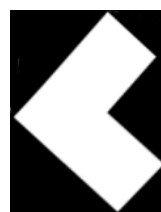


Henry County Public Service Authority
Annual Comprehensive Financial Report
Years Ended June 30, 2022 and 2021



***Creedle, Jones
& Associates, P.C.***
Certified Public Accountants

Henry County Public Service Authority

Table of Contents

Years Ended June 30, 2022 and 2021

	Pages
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	1-6
FINANCIAL STATEMENTS	
Exhibits	
A Statements of Net Position	7
B Statements of Revenues, Expenses, and Changes in Net Position	8
C Statements of Cash Flows	9
D Statements of Fiduciary Net Position	10
E Statements of Changes in Fiduciary Net Position	11
Notes to the Financial Statements	12-53
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios – VRS Pension	54
Schedule of Employer Contributions – VRS Pension	55
Notes to Required Supplementary Information – VRS Pension	56
Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program	57
Schedule of Employer Contributions Group Life Insurance OPEB Plan	58
Notes to Required Supplementary Information – GLI OPEB	59
Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability and Related Ratios	60
Schedule of Employer Contributions – Health Insurance Credit Political Subdivisions	61
Notes to Required Supplementary Information – HIC OPEB	62
Schedule of Changes in the Political Subdivision's Net OPEB Liability - Retiree Health Insurance and Related Ratios	63
Schedule of Employer Contributions – OPEB Retiree Health Insurance	64

OTHER INFORMATION

Tables

1	Revenues by Source – Last Ten Fiscal Years	65
2	Expenses by Function – Last Ten Fiscal Years	65
3	Revenue Bond Debt Service Coverage – Last Ten Fiscal Years	66
4	Schedule of Insurance in Force	67
5	Raw Water Production by Source (In Million Gallons) – Last Ten Fiscal Years	68
6	Waste Water Treatment by Plant (In Million Gallons) – Last Ten Fiscal Years	68
7	Demographic Statistics – Last Ten Fiscal Years	69
8	List of Ten Largest Customers	70
9	Miscellaneous Statistical Data	71

COMPLIANCE

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 <i>Government Auditing Standards</i>	72-73
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	74-76
Schedule of Expenditures of Federal Awards	77
Notes to Schedule of Expenditures of Federal Awards	78
Schedule of Findings and Questioned Costs	79



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Henry County Public Service Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary fund of the Henry County Public Service Authority, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Henry County Public Service Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund of the Henry County Public Service Authority, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications 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 Henry County Public Service Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement Nos. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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 Henry County Public Service Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Henry County Public Service Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 1-6 and 54-64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Henry County Public Service Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

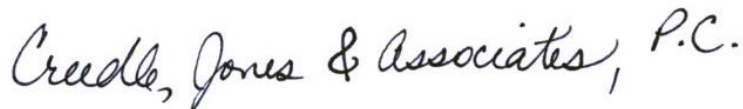
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Henry County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Henry County Public Service Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry County Public Service Authority's internal control over financial reporting and compliance.



Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 25, 2022

Henry County Public Service Authority

Management's Discussion and Analysis

As of June 30, 2022 and 2021

Our discussion and analysis of the Henry County Public Service Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2022. Please read this information in conjunction with Henry County Public Service Authority's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Henry County Public Service Authority (the "Authority") presents four basic financial statements. These are: (1) Statements of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; (3) Statements of Cash Flows; and (4) Statements of Fiduciary Net Position.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This information is reported on the Statements of Net Position, which reflects the Authority's assets in relation to its debt to creditors. The excess of our assets over liabilities is our equity, or net position.

Information regarding the results of our operation during the years is reported in the Statements of Revenues, Expenses, and Changes in Net Position. These statements show how much our overall net position increased or decreased during the years as a result of our operations and for other reasons.

Our Statements of Cash Flows disclose the flow of cash resources into and out of the Authority during the years and how we applied those funds.

SUMMARY OF ORGANIZATION AND BUSINESS

The Henry County Public Service Authority is a public body organized and created under the Virginia Water and Waste Authorities Act of the Code of Virginia of 1950 as amended. The Henry County Board of Supervisors created the Authority in 1965. The purpose of the Authority is to "acquire, construct, improve, extend, operate, and maintain a water and sewage disposal system."

