13, 2024

Philip C. Strother, JD, LLM, Secretary
Brookland District
Term Expires November 13, 2022

Sam Bagley
Varina District
Term Expires November 13, 2023

Lauren Bifulco
Brookland District
Term Expires November 30, 2025

S. Floyd Mays, Jr.
Varina District
Term Expires November 13, 2022

Linda R. Melton
Fairfield District
Term Expires November 13, 2024

Travis J. Pearson
Three Chopt District
Term Expires November 13, 2023

Frank J. Thorton
Fairfield District
Term Expires November 30, 2025

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors of
Economic Development Authority of Henrico County, Virginia
Henrico, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Economic Development Authority of Henrico County, Virginia (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements 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 governmental activities and major fund of the Authority, as of June 30, 2022, and the changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefit information on pages 42 - 49 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 Government 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.

Other Matters (Continued)

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia
November 1, 2022

The Management Discussion and Analysis ("MD&A") offers the readers of the Economic Development Authority of Henrico County, Virginia's (the "Authority") financial statements a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022.

Financial Highlights

In Fiscal Year 2022 ("FY2022"), there were two Industrial Revenue and Refunding Bonds issued by the Authority.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Authority's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements, similar to those used by private-sector companies, report information about the Authority as a whole. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the Authority's finances as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

In the Statement of Net Position and the Statement of Activities, the Authority presents the following activity:

Governmental Activities

Economic development - operations, consists of expenses associated with salaries, other contractual services, payroll taxes, Henrico VCU Engineering School scholarships, health insurance, travel, and advertising. Primarily, charges for the issuance of the bonds and operating contributions through the County of Henrico, Virginia's (the "County") appropriations to finance these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are considered to be governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long- term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities

(Continued)

The Authority maintains an individual governmental fund. Information is presented separately in the governmental fund financial statement for the General Fund which is considered a major fund.

The Authority adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-41 of this report.

Government-Wide Financial Analysis

Statement of Net Position

The following table reflects condensed information on the Authority's net position. As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $34,295,410 at the close of the most recent fiscal year. 61% or $20,887,472 of the Authority's net position reflect its investment in capital assets, net of related debt (e.g., building, vehicles, furniture and fixtures, and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Authority's unrestricted net position (38% of total) may be used to meet the Authority's ongoing obligations to citizens.

	Governmental Activities	
	2022	**2021**
Current and other assets	$ 13,920,766	$ 8,249,908
Capital assets	20,887,472	20,942,748
Total assets	34,808,238	29,192,656
Deferred outflows of resources	182,160	261,871
Current and other liabilities	74,564	2,042,996
Long-term liabilities	131,322	555,042
Total liabilities	205,886	2,598,038
Deferred inflows of resources	489,102	21,259
Net position:		
Net investment in capital assets	20,887,472	20,942,748
Restricted for pension	267,887	-
Unrestricted	13,140,051	5,892,482
Total net position	$ 34,295,410	$ 26,835,230

(Continued)

Statement of Activities

Total revenues and expenses for Authority activities are reflected in the following table:

	Governmental Activities	
	2022	2021
Expenses:		
Economic development - operations	$ 4,051,951	$ 2,848,684
Capital outlay	-	173
Depreciation	55,276	55,791
Total expenses	4,107,227	2,904,475
Program revenues:		
Charges for services:		
Bond administration fees	268,582	168,411
Operating contributions:		
Appropriation from the County of Henrico	4,292,179	2,402,252
Total program revenues	4,560,761	2,570,663
Net program expenses (revenue)	453,534	(333,812)
General revenues:		
Interest income	20,824	31,359
Miscellaneous income	16,114	196,842
Loss on investments	(76,481)	(17,099)
Donated assets	-	9,261,100
Gain on sale of assets	7,046,189	1,230,551
Total general revenues	7,006,646	10,702,753
Change in net position	7,460,180	10,368,941
Beginning of year	26,835,230	16,466,289
End of year	$ 34,295,410	$ 26,835,230

Revenues

For FY2022, revenues from all sources totaled $11,567,407. Gain on sale of assets is the largest component of revenues. Appropriations from the County are the source of operating contributions. Other sources of revenues consist of fees collected for the issuance of bonds and interest income received on the Authority's investments. The gain on sale of asset relates to the County's White Oak proceeds.

Expenses

For FY2022, expenses totaled $4,107,227. Operating expenses for the Authority's activities totaled $4,051,951 and were comprised primarily of salaries and related benefits, payments in accordance with economic development performance agreements, contractual services, and advertising and promotion. For government-wide financial reporting requirements, depreciation expense is allocated to Authority activities and retirement of principal on long-term debt is not shown as an expense.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

General Government Functions

The following schedule presents a summary of revenues of the General Fund, for the fiscal year ended June 30, 2022, and the amount and percentage of increases and decreases in relation to prior year.

	2022 Amount	Percent of Total	2021 Amount	Increase (Decrease) From 2021	Percent Increase (decrease)
Revenues:					
Bond administration fees	$ 268,582	2.32%	$ 168,411	$ 100,171	59.48%
Other revenues	7,006,646	60.57%	1,441,653	5,564,993	386.01%
Appropriation from the County of Henrico	4,292,179	37.11%	2,402,252	1,889,927	78.67%
Total revenues	$ 11,567,407	100.00%	$ 4,012,316	$ 7,555,091	188.30%

Appropriations from the County are the source of operating contributions, and the principal reason for the variance from FY2021 is the receipt of County funds toward economic development performance agreements and an additional appropriation to cover the yearly raises implemented by the County in FY2021. The principal reasons for the variance in other revenues from FY2021 are interest income received on the Authority's investments, and proceeds from the sale of a parcel at the White Oak Technology Park. Under a 2017 agreement with the Commonwealth of Virginia, the Authority and the Commonwealth share the proceeds of the sale of the land in the White Oak Technology Park.