The Authority is governed by six citizen members appointed by the Henry County Board of Supervisors to four-year staggered terms.

In 1974, the Authority and neighboring City of Martinsville (the "City") signed a service agreement in which the Authority would purchase sewage treatment from the City. In 1982, the Authority signed a service agreement with the City to purchase water treatment from the City. These agreements require the Authority to share in the annual operating costs of the plants in proportion to its actual use as measured by the volume of water used and sewage it contributed. It also allowed for the Authority to purchase capacity rights into the water and sewer plants at an agreed-upon price.

The Authority has constructed water lines which allows the Philpott Water Treatment Plant to furnish water to the 220 South and 58 East areas and has significantly reduced water purchased from the City of Martinsville, Virginia. The Authority can produce the water at a lower cost.

The Authority's infrastructure assets consist of one water treatment plant, approximately 377 miles of water lines and 244 miles of interceptor sewers, and several pump stations. The collection system, consisting of mains and laterals, is owned and maintained by the Authority. The last remaining waste water plant was converted to a pumping station and was completed in December 2005 and all waste water is now treated by the City of Martinsville.

The Authority has no taxing power. The revenues of the Authority are derived from water and sewage disposal charges based on metered and unmetered water consumption of the Authority's users of the system.

FINANCIAL SUMMARY

Financial Position

A summary of the Authority's Statements of Net Position for 2022 and 2021 is presented below:

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 23,904,860	\$ 22,394,283	\$ 1,510,577	6.75%
Net Capital Assets	78,516,361	78,970,876	(454,515)	-0.58%
Other Noncurrent Assets	3,230,838	3,212,879	17,959	0.56%
Total Assets	105,652,059	104,578,038	1,074,021	1.03%
Deferred Outflows of Resources	815,355	1,104,080	(288,725)	-26.15%
Total Assets and Deferred Outflows of Resources	\$ 106,467,414	\$ 105,682,118	\$ 785,296	0.74%
Total Liabilities	\$ 30,905,917	\$ 32,618,788	\$ (1,712,871)	-5.25%
Deferred Inflows of Resources	2,699,382	996,106	1,703,276	170.99%
Net Position				
Net investment in capital assets	51,360,871	52,135,955	(775,084)	-1.49%
Restricted for debt	2,344,251	2,304,892	39,359	1.71%
Unrestricted	19,156,993	17,626,377	1,530,616	8.68%
Total Net Position	72,862,115	72,067,224	794,891	1.10%
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 106,467,414	\$ 105,682,118	\$ 785,296	0.74%

Change in Net Position

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for 2022 and 2021 is presented below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenues	\$ 12,642,049	\$ 13,075,220	\$ (433,171)	-3.31%
Operating Expenses	(12,063,336)	(11,853,138)	(210,198)	1.77%
Operating Income	578,713	1,222,082	(643,369)	-52.65%
Interest Income	86,869	105,891	(19,022)	-17.96%
Loss/Gain on Sale of Properties	10,548	(42,808)	53,356	-124.64%
Nonoperating Expense	(522,060)	(632,066)	110,006	-17.40%
Income Before Contributions	154,070	653,099	(499,029)	-76.41%
Capital Contributions	640,821	439,496	201,325	45.81%
Changes in Net Position	\$ 794,891	\$ 1,092,595	\$ (297,704)	-27.25%

During the year, the Authority's net operating income was \$578,713. The Authority had nonoperating revenues in the form of interest income and gain on sale of assets, which amounted to \$97,417 and nonoperating expenses in the form of interest expense and related costs amounting to \$522,060. Operating expenses of \$12,063,336 included all expenses necessary to operate the Authority's water and sewer facilities.

Net position increased \$794,891 in 2022 as compared to an increase of \$1,092,595 in 2021.