The following schedule presents a summary of expenditures of the General Fund, for the fiscal year ended June 30, 2022, and the percentage of increases and decreases in relation to prior year amounts:

	2022 Amount	Percent of Total	2021 Amount	(Decrease) Increase From 2021	Percent (Decrease) Increase
Expenditures:					
Economic development operations	$ 4,196,004	100%	$ 2,782,893	$ 1,413,111	50.78%
Capital outlay	-	-%	141,746	(141,746)	(100%)
Total expenditures	$ 4,196,004	100%	$ 2,924,639	$ 1,271,365	43.47%

FY2022 General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual	Variance (Negative) Positive
Revenues:				
Bond administration fees	$ 172,780	$ 172,780	$ 268,582	$ 95,802
Appropriation from the County of Henrico	1,960,805	1,960,805	4,292,179	2,331,374
Gain on disposal of assets	-	-	7,046,189	7,046,189
Other income (expense)	32,188	32,188	(39,543)	(71,731)
Total revenues	$ 2,165,773	$ 2,165,773	$ 11,567,407	$ 9,401,634
Expenditures	$ 2,165,773	$ 2,165,773	$ 4,196,004	$ (2,030,231)

The gain on disposal of asset increase was due to the sale of Site 10 at the White Oak Technology Park. The appropriation from the County was over the expected budget due to reimbursements for payments made to other organizations on behalf of the County. The loss of other income was due to investment losses suffered in the LGIP EM account.

(Continued)

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets for the years ended June 30, 2022 and 2021, is reflected in the schedule below.

	July 1 2021	Increases	Decreases	June 30, 2022
Nondepreciable capital assets:				
Land	$ 10,280,185	$ -	$ -	$ 10,280,185
Land held for sale	9,261,100	-	-	9,261,100
Total nondepreciable capital assets	$ 19,541,285	$ -	$ -	$ 19,541,285
Depreciable capital assets:				
Building	$ 2,177,082	$ -	$ -	$ 2,177,082
Leasehold improvements	11,170	-	-	11,170
Furniture and equipment	76,162	-	-	76,162
Automobiles	66,743	-	-	66,743
Audio visual equipment	8,500	-	-	8,500
Data processing equipment	40,127	-	-	40,127
Total capital assets being depreciated	2,379,784	-	-	2,379,784
Less - accumulated depreciation	(978,321)	(55,276)	-	(1,033,597)
Total capital assets being depreciated, net	1,401,463	(55,276)	-	1,346,187
Capital assets, net	$ 20,942,748	$ (55,276)	$ -	$ 20,887,472

Long-Term Liabilities

The Authority's long-term liabilities for the years ended June 30, 2022 and 2021, is reflected in the schedule below:

	July 1, 2021	Increases	Decreases	June 30, 2022	One Year
Compensated absences	$ 110,990	$ 34,344	$ (82,064)	$ 63,270	$ -

(Continued)

Economic Factors and Next Year's Budgets

During fiscal year 2022, the Henrico Economic Development Authority announced 10 projects, representing the recruitment of new businesses expansions of existing Henrico companies. Together, these announcements represent 1,271 new jobs, $264.2 million in capital investment, $81.4 million in annual wages, and 1.2 million square feet of space. In FY2020, the Authority adopted a Strategic Plan that sets an ambitious agenda for the near- and long-term to grow Henrico's economy for all. That plan is available at www.Henrico.com, and the EDA staff provides quarterly strategic plan progress reports to the Authority.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Authority's finances. Should you have any questions about this report or need additional information, please contact:

Mr. Anthony J. Romanello Executive Director
Economic Development Authority of Henrico County, Virginia
4300 E. Parham Road
Henrico, Virginia 23228-2752

BASIC FINANCIAL STATEMENTS

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS' BALANCE SHEET
June 30, 2022

	Major Fund General Fund	Adjustments (Note 2)	Governmental Activities Statement of of Net Position
ASSETS			
Cash and cash equivalents (Note 4)	$ 1,363,448	$ -	$ 1,363,448
Investments (Note 4)	12,219,592	-	12,219,592
Other receivables	12,215	-	12,215
Prepaid expenses	57,624	-	57,624
Net pension asset (Note 8)	-	267,887	267,887
Capital assets (Note 5):			
Capital assets not subject to depreciation	-	19,541,285	19,541,285
Capital assets subject to depreciation, net	-	1,346,187	1,346,187
Total assets	13,652,879	21,155,359	34,808,238
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 8)	-	166,544	166,544
Deferred outflows related to OPEB (Notes 9, 10 and 11)	-	15,616	15,616
Total deferred outflows of resources	-	182,160	182,160
Total assets and deferred outflows of resources	$ 13,652,879	$ 21,337,519	$ 34,990,398
LIABILITIES			
Accounts payable and accrued expenses	$ 74,564	$ -	$ 74,564
Long-term liabilities:			
Net OPEB liabilities (Notes 9, 10 and 11)	-	68,052	68,052
Compensated absences (Note 6)	-	63,270	63,270
Total liabilities	74,564	131,322	205,886
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 8)	-	449,415	449,415
Deferred inflows related to OPEB (Notes 9, 10 and 11)	-	39,687	39,687
Total deferred inflows of resources	-	489,102	489,102
FUND BALANCE			
Unassigned	13,578,315	(13,578,315)	
Total liabilities and fund balance	$ 13,652,879		
NET POSITION			
Net investment in capital assets		20,887,472	20,887,472
Restricted (Note 8)		267,887	267,887
Unrestricted		(438,264)	13,140,051
Total net position		20,717,095	34,295,410
Total liabilities, deferred inflows of resources and net position		$ 21,337,519	$ 34,990,398

The Notes to Financial Statements are an integral part of this statement.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS' REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2022

	Major Fund General Fund	Adjustments (Note 2)	Governmental Activities Statement of Net Position
EXPENDITURES/EXPENSES			
Economic development - operations	$ 4,196,004	$ (144,053)	$ 4,051,951
Depreciation (Note 5)	-	55,276	55,276
Total expenditures/expenses	4,196,004	(88,777)	4,107,227
PROGRAM REVENUES			
Charge for services:			
Bond administration fees	268,582	-	268,582
Operating contributions:			
Appropriation from the County of Henrico	4,292,179	-	4,292,179
Total program revenues	4,560,761	-	4,560,761
Net program expenses			453,534
GENERAL REVENUES			
Interest income	20,824	-	20,824
Miscellaneous income	16,114	-	16,114
Loss on investments	(76,481)	-	(76,481)
Gain on sale of assets (Note 5)	7,046,189	-	7,046,189
Total general revenues	7,006,646	-	7,006,646
Change in fund balances and net position	7,371,403	88,777	7,460,180
FUND BALANCES/NET POSITION			
Beginning	6,206,912	20,628,318	26,835,230
Ending	$ 13,578,315	$ 20,717,095	$ 34,295,410