Cash Flows

A summary of the Authority's Statements of Cash Flows for 2022 and 2021 is presented below:

Condensed Statements of Cash Flows

	<u>2022</u>	<u>2021</u>
Cash Provided by (Used in)		
Operating activities	\$ 4,659,338	\$ 4,300,537
Capital and related financing activities	(2,973,770)	(1,375,881)
Investing activities	<u>58,058</u>	<u>52,035</u>
 Net Increase in Cash	 <u>\$ 1,743,626</u>	 <u>\$ 2,976,691</u>

Cash flows from operating activities consist of receipts from customers and grants less operating expenses, creating a positive cash flow.

Cash flows from capital and related financing activities consist of purchases of fixed assets and payments related to debt.

Cash flows from investing activities consist of interest income, proceeds from sale of property, and change in investments.

During fiscal year 2022, there was an increase of \$1,743,626 in cash as compared to an increase of \$2,976,691 in 2021.

Capital Assets

As of June 30, 2022, the Authority's net capital assets total \$78,516,361, which represents a net decrease of \$454,515 or .6% over the previous fiscal year.

Change in Capital Assets

	<u>Restated Balance July 1, 2021</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2022</u>
Land and land improvements	\$ 607,203	\$ -	\$ 607,203
Construction in progress	2,413,520	1,335,825	3,749,345
Building and leasehold improvements	16,917,038	168,418	17,085,456
Water and sewer system	137,780,699	1,449,900	139,230,599
Intangible right-to-use asset	4,610,440	-	4,610,440
Trucks and autos	2,280,229	132,181	2,412,410
Office equipment	<u>177,074</u>	<u>25,000</u>	<u>202,074</u>
Total Capital Assets	164,786,203	3,111,324	167,897,527
Less: Accumulated depreciation	<u>(85,815,327)</u>	<u>(3,565,839)</u>	<u>(89,381,166)</u>
Total Capital Assets, Net	<u>\$ 78,970,876</u>	<u>\$ (454,515)</u>	<u>\$ 78,516,361</u>

Long-Term Debt

As of June 30, 2022, the Authority's long-term debt totals \$22,928,418.

The Authority's long-term debt is presented as follows:

Change in Long-Term Debt

	Balance July 1, 2021	Net Additions and Deletions	Balance June 30, 2022
Long-term notes and bonds	\$ 22,182,715	\$ 248,391	\$ 22,431,106
Compensated absences	<u>444,885</u>	<u>52,427</u>	<u>497,312</u>
	<u>\$ 22,627,600</u>	<u>\$ 300,818</u>	<u>\$ 22,928,418</u>

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Authority's service area in Henry County has the potential for growth. The County is over two hundred years old and has available land that continues to be developed. Growth from new development is not expected to significantly increase the Authority's water and sewage disposal revenues in any given year.

The County continues to market and develop its newest industrial park, Commonwealth Crossing Business Center. The park consist of over 700 acres of land with approximately half of it graded to date. This industrial park is being marketed by the County's economic development officials. In July 2018 Press Glass, Inc., the largest independent flat glass processing operation in Europe, announced it would be the first industry to locate at this park and with an investment of \$43 million to establish a manufacturing operation. In fiscal year 2019, Press Glass, Inc. started construction of their new facility and it was completed in fiscal year 2021. In fiscal year 2021 Crown Cork & Seal USA, Inc., a leading supplier of metal food and beverage cans, announced it was locating at the park with an investment of \$145 million. The company started construction of its manufacturing facility in fiscal year 2021 with completion expected in fiscal year 2023. The County continues to explore obtaining funding to grade additional undeveloped land at the park for future expansion.

In addition, the County's other industrial park, Patriot Centre Industrial Park, has available graded pads it is marketing with economic development officials. The park also has undeveloped land for future development to market for business location or expansion. In September 2021 Schock Manufacturing, Inc., a German manufacturer of quartz and granite sinks, announced it was acquiring the County shell building and investing \$85 million to locate a manufacturing facility in the County. The company plans to expand the shell building and start operations in fiscal year 2023.

Due to current water consumption and to position the Authority for future growth, the Authority applied for and received approval to increase its permitted water withdrawal from the Smith River and also the expansion of its water treatment plant to allow for increased capacity from 4 million gallons per day to 6 million gallons per day. In fiscal year 2016, the Authority received a funding offer from the Virginia Department of Health for a low interest loan (financed through the Virginia Resources Authority) in the amount of \$14,500,000 to upgrade the Philpott water treatment plant. This loan, Series 2018B, was closed in June 2018 with an interest rate of 2.50% for 20 years. The project construction began in July 2018 and the project was substantially completed by the end of fiscal year 2021.

To position the Authority for future growth and to control future cost, the Authority continues to evaluate whether to re-open its Lower Smith River plant as a waste water treatment facility. This plant previously operated as a waste water treatment facility before being converted to a pump station over a decade ago. The Authority is working with engineers to design the facility and received a preliminary loan offer from the Virginia Department of Environmental Quality in the amount of \$23,659,400 contingent on receiving a favorable financial report and recommendation from the Virginia Resources Authority. The Authority has since notified the Virginia Department of Environmental Quality that it will not accept the loan offer, but will continue to evaluate the need and will apply for a loan in the future if the project is deemed necessary and viable.

In fiscal year 2017, the Authority was approved by the Virginia Department of Health (VDH) for a \$500,000 principal forgiveness loan (grant) to replace lead joint cast iron water pipe and lead water service lines in the water distribution system. The Authority identified the Fieldale community as the best area to dedicate these funds. In fiscal year 2018, this project was started and it was completed in early fiscal year 2019. In fiscal year 2018, the Authority was approved for a second \$500,000 under the same program as all principal forgiveness (grant). These funds were also designated by the Authority for the Fieldale community. This second phase started in fiscal year 2019 and was completed in fiscal year 2021. In September of 2019 (with revisions in January 2021), the Authority was approved by the Virginia Department of Health (VDH) for a third funding offer under this program in the amount of \$590,000 for the Fieldale community. This offer consisted of a \$346,500 principal forgiveness loan (grant) and a \$243,500 loan at 2.50% for 30 years. The Authority accepted this award and phase three of this project was completed in fiscal year 2022. The Authority is also in the process of applying for phase four of this project.

In September of 2019, the Authority was initially approved by the Virginia Department of Health (VDH) for a funding package for the Preston Road Water Extension Project. In December of 2021, the funding package was revised to increase the offer to a final amount of \$4,368,000. The final package consist of a \$1,310,400 principal forgiveness (grant) and a \$3,057,600 loan at 2.00% for 30 years. The Authority closed on this financing in February of 2022. This water line extension project will become the primary source of water from the Philpott water plant to southern Henry County providing more reliable water service to this area of the county. It will also take two well systems off line providing the customers on these well systems more reliable and higher quality water. Once completed there is a potential to add approximately 160 new water customers. Construction began on this project in fiscal year 2022 and is expected to be completed in fiscal year 2023.

In September of 2022, the Authority was notified by the Virginia Department of Environmental Quality (DEQ) of tentative approval of financial assistance in the form of loan assistance from the Virginia Clean Water Revolving Loan Control Board for Authority projects related to Villa Heights Sewer Improvements, Bassett-Walker Lagoon Closure, and Piedmont Estates Lagoon Closure. Final approval is subject to receipt of public review/comments and final authorization from the State Water Control Board which will meet in November of 2022 to authorize loan rates, terms, and conditions for selected projects.

FINANCIAL CONDITION

The Authority's financial condition remained good at year end with adequate liquid assets and a reasonable level of unrestricted net position. The current financial condition, staff capabilities, operating plans, and upgrade plans to meet future water quality requirements are well balanced and under control.

Total assets and deferred outflows of resources increased by \$785,296, or .7%, while net position increased by \$794,891 or 1.1%. Accounts receivable, net at year end was \$1,269,765 compared to \$1,601,322 for fiscal year 2021. The reserve for bad debts equals all accounts over 90 days past due. The bad debt charge for 2022 and 2021 was \$38,273 and \$46,475, respectively. Recovery of bad debts previously written off amounted to \$5,627 and \$8,873 in 2022 and 2021, respectively.

RESULTS OF OPERATIONS

The Authority's main revenues fall into the categories of operating revenues, interest income, gain on sale of property, and capital contributions. Revenues, including capital contributions, totaled \$13,380,287 compared to \$13,577,799 last year, a 1.5% decrease.