The Notes to Financial Statements are an integral part of this statement.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2022

	Budgeted Amounts			Variance From Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Bond administration fees	$ 172,780	$ 172,780	$ 268,582	$ 95,802
Interest	30,000	30,000	20,824	(9,176)
Appropriation from the County	1,960,805	1,960,805	4,292,179	2,331,374
Miscellaneous income	2,188	2,188	16,114	13,926
Investment income (loss)	-	-	(76,481)	(76,481)
Gain on disposal of assets	-	-	7,046,189	7,046,189
Total revenues	2,165,773	2,165,773	11,567,407	9,401,634
EXPENDITURES				
Personnel costs:				
Salaries	926,345	926,345	941,205	(14,860)
Payroll taxes	60,660	60,660	62,290	(1,630)
Retirement and fringe benefits	240,589	240,589	211,574	29,015
Program expenses:				
Advertising	279,000	279,000	370,028	(91,028)
Business First	2,000	2,000	2,718	(718)
Dues	20,000	20,000	22,376	(2,376)
Scholarships	50,000	50,000	-	50,000
Business development	2,000	2,000	4,104	(2,104)
White Oak Park expenses	160,000	160,000	184,670	(24,670)
Dominion Open sponsorship	165,000	165,000	165,000	-
Payments to other organizations	-	-	1,946,776	(1,946,776)
General and administrative:				
Directors' fees	30,000	30,000	23,600	6,400
Accounting and auditing	34,000	34,000	34,347	(347)
Consulting	-	-	33,042	(33,042)
Books and subscriptions	1,800	1,800	2,267	(467)
Flowers/contributions	-	-	6	(6)
Food supplies and service	7,000	7,000	14,789	(7,789)
Gasoline and auto	5,000	5,000	1,797	3,203
Office	77,879	77,879	77,016	863
Postal services	2,000	2,000	622	1,378
Miscellaneous	10,000	10,000	17,136	(7,136)
Telecommunications	10,500	10,500	6,237	4,263
Tuition and seminars	3,000	3,000	4,640	(1,640)
Travel	50,000	50,000	41,892	8,108
Utilities	29,000	29,000	27,872	1,128
Total expenditures	2,165,773	2,165,773	4,196,004	(2,030,231)
Excess of revenues over expenditures	$ -	$ -	7,371,403	$ 7,371,403
FUND BALANCE				
Beginning of year			6,206,912	
End of year			$ 13,578,315	

The Notes to Financial Statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Economic Development Authority of Henrico County, Virginia (the "Authority") was created by ordinance of the Board of Supervisors of Henrico County, Virginia (the "Board of Supervisors") as a political subdivision of the Commonwealth of Virginia pursuant to the provisions of the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia (the "Act") (then Chapter 33 of Title 15.1, now Chapter 49 of Title 15.2, of the *Code of Virginia* (1950), as amended). Ten directors appointed by the Board of Supervisors govern the Authority. It is authorized, among other things, to acquire, own, lease, and dispose of properties and to make loans to the end that the Authority may promote industry and develop trade by inducing manufacturing, industrial, governmental, nonprofit, and commercial enterprises and institutions of higher learning to locate in and remain in Virginia. The Act empowers the Authority to issue bonds for the purpose of carrying out any of its powers. Bonds issued by the Authority, pursuant to the Act, are not deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia or any of its political subdivisions, including Henrico County, Virginia (the "County") and the Authority, but are limited obligations of the Authority payable solely from the revenues and moneys pledged for that purpose by the entity for whose benefit the bonds were issued. Reference should be made to the Act for a more complete description of the Authority's powers and duties, and of its liability for the bonds that it issues.

B. Basis of Presentation

The basic financial statements have been presented in a combined format that presents both the government-wide financial statements and the fund financial statement as described below.

<u>Government-wide financial statements</u>

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities, whether short-term or long-term, of the Authority. Governmental activities are supported by charges for services, which consist of industrial revenue bond filing fees, and operating contributions, which consist of support from the County of Henrico, Virginia (the "County").

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers for filing fees associated with the issuance of industrial revenue bonds and 2) operating contributions that are received from the County based on an annual operating budget. Other items not properly included as program revenues are reported as general revenues.

<u>Fund financial statements</u>

The fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) of the Authority's governmental fund reports the finances of the Authority and generally include only short-term information, the most readily available assets and present due liabilities, and just the resources that flow into and out of the Authority during the year or shortly thereafter.

(Continued)

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund financial statements (Continued)

Whereas the government-wide financial statements provide an all-encompassing view of all the Authority's finances, the fund financial statements provide a narrower look at the Authority's current resources as noted above. In Note 2 of the notes to financial statements, a reconciliation is provided that explains the reasons why total fund balance in the Balance Sheet differs from the total net position in the government-wide Statement of Net Position. In addition, a reconciliation is provided explaining the differences between the net change in fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the change in net position on the Statement of Activities. The differences noted on the reconciliations relate to the fact that the fund financial statement primarily report short-term financial information, whereas the government-wide statements report both short and long-term financial information. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority reports the following major governmental fund:

General Fund - The General Fund is the operating fund of the Authority and is used to account for all of the Authority's expendable financial resources and related liabilities.

C. Measurement Focus and Basis of Accounting

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

The governmental fund are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for un-accrued principal and interest on general long-term debt, which is recognized when due, and compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

D. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents.

(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Investments

Investments with a maturity date of greater than one year from the date of purchase are stated at fair value and investments with a maturity date of one year or less from the date of purchase are stated at amortized cost, which approximates fair value, in accordance with U.S. GAAP. The Authority determines fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach. The statement establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Authority uses a market approach as the valuation technique for Level 2 inputs. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements and are recorded at cost where historical records are available and at an estimated historical cost where no historical cost records exist. Contributed capital assets are recorded at the acquisition value at the time of the receipt.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The Authority capitalizes all equipment purchases exceeding $500.