DEBT

At year end, the Authority had \$22,367,917 in long-term debt (before deferrals and compensated absences) with \$1,305,176 coming due in 2023. More detailed information about the Authority's long-term debt is presented in Note 8 to the financial statements.

One area that demonstrates the Authority's financial ability to pay current debt service (principal and interest) is seen in its debt service coverage, which is shown below. The financing agreement covenant requires the Authority to establish rates, fees, and other charges for the use of and for services furnished by the Authority and collection procedures so that in each fiscal year net revenues and available cash reserves are less than 1.2 times the debt service (principal and interest) for the fiscal year. Cash reserves available were \$21.8 million for 2022 and \$20.1 million for 2021. The following table calculates debt service coverage for fiscal years 2022 and 2021 including the available cash reserves:

	(In Millions of Dollars)		
	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Unrestricted operating revenue	\$ 12.64	\$ 13.08	-3.4%
Unrestricted investment income	<u>0.10</u>	<u>0.06</u>	66.7%
Total revenue	12.74	13.14	-3.0%
Total operating expenses (less depreciation)	<u>8.50</u>	<u>8.50</u>	0.0%
Net revenue	4.24	4.64	-8.6%
Unrestricted cash - beginning of year	<u>20.07</u>	<u>17.10</u>	17.4%
Available for Debt Service	<u>\$ 24.31</u>	<u>\$ 21.74</u>	11.8%
Annual Debt Service	<u>\$ 1.67</u>	<u>\$ 1.47</u>	13.6%
Debt Service Coverage	<u>14.59</u>	<u>14.74</u>	-1.0%

FINAL COMMENTS

Fiscal year 2022 continued the trend of positive financial performance by the Authority. This positive performance is needed in order for the Authority to maintain flexibility in future borrowing decisions, ensuring that there is an appropriate reserve for operating expenses, expansion, and that resources are available to provide for the effects of time and usage on the significant investment in equipment.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the General Manager, Henry County Public Service Authority, P. O. Box 69, Collinsville, Virginia 24078, telephone 276-634-4600.

FINANCIAL STATEMENTS

Henry County Public Service Authority

Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 21,816,758	\$ 20,073,132
Accounts receivable, net	1,269,765	1,601,322
Unbilled revenue	466,546	467,255
Inventory	351,791	252,574
Total Current Assets	23,904,860	22,394,283
Capital Assets		
Nondepreciable	4,356,548	3,020,723
Depreciable	74,159,813	75,950,153
Total Capital Assets	78,516,361	78,970,876
Other Noncurrent Assets		
Restricted investments	2,344,251	2,304,892
Lease receivable	846,357	907,987
Net pension asset	40,230	-
Total Other Noncurrent Assets	3,230,838	3,212,879
Total Assets	105,652,059	104,578,038
Deferred Outflows of Resources		
Pension	705,808	972,972
OPEB	109,547	131,108
Total Deferred Outflows of Resources	815,355	1,104,080
Total Assets and Deferred Outflows of Resources	<u>\$ 106,467,414</u>	<u>\$ 105,682,118</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,091,476	\$ 802,361
Interest payable	112,867	232,708
Accrued expenses and payables	40,864	36,889
Customer deposits	959,950	939,675
Current portion of compensated absences	49,731	44,489
Current maturities of long-term liabilities	1,315,738	1,216,595
Total Current Liabilities	3,570,626	3,272,717
Long-Term Liabilities		
Due to other governments - Pittsylvania County	785,255	862,696
OPEB liabilities	262,703	398,749
Lease liability	4,724,384	4,652,206
Net pension liability	-	2,065,904
Compensated absences, net of current portion	447,581	400,396
Notes payable, net of current portion	21,115,368	20,966,120
Total Long-Term Liabilities	27,335,291	29,346,071
Total Liabilities	30,905,917	32,618,788
Deferred Inflows of Resources		
OPEB	186,788	113,333
Leases	798,796	882,773
Pension	1,713,798	-
Total Deferred Inflows of Resources	2,699,382	996,106
Net Position		
Net investment in capital assets	51,360,871	52,135,955
<i>Restricted</i>		
Debt covenants	2,344,251	2,304,892
Unrestricted	19,156,993	17,626,377
Total Net Position	72,862,115	72,067,224
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 106,467,414</u>	<u>\$ 105,682,118</u>