The Authority depreciates capital assets using the straight-line method over their estimated useful lives as follows:

Buildings	50 years
Leasehold improvements	7-10 years
Furniture and fixtures	7 years
Automobiles	5 years
Audio visual equipment	10 years
Data processing equipment	5 years

H. Allowance for Uncollectible Fees Receivable

An allowance for uncollectible fees receivable is generally established using historical collection data, consideration of economic conditions, specific account analysis, and subsequent cash receipts. At June 30, 2022, all amounts are considered collectible and, therefore, no allowance was deemed necessary.

1. Summary of Significant Accounting Policies (Continued)

I. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statements that present net position report a separate section for deferred outflows of resources and deferred inflows of resources. These items represent a consumption and acquisition, respectively, of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue), respectively, until then. The Authority has the following items that qualify for reporting in these categories:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Differences resulting from changes in actuarial assumptions on pension plan or OPEB valuations. These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred outflow or inflow as appropriate.
- Differences resulting from a change in proportion of the collective net OPEB liabilities. This difference will be recognized in OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

J. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as noncurrent liabilities.

K. Pensions

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

1. Summary of Significant Accounting Policies (Continued)

L. Other Postemployment Benefits Plan

The Authority participates in the County's Other Postemployment Benefits ("OPEB") plan. OPEB plan contributions are actuarially determined. For purposes of measuring OPEB plan net liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are determined by an annual actuarial valuation.

M. Sources of Revenue

Each entity applying for industrial revenue bonds must pay a filing fee. If bonds are subsequently issued, the entity must then pay an annual service fee until the bonds are retired.

The Authority is also designated as the official economic development organization for the County and, as such, is authorized to act on behalf of the County Board of Supervisors to accomplish an economic development program for the County. Although the Authority is independent of the County, it receives support from the County in the form of an annual operating budget. The expenditures, which are paid by the County and are subject to the same controls as departments within the County, are presented in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. These expenditures are also reported in the County's comprehensive annual financial report on a fiscal year basis.

The Authority employs its own staff, manages its own day-to-day operations, and sets the fees charged and approves the expenditures of those fees.

N. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Restricted net position at June 30, 2022, is comprised exclusively of the restricted net pension asset.

O. Fund Balance

In the governmental funds' financial statements, fund balance may be composed of restricted and unassigned balances classified dependent of constraints placed on how fund balance can be spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed by unassigned fund balance. Specifically:

Restricted fund balance - This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors. The Authority had no restricted fund balances at June 30, 2022.

Unassigned fund balance - The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as restricted. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

(Continued)

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Position

Amounts reported for the governmental fund are different from the amounts reported in the statement of net position because:

Ending fund balance - governmental funds	$ 13,578,315
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, not being depreciated:	
Land	10,280,185
Land held for sale	9,261,100
Capital assets, being depreciated:	
Building	2,177,082
Leasehold improvements	11,170
Furniture and fixtures	76,162
Automobiles	66,743
Audio visual equipment	8,500
Data processing equipment	40,127
Total capital assets	21,921,069
Accumulated depreciation	(1,033,597)
Capital assets, net	20,887,472
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension asset	267,887
Net OPEB liability	(68,052)
Net deferred inflows	(489,102)
Net deferred outflows	182,160
Compensated absences	(63,270)
Net position of governmental activities	$ 34,295,410

(Continued)

2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Differences between Governmental Fund Statement of Revenues, Expenses and Changes in Fund Balance and the Statement of Activities

Amounts reported for the governmental fund differ from the amounts reported in the statement of activities because:

Net change in fund balances - total governmental funds	$ 7,371,403
When capital assets used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.	
Depreciation expense	(55,276)
Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, they are reported as expenses.	
Compensated absences	47,720
Net pension and OPEB related activity	96,333
Subtotal	88,777
Change in net position	$ 7,460,180

3. Stewardship, Compliance and Accountability

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds. The Executive Director submits to the Authority's Finance Committee an annual operating budget for the Authority and in addition submits to the County Board of Supervisors an annual operating budget of Authority expenditures, which are funded through County appropriations for the fiscal year commencing the following July. The Authority's operating budget includes proposed expenditures and the means of financing them. Prior to June 30, the budgets are legally enacted through the passage of appropriations by the Authority's Board of Directors and the County Board of Supervisors. Annual appropriations place legal restrictions on expenditures and can be revised by only the Authority's Board of Directors if pertaining to the Authority's operating budget and the County Board of Supervisors if pertaining to the Authority's operating budget funded through County appropriations.

(Continued)

4. Deposits and Investments

At June 30, 2022, the Authority's deposits and investments consist of the following:

Demand deposits	$ 1,363,448
LGIP - amortized cost	1,135,453
U.S. Treasury securities	11,084,139
	$ 13,583,040

Deposits

The Authority's deposits with financial institutions are fully covered by federal depository insurance or collateralized in accordance with the Virginia Security of Public Deposits Act (the "Deposits Act"). Under the Deposits Act, banks or financial institutions holding public depositories in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Investments

The Authority follows a deposit and investment policy in accordance with the Commonwealth of Virginia statutes. Investment instruments include Commonwealth of Virginia Local Government Investment Pool (the "LGIP"), a 2a-7 like pool, U.S. Treasury securities, and money markets. Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1 - 359 et seq. Securities are held in safekeeping by the respective financial institutions.

Investment risk disclosures

The Authority's Investment Policy Statement ("IPS") addresses concentration of credit risk by setting a target allocation of resources between cash (30%) and fixed income investments (70%) using Barclays Aggregate Bonds as the benchmark. Additionally, the IPS sets certain minimum rating requirements and maximum maturity thresholds to address credit risk and interest risk. The Authority's IPS also stipulates guidelines to be used in the selection of broker/dealers in order to mitigate exposure to custodial credit risk.

Credit risk

State statutes allow the Authority to invest in, amongst other things, obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia, obligations of any city, county, or town, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and money market mutual funds. During the fiscal year, the Authority's LGIP carried a rating of AAAm.

Fair value

The Authority's investments in U.S. Treasury securities of $11,084,139 are measured at fair value using Level 2 inputs in accordance with GASB 72, are carrying a cost basis of $11,098,892 at June 30, 2022, and all mature in less than one year as of June 30, 2022.

(Continued)

5. Capital Assets

Capital assets at June 30, 2022, were composed of the following amounts:

	Balance at July 1, 2021	Additions	Deletions/ Transfers	Balance at June 30, 2022
Capital assets not subject to depreciation:				
Land	$ 10,280,185	$ -	$ -	$ 10,280,185
Land held for sale	9,261,100	-	-	9,261,100
Capital assets not subject to depreciation	19,541,285	-	-	19,541,285
Capital assets subject to depreciation:				
Buildings	2,177,082	-	-	2,177,082
Leasehold improvements	11,170	-	-	11,170
Furniture and equipment	76,162	-	-	76,162
Automobiles	66,743	-	-	66,743
Audio visual equipment	8,500	-	-	8,500
Data processing equipment	40,127	-	-	40,127
Total capital assets subject to depreciation	2,379,784	-	-	2,379,784
Less - accumulated depreciation	(978,321)	(55,276)	-	(1,033,597)
Total capital assets subject to depreciation, net	1,401,463	(55,276)	-	1,346,187
Capital assets, net	$ 20,942,748	$ (55,276)	$ -	$ 20,887,472

Additionally, during fiscal year 2022, the Authority sold land with no carrying value, per an established agreement with the Commonwealth of Virginia, to a third party and recognized a gain of $7,046,189.

During fiscal year 2021, the County conveyed land to the Authority with the intent the land would be sold to a prospective business in the near future. If the sale does not take place, the land will revert back to the County. As a result, the Authority realized $9,261,100 in revenues related to the donated assets during the year on the statement of activities and governmental funds' revenues, expenditures and changes in fund balances. The related land is reflected in land held for sale on the statement of net position at June 30, 2022.

(Continued)

6. Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2022, were as follows:

	July 1, 2021	Increase	Decrease	June 30, 2022	One Year
Compensated absences	$ 110,990	$ 34,344	$ (82,064)	$ 63,270	$ -

The Authority had outstanding accrued leave totaling $63,270 at June 30, 2022. The compensated absences liability for the Authority are accounted for on a last-in first-out basis, which assumes that the employees are taking time as it is earned, and the liability is reported as long term.

7. Conduit Debt - Revenue Bonds and Notes Issued

The Authority is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (“IRBs”) on behalf of qualified businesses wanting to promote industry and develop trade within the County. Principal and interest on the IRBs are paid entirely by the businesses. The terms of the IRBs stipulate that neither the Authority nor the County guarantees the repayment of principal and interest to the bondholders. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2022, the Authority had outstanding IRBs with original principal amounts of approximately $493 million. During the year ended June 30, 2022, the Authority issued $221,835,000 in revenue and refunding bonds.

8. Defined Benefit Pension Plan

Plan description

All full-time, salaried permanent employees of the Authority, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

8. Defined Benefit Pension Plan (Continued)

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	5
Inactive members:	
Vested	2
Non-vested	2
Active elsewhere in VRS	2
Total inactive members	6
Active members	8
	19

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 political subdivision's contractually required contribution rate for the year ended June 30, 2022, was 9.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 $74,991 and $71,426 for the years ended June 30, 2022 and 2021, respectively.

Net pension liability

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

(Continued)

8. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability for General Employees in the Political Subdivision'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

Mortality rates: General employees - 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

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

General employees - Largest 10 - Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; and no change to discount rate.

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:

8. Defined Benefit Pension Plan (Continued)

Long-term expected rate of return (Continued)

Asset Class Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate Return	Weighted Average Long-Term Expected Rate 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%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

*The above allocation provides for 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 rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is 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.

8. Defined Benefit Pension Plan (Continued)

Changes in net pension liability (asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at June 30, 2020	$ 2,828,657	$ 2,489,171	$ 339,486
Changes for the year:			
Service cost	96,015	-	96,015
Interest	185,611	-	185,611
Changes of assumptions	78,571	-	78,571
Difference between expected and actual experience	(178,081)	-	(178,081)
Contributions - employer	-	71,426	(71,426)
Contributions - employee	-	41,500	(41,500)
Net investment income	-	678,183	(678,183)
Benefit payments, including refunds of employee contributions	(157,726)	(157,726)	-
Administrative expense	-	(1,684)	1,684
Other changes	-	64	(64)
Net changes	24,390	631,763	(607,373)
Balances at June 30, 2021	$ 2,853,047	$ 3,120,931	$ (267,887)

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability (asset) of the Authority, calculated using the discount rate of 6.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	$ (1,449)	$ (267,887)	$ (497,338)

(Continued)

8. Defined Benefit Pension Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ending June 30, 2022, the Authority recognized pension income of $24,365. 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	$ 41,975	$ 112,368
Net difference between projected and actual earnings on pension plan investments	-	337,047
Changes of assumptions	49,578	-
Employer contributions subsequent to the measurement date	74,991	-
	$ 166,544	$ 449,415

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended 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 as follows:

Year Ending June 30,	
2023	$ (75,015)
2024	(102,009)
2025	(78,491)
2026	(102,347)

Pension plan data

Information about the VRS Political Subdivision Retirement Plans 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.

9. Other Postemployment Benefits (OPEB) - Retiree Healthcare

Plan description

The County provides other postemployment healthcare benefits for retired employees of the Authority through the County of Henrico Post Retirement Benefits Plan, a single-employer defined benefit OPEB plan ("Plan"). The benefit levels, employee contributions, and employer contributions are governed by the County and can be amended by the County. The County participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), an irrevocable trust established for the purpose of accumulating assets to fund postemployment healthcare benefits other than pensions.

Healthcare benefits

The County provides health and dental care benefits during retirement for retirees and their dependents. Employees who wish to have County sponsored health and dental care coverage must enroll within 31 days of the date their employment coverage ends. Employees retiring with an immediate VRS monthly retirement payment may elect to be covered under the County sponsored medical and dental plan at the time they retire. Benefits are provided through a third party insurer.