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

Henry County Public Service Authority

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Water and sewer charges	\$ 12,099,336	\$ 12,347,590
Fire protection fees - Henry County	-	203,000
Lease revenues	83,977	-
Connection fees	94,450	66,400
Miscellaneous	364,286	458,230
Total Operating Revenues	<u>12,642,049</u>	<u>13,075,220</u>
Operating Expenses		
Water and sewer treatment	4,150,289	4,025,710
Depreciation	3,582,198	3,365,372
Amortization - lease assets	118,216	-
Maintenance - transmission and collection lines	1,285,705	1,477,694
Administration	1,195,594	1,239,683
Bad debts	38,273	46,475
Customer service	534,864	551,334
Engineering and mapping	450,036	422,002
Maintenance - vehicle and equipment	199,691	211,146
Management information systems	255,018	261,608
Meter reading	124,202	130,748
Service center	58,073	41,421
Safety	71,177	79,945
Total Operating Expenses	<u>12,063,336</u>	<u>11,853,138</u>
Operating Income	578,713	1,222,082
Non-Operating Revenues (Expenses)		
Interest income	86,869	105,891
Gain (loss) on sale of properties	10,548	(42,808)
Interest expense and bond costs	(522,060)	(632,066)
Net Non-Operating Revenues (Expenses)	<u>(424,643)</u>	<u>(568,983)</u>
Change in Net Position Before Contributions	154,070	653,099
Capital Contributions		
Federal grants	587,378	439,496
State grants	53,443	-
Total Capital Contributions	<u>640,821</u>	<u>439,496</u>
Change in Net Position	794,891	1,092,595
Total Net Position - Beginning of Year	72,067,224	71,109,397
Restatement of Lease Accounts	-	(134,768)
Total Net Position - End of Year	<u>\$ 72,862,115</u>	<u>\$ 72,067,224</u>

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

Henry County Public Service Authority

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 12,994,590	\$ 12,791,063
Cash paid for goods and services	(4,294,454)	(6,049,791)
Cash paid to employees and fringes	(4,040,798)	(2,440,735)
Net Cash Provided by Operating Activities	<u>4,659,338</u>	<u>4,300,537</u>
Cash Flows from Capital and Related Financing Activities		
Governmental grant revenue	640,821	439,496
Due to Pittsylvania County	(77,441)	(66,842)
Lease receivable and intangible lease asset	61,630	-
Lease liability and related inflows	72,178	-
Deferred inflows - lease liability	(83,976)	-
Purchase of capital assets	(3,245,899)	(2,583,206)
Compensated absences	52,427	20,581
Bond proceeds	1,405,601	2,457,863
Bond principal payments	(1,145,122)	(842,828)
Bond interest payments	(653,989)	(800,945)
Net Cash Used in Capital and Related Financing Activities	<u>(2,973,770)</u>	<u>(1,375,881)</u>
Cash Flows from Investing Activities		
Interest received	86,869	105,891
Proceeds from sale of property	10,548	8,185
Net change in investments	(39,359)	(62,041)
Net Cash Provided by Investing Activities	<u>58,058</u>	<u>52,035</u>
Net Increase in Cash and Cash Equivalents	1,743,626	2,976,691
Cash and Cash Equivalents - Beginning of Year	<u>20,073,132</u>	<u>17,096,441</u>
Cash and Cash Equivalents - End of Year	<u>\$ 21,816,758</u>	<u>\$ 20,073,132</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 578,713	\$ 1,222,082
Adjustments to reconcile operating income		
Depreciation	3,582,198	3,365,372
Amortization of leases	118,216	-
Bad debts	38,273	46,475
Change in assets and liabilities		
<i>Decrease (Increase) in</i>		
Accounts receivable	293,284	(379,477)
Inventory	(99,217)	(30,263)
Deferred outflows - OPEB	21,561	(22,606)
Deferred outflows - pension	267,164	(313,489)
Unbilled revenue	709	7,241
<i>Increase (Decrease) in</i>		
Accounts payable	289,115	(260,461)
OPEB liabilities	(136,046)	31,591
Deferred inflows - OPEB	73,455	(43,287)
Net pension liability	(2,106,134)	772,026
Deferred inflows - pension	1,713,798	(131,524)
Customer deposits	20,275	41,604
Accrued expenses	3,974	(4,747)
Net Cash Provided by Operating Activities	<u>\$ 4,659,338</u>	<u>\$ 4,300,537</u>

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

Henry County Public Service Authority

Statements of Fiduciary Net Position

As of June 30, 2022 and 2021

	<u>2022</u> <u>OPEB</u> <u>Trust Fund</u>	<u>2021</u> <u>OPEB</u> <u>Trust Fund</u>
Assets		
Investment - restricted	\$ <u>258,713</u>	\$ <u>272,933</u>
Total Assets	\$ <u>258,713</u>	\$ <u>272,933</u>
Liabilities and Net Position		
Liabilities	\$ -	\$ -
Net Position		
Restricted for OPEB	<u>258,713</u>	<u>272,933</u>
Total Liabilities and Net Position	\$ <u>258,713</u>	\$ <u>272,933</u>

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

Henry County Public Service Authority

Statements of Changes in Fiduciary Net Position

As of June 30, 2022 and 2021

	<u>2022</u> <u>OPEB</u> <u>Trust Fund</u>	<u>2021</u> <u>OPEB</u> <u>Trust Fund</u>
Additions		
Contributions from employer	\$ 13,000	\$ 13,000
Investment earnings:		
Net unrealized gain or loss	(26,786)	60,876
Realized gain on sale of assets	<u>362</u>	<u>287</u>
Total Investment Earnings	(26,424)	61,163
 Total Additions	 (13,424)	 74,163
Deductions		
Administrative expenses	<u>796</u>	<u>728</u>
 Net Increase (Decrease) in Fiduciary Net Position	 (14,220)	 73,435
 Net Position - Beginning	 <u>272,933</u>	 <u>199,498</u>
 Net Position - Ending	 <u>\$ 258,713</u>	 <u>\$ 272,933</u>

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

Henry County Public Service Authority

Notes to the Financial Statements

Year Ended June 30, 2022

1 Organization, Description of the Entity, and Its Activities

The Henry County Public Service Authority (the "Authority") was formed in 1965 under the provisions of the Virginia Water and Sewer Authorities Act, Code of Virginia (1950), as amended. The Authority provides water and sewer services to communities in Henry County, Virginia (the "County"). The Authority is governed by a six-member Board of Directors who are appointed for four-year staggered terms by the Board of Supervisors of the County. Since the Board of Supervisors cannot impose its will on the Authority and since there is no potential financial benefit or burden in the relationship, the County is not financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of the County.

2 Significant Accounting Policies

Financial Statement Presentation

The financial statements of the Henry County Public Service Authority have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Authority's accounting policies are described below:

Basis of Accounting

The Authority's financial statements are reported using 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Authority's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority also has the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for water and sewer sales. Operating expenses include the cost of water and sewer treatment, maintenance, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand; demand, savings, or money market accounts; and certificates of deposit or short-term investments with purchased maturities of three months or less.

Unbilled Revenue

Unbilled revenue consists of amounts earned as of year-end, but not yet billed because billing dates do not coincide with year-end.

Allowance for Doubtful Accounts

The Authority has calculated its allowance for doubtful accounts using historical collection data and specific account analysis of all accounts greater than or equal to ninety days aged.

Inventory

Inventory consists of meters, pumps, parts, and other supplies on hand at year end, reported at the lower of cost (first-in, first-out) or market. Inventory is generally used for construction and for operation and maintenance work, and is not held for resale.

Capital Assets

Capital assets are recorded at original cost at the time of acquisition. Donated assets are recorded at their fair market value on the date donated. Repair and maintenance items are expensed when incurred. Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and structures	40-50 years
Sewer system equipment	10-50 years
Water system equipment	10-40 years
Other equipment	5-20 years

Compensated Absences

The vacation policy provides for the accumulation of earned vacation leave, depending on years of service with a maximum accumulation of 240 hours. The sick leave policy provides for sick leave to be earned at the rate of eight hours per month of service with a maximum accumulation of 720 hours. Accumulated vacation is paid at 100%, and sick leave is paid at 25%, upon termination of employment. These amounts are accrued when incurred.