Eligible retirees, under the age of 65, and their dependents, can remain in the County health and dental plans. Medicare eligible retirees, at age 65, move to a Medicare carve-out plan which is coordinated with Medicare. Upon the death of the retiree, surviving spouses may elect to remain in the County's plan.

Current County retirees who qualify for health benefits receive an implicit rate subsidy by participating in the active employee health care risk pool

Membership

At June 30, 2022, membership for the postemployment healthcare benefits consisted of:

Retirees and beneficiaries	-
Active employees	10
	10

Funding policy

The County currently contributes amounts to the Virginia Pooled OPEB Trust Fund for the postemployment healthcare benefits. The Board of the Trust Fund establishes rates based on an actuarially determined rate. Contributions are irrevocable and shall be dedicated to providing other postemployment benefits or to defray reasonable expenses of the Trust Fund. For the year ended June 30, 2022, the Authority made pay-as-you-go contributions to cover benefit payments of $266.

OPEB liability and OPEB expense

For purposes of measuring the postemployment Healthcare OPEB liability, deferred outflows, and deferred inflows of resources, OPEB expense and the additions to/deductions from net fiduciary position have been determined on the same basis as they were reported as of June 30, 2022. 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.

(Continued)

9. Other Postemployment Benefits (OPEB) - Retiree Healthcare (Continued)

OPEB liability and OPEB expense (Continued)

At June 30, 2022, the Authority reported a postemployment Healthcare OPEB liability of $22,180. For the year ended June 30, 2022, the Authority recognized Healthcare OPEB expense of $5,597.

At June 30, 2022, the Authority's Healthcare OPEB liability is as follows

Total Healthcare OPEB liability	$ 22,180
Fiduciary net position	-
Healthcare OPEB liability	$ 22,180

Changes in the Healthcare OPEB liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	OPEB Liability (a) - (b)
Balances at June 30, 2021	$ 37,812	$ -	$ 37,812
Changes for the year:			
Service cost	6,031	-	6,031
Interest	3,050	-	3,050
Contributions - employer	-	266	266
Experience gains	(16,197)	-	(16,197)
Changes of assumption	(8,250)	-	(8,250)
Benefit payments, including refunds of employee contributions	(266)	(266)	(532)
Net changes	(15,632)	-	(15,632)
Balances at June 30, 2022	$ 22,180	$ -	$ 22,180

Actuarial methods and assumptions

The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the June 30, 2022, actuarial valuation, which was used for the June 30, 2022, measurement date for other postemployment healthcare benefits, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7% discount rate of return, no annual salary increase, and an annual healthcare cost trend rate of 6% trending uniformly to 5.50% over the next 2 years. The remaining closed amortization period beginning July 1, 2017, for the calculation of contributions, was 20 years. Experience gains or losses are amortized over the average working lifetime of all participants, which is 6 years for the current period. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5-year period. Changes in actuarial assumptions are amortized over the average working lifetime of all participants. The County plans to continue to fund the OPEB Trust annually and has no plans to currently pay any benefits out of the OPEB Trust.

(Continued)

9. Other Postemployment Benefits (OPEB) - Retiree Healthcare (Continued)

Actuarial methods and assumptions (Continued)

Mortality rates:

Pre-commencement:

RP-2014 Employee Mortality Table projected with Scale BB to 2020; then set back 1 year for males and set back 1 year for females.

Post-commencement:

RP-2014 Healthy Annuitant Mortality Table projected with Scale BB to 2020; then set forward 1 year for males and set back 1 year for females. Females have 1.5% increase compounded from ages 70 to 85.

Post-disablement:

RP-2014 Disabled Mortality Table projected with Scale BB to 2020; males 115% of rates, females 130% of rates.

Discount rate

The discount rate used to measure the total Healthcare OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contribution rates.

Sensitivity of the Healthcare OPEB liability to changes in the discount rate

The following presents the Authority's OPEB liability calculated using the discount rate of 7%, as well as what the net Healthcare OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate:

	1% Decrease (6%)	**Current Discount Rate (7%)**	**1% Increase (8%)**
Healthcare OPEB liability	$ 23,884	$ 22,180	$ 20,640

Sensitivity of the Healthcare OPEB liability to changes in the healthcare cost trend rate

The following presents the Authority's OPEB liability calculated using the healthcare cost trend assumption rate of 6%, as well as what the Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (5%) or 1-percentage point higher (7%) than the current rate.

	1% Decrease 5% Decreasing to 4.5% Over 2 years	**Current 6% Decreasing to 5.5% Over 2 years**	**1% Increase 7% Decreasing to 6.5% Over 2 years**
Healthcare OPEB liability	$ 19,874	$ 22,180	$ 24,837

9. Other Postemployment Benefits (OPEB) - Retiree Healthcare (Continued)

Deferred outflows and inflows of resources related to Healthcare OPEB

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	$ 1,182	$ (13,497)
Changes in assumptions	-	(6,875)
	$ 1,182	$ (20,372)

The collected amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Year Ending June 30,	
2023	$ (3,484)
2024	(3,484)
2025	(4,075)
2026	(4,075)
2027	(4,072)

10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance

In addition to their participation in the pension plan offered through the Virginia Retirement System (VRS), the Authority also participates in a cost-sharing other postemployment benefit plan, described as follows.

Plan description

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp.

The GLI Program is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost-sharing plan.

(Continued)

10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)

Contributions

Contributions to the VRS OPEB program were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rate was expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program are as follows:

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2022 Contribution	$4,751
June 30, 2021 Contribution	$4,395

OPEB liability, OPEB expense and deferred inflows and outflows of resources related to OPEB

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net 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 Authority's proportion of the net OPEB liability was based on the Authority's actuarially determined employer contributions for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2022 proportionate share of liability	$	45,872
June 30, 2021 proportion		0.00394%
June 30, 2020 proportion		0.00400%
June 30, 2022 expense	$	2,453

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)

OPEB liability, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,232	$ 350
Changes of assumptions	2,529	6,276
Net difference between projected and actual earnings on plan investments	-	10,949
Changes in proportion	1,922	1,740
Employer contributions subsequent to the measurement date	4,751	-
	$ 14,434	$ 19,315

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2023	$ (1,686)
2024	(1,672)
2025	(2,053)
2026	(3,473)
2027	(748)
Thereafter	-

(Continued)

10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, 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:	
Locality - general employees	3.50 - 5.35%
Locality - hazardous duty employees	3.50 - 4.75%
Teachers	3.50 - 5.95%
Healthcare cost trend rates:	
Under age 65	7.00 - 4.75%
Ages 65 and older	5.375 - 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

Net OPEB liability

The net OPEB liability represents each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts are as follows (amounts expressed in thousands):

Total OPEB liability	$ 3,577,346
Plan fiduciary net position	2,413,074
Employers' net OPEB liability (asset)	$ 1,164,272
Plan fiduciary net position as a percentage of total OPEB liability	67.45%

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

10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)

Long-Term expected rate of return

The long-term expected rate of return on VRS 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 OPEB 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)	Target 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%
	100.00%		4.89%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.39%

* The above allocation provides for 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 rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)

Discount rate

The discount rate used to measure the GLI OPEB 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75% HIC; GLI/1.21% LODA) or one percentage point higher (7.75% HIC; GLI/3.21% LODA) than the current discount rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
GLI net OPEB liability	$ 67,021	$ 45,872	$ 28,794

OPEB plan fiduciary net position

Information about the various VRS OPEB plan 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.

11. Other Postemployment Benefits (OPEB) Summary

A summary of the other post-employment benefits-related financial statement elements is as follows:

	Retiree Healthcare	VRS GLI	Total
Net other post-employment benefits liability	$ 22,180	$ 45,872	$ 83,684
Deferred outflows of resources:			
Change in proportion	$ -	$ 1,922	$ 1,922
Contributions subsequent to measurement date	-	4,751	4,751
Difference between expected and actual experience	1,182	5,232	6,414
Net difference between projected and actual investment earnings	-	-	-
Changes in actuarial assumptions	-	2,529	2,529
Total deferred outflows of resources	$ 1,182	$ 14,434	$ 15,616
Deferred inflows of resources:			
Differences between expected and actual experience:	$ 13,497	$ 350	$ 13,847
Change in actuarial assumptions:	6,875	6,276	13,151
Net difference between projected and actual investment earnings	-	10,949	10,949
Change in proportion	-	1,740	1,740
Total deferred inflows of resources	$ 20,372	$ 19,315	$ 39,687
Net other post-employment benefits expense:	$ 5,597	$ 2,453	$ 2,453

12. Commitments

The Authority executed a lease agreement with the County Board of Supervisors and the Authority on October 4, 2001. The term of the lease is 50 years with an annual consideration of $1 for the 2.5-acre parcel of land located at the northwest corner of Parham and Hermitage High Boulevard. As part of the lease agreement, the Authority agreed to construct an office building, parking lot, and other appurtenant facilities on the premises. The building and all facilities shall revert to the County at termination of the lease.

13. Claims and Judgements

Litigation

At any point in time, various claims and lawsuits are pending against the Authority. In the opinion of outside legal counsel, resolution of these cases would not involve a material liability.

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 maintains a comprehensive property and casualty policy, a commercial general liability policy, a comprehensive liability vehicle policy, and coverage for Authority errors and omissions, workers' compensation and employer's liability, and certain other risks with commercial insurance companies. There have been no significant reductions in insurance coverage in comparison to coverage in the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

14. Performance Agreements

The Authority has executed performance agreements with various businesses on behalf of the County, which contain capital investment and employment goals. Upon completion of the specific requirements, the grant funds are awarded in accordance with the terms of the performance agreements, which are generally contingent upon appropriation of such awards by the County. During the year ended June 30, 2022, the Authority awarded $1,662,724 under the terms of these agreements, all of which had been reimbursed by the County as of year-end.

15. New Accounting Standards

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

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

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

(Continued)

15. New Accounting Standards (Continued)

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 1

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY WITH RELATED RATIOS

	Plan Year							
	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITIY								
Service cost	$ 96,015	$ 95,026	$ 84,908	$ 85,736	$ 91,738	$ 73,447	$ 76,852	$ 74,757
Interest	185,611	169,984	167,993	164,273	157,627	151,476	145,107	138,454
Changes of assumptions	78,571	-	51,422	-	(28,649)	-	-	-
Difference between expected and actual experience	(178,081)	123,481	(40,609)	(67,375)	(3,573)	(15,896)	(10,857)	-
Benefit payments, including refunds of employee contributions	(157,726)	(156,231)	(134,445)	(124,529)	(119,880)	(122,408)	(117,850)	(118,471)
Net change in total pension liability	24,390	232,260	129,269	58,105	97,263	86,619	93,252	94,740
Total pension liability, beginning	2,828,657	2,596,397	2,467,128	2,409,023	2,311,760	2,225,141	2,131,889	2,037,149
Total pension liability, ending (a)	2,853,047	2,828,657	2,596,397	2,467,128	2,409,023	2,311,760	2,225,141	2,131,889
PLAN FIDUCIARY NET POSITION								
Contributions - employer	71,426	61,129	57,886	66,287	64,961	80,531	72,678	73,093
Contributions - employee	41,500	38,324	35,983	36,639	35,713	32,603	29,305	28,709
Net investment income	678,183	47,510	158,726	165,515	245,313	34,715	87,632	262,927
Benefit payments, including refunds of employee contributions	(157,726)	(156,231)	(134,445)	(124,529)	(119,880)	(122,408)	(117,850)	(118,471)
Administrative expenses	(1,684)	(1,629)	(1,571)	(1,421)	(1,405)	(1,225)	(1,199)	(1,419)
Other changes	64	(56)	(100)	(148)	(219)	(15)	(20)	14
Net change in plan fiduciary net position	631,763	(10,953)	116,479	142,343	224,483	24,201	70,546	244,853
Plan fiduciary net position, beginning	2,489,171	2,500,124	2,383,645	2,241,302	2,016,819	1,992,618	1,922,072	1,677,219
Plan fiduciary net position, ending (b)	3,120,934	2,489,171	2,500,124	2,383,645	2,241,302	2,016,819	1,992,618	1,922,072
Net pension liability, beginning	339,486	96,273	83,483	167,721	294,941	232,523	209,817	359,930
Net pension liability (asset), ending (a) - (b)	$ (267,887)	$ 339,486	$ 96,273	$ 83,483	$ 167,721	$ 294,941	$ 232,523	$ 209,817
Plan fiduciary net position as a percentage of the total pension liability	109.4%	88.0%	96.3%	96.6%	93.0%	87.2%	89.6%	90.2%
Employer's covered payroll	$ 814,166	$ 830,381	$ 795,486	$ 773,479	$ 717,476	$ 607,128	$ 558,862	$ 558,862
Net pension liability (asset) as a percentage of covered payroll	-32.9%	40.9%	12.1%	10.8%	23.4%	48.6%	41.6%	37.5%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

For the Years Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	$ 74,991	$ 74,991	$ -	$ 879,778	8.52%
2021	71,426	71,426	-	814,166	8.77%
2020	70,250	79,666	9,416	830,381	9.59%
2019	67,298	76,373	9,075	795,486	9.60%
2018	65,436	80,631	15,195	773,479	10.42%
2017	65,506	78,078	12,572	717,476	10.88%
2016	75,405	89,960	14,555	607,128	14.82%
2015	73,137	83,520	10,383	588,862	14.18%

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
June 30, 2022

1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

2. 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:

Largest 10 - Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Exhibit 3

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

SCHEDULE OF CHANGES IN NET OPEB LIABILITY WITH RELATED RATIOS

	Plan Year				
	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY					
Service cost	$ 6,031	$ 5,636	$ 4,033	$ 3,841	$ 3,658
Interest	3,050	2,474	1,800	1,466	1,226
Change of assumptions	(8,250)				
Difference between expected and actual experience	(16,197)	-	2,955	-	-
Benefit payments, including refunds of employee contributions	(266)	(774)	(720)	(1,645)	(1,523)
Net change in total OPEB liability	(15,632)	7,336	8,068	3,662	3,361
Total OPEB liability, beginning	37,812	30,476	22,408	18,746	15,385
Total OPEB liability, ending (a)	$ 22,180	$ 37,812	$ 30,476	$ 22,408	$ 18,746
PLAN FIDUCIARY NET POSITION					
Contributions - employer	$ 266	$ 774	$ 720	$ 1,645	$ 1,523
Benefit payments, including refunds of employee contributions	(266)	(774)	(720)	(1,645)	(1,523)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position, beginning	-	-	-	-	-
Plan fiduciary net position, ending (b)	$ -	$ -	$ -	$ -	$ -
Net OPEB liability, beginning	$ 37,812	$ 30,476	$ 22,408	$ 18,746	$ 15,385
Net OPEB liability, ending (a) - (b)	$ 22,180	$ 37,812	$ 30,476	$ 22,408	$ 18,746
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Employer's covered payroll	$ 942,645	$ 786,622	$ 786,622	$ 792,076	$ 792,076
Net OPEB liability as a percentage of covered payroll	2%	5%	4%	3%	2%

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

See Independent Auditor's Report.

Exhibit 4

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY

	Plan Year		
	2021	2020	2019
Employer's Proportion of the Net GLI OPEB Liability	$ 45,872	$ 66,754	$ 64,114
Employer's Proportionate Share of the Net GLI OPEB Liability	0.00394%	0.00400%	0.00394%
Employer's Covered Payroll	$ 814,166	$ 830,381	795,486
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.63%	8.04%	8.06%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%

This schedule is intended to show information for 10 years. Since fiscal year 2020 (plan year 2019) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

For the Years Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
RETIREE HEALTHCARE PROGRAM					
2022	$ 10,093	$ 266	$ (9,827)	$ 942,645	0.03%
2021	8,847	774	(8,073)	786,622	0.10%
2020	8,847	720	(8,127)	786,622	0.09%
2019	5,726	1,645	(4,081)	792,076	0.21%
2018	5,188	1,523	(3,665)	792,076	0.19%
GROUP LIFE INSURANCE PROGRAM					
2022	$ 4,751	$ 4,751	$ -	$ 879,778	0.54%
2021	4,395	4,395	-	814,166	0.54%
2020	4,288	4,288	-	830,381	0.52%

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation for the Retiree Healthcare Program and since fiscal year 2020 (plan year 2019) was the first year for this presentation for the Group Life Insurance Program, no earlier data is available. Additional years will be included as they become available.

See Independent Auditor's Report.

1. Changes of Benefit Terms

There have been no been no significant changes to the benefit provisions since the prior actuarial valuation.

2. Changes of Assumptions

Actuarial assumptions

The following changes have been made in actuarial assumptions since the previous valuation date:
1. The healthcare cost trend rate was updated to 6.00% grading uniformly to 5.50% over 2 years and following the Getzen model thereafter.
2. The participation rate was changed from 77% to 60% based on plan experience.

Actuarial assumptions (Healthcare OPEB Plan)

The total OPEB liability was based on an actuarial valuation as of June 30, 2022, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial cost method	Entry age normal
Amortization period	20 years
Discount rate	7%
Salary increases, including inflation	0%
Healthcare cost rent rates	6% initial, graded to 5.50% over 2 years and following the Getzen model thereafter

Mortality rates were based on the RP-2014 Healthy Annuity Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB to 2020.

Actuarial assumptions (GLI OPEB Plan)

There have been no material changes in actuarial assumptions since the previous valuation date.

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:

Largest 10 - Non-Hazardous Duty:
- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

2. Changes of Assumptions (Continued)

Actuarial assumptions (GLI OPEB Plan) (Continued)

Largest 10 - Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) - Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

COMPLIANCE SECTION

BROWN EDWARDS
certified public accountants

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

To the Honorable Members of Board of Directors
Economic Development Authority of Henrico County, Virginia
Henrico, 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 governmental activities and the major fund of the Economic Development Authority of Henrico County, Virginia (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financials, and have issued our report thereon dated November 1, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia
November 1, 2022

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

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

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws
Conflicts of Interest Act
Procurement Laws
Local Retirement Systems
Uniform Disposition of Unclaimed Property Act

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*
3. No instances of noncompliance material to the financial statements were disclosed.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted.

C. FINDINGS - COMMONWEALTH OF VIRGINIA

None noted.