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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.

Other Postemployment Benefits Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Henry County Public Service Authority's OPEB Plan for Retiree's Health Insurance and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. See Notes to the financial statement for more information regarding the Plan.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenues

The Authority records water and sewer revenues as billed to its customers principally on a monthly basis. Fees charged for the privilege of connecting to the system are credited to income.

Property and Equipment

Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets.

Use of Estimates

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

Budgets

The Authority adopts an annual budget for informative and fiscal planning purposes only. The budget is not intended to be a legal control on expenses. Budgets are adopted on the accrual basis of accounting with the exception that depreciation and amortization are not budgeted.

Amortization

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Amortization of bond premiums or discounts is included in interest expense. Bonds payable are reported net of the applicable bond premium or discount. The deferred amount resulting from bond refunding is amortized over the shorter of the life of the new bond issue or the refunded issue.

Net Position

Net position is the difference between assets and liabilities. Net position invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

Adoption of New GASB Statements

The Authority adopted the following GASB statements during the year ended June 30, 2022:

Statement No. 87, Leases increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Authority.

GASB Statement No. 92, Omnibus 2020 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of GASB Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports. (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of GASB Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of

GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of GASB Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Authority.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Authority.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. This Statement provides a more consistent financial reporting of defined contribution plans, defined contribution OPEB plans and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain provisions of this Statement are effective for fiscal year 2022 for the Authority.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Authority.

3 Cash Equivalents

Deposits

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

Investments

Investment Policy

In accordance with state statutes, the current investment policy of the Authority authorizes investments in obligations of the United States and agencies thereof, Bankers’ Acceptances, commercial paper, repurchase agreements, tax exempt and taxable

Municipal Bonds, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Both SNAP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Authority's position in the pools is the same as the value of the pool shares.

The Authority's investments are subject to credit risk, concentration of credit risk, interest rate risk, and custodial risk as described below. The Authority's investments are not subject to foreign currency risk.

Credit Risk

As required by State statute, the policy requires that commercial paper have a short-term debt rating of no less than "A-1" or "P-1" or "F-1" (or its equivalent) from Moody's Investors Service or Standard & Poor's or Fitch. Municipal Bonds must have a rating of "AA" or higher by at least two of the following National Credit Rating Agencies: Moody's Investors Service, Standard & Poor's or Fitch.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. The Policy establishes limitations on the holdings as follows:

1. The portfolio will be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or Agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit.
2. The maximum percentage of the Investment Portfolio in each eligible security type is limited as follows:

U.S. Treasury	100%
Agency Securities (no more than 35% in any one agency)	100%
Money Market Mutual Funds	100%
Repurchase Agreements	40%
Municipal Obligations (no more than 5%* in any one issuer)	20%
Bankers Acceptances (no more than 5%* in any one bank)	20%
Negotiable Certificates of Deposit (no more than 5%* in any one bank)	20%
Commercial Paper (no more than 5%* in any one issuing corporation)	20%
Virginia Local Government Investment Pool	100%
Virginia State Non-Arbitrage Program	100% of Bond Proceeds
<i>*or \$1 Million, whichever is greater</i>	

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase.

Custodial Credit Risk

The Policy requires that all investment securities purchased by the Authority be held by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, all of the Authority's investments are held in a custodian's trust department in the Authority's name.

The Authority's investments consist of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government bonds	\$ 57,896	5 months or less
	<u>\$ 57,896</u>	

Authority's investments by credit rating consist of the following:

	<u>Rating (Moody's or S&P)</u>	<u>Fair Value</u>
AA+ or higher		\$ 57,896
		<u>\$ 57,896</u>

Cash and investments are reflected in the financial statements as follows:

Deposits and Investments

Cash on hand	\$ 1,600
Demand deposits	24,101,513
Bonds	57,896
	<u>\$ 24,161,009</u>

Statement of Net Position

Deposits and Investments

Cash and cash equivalents	<u>\$ 24,161,009</u>
	<u>\$ 24,161,009</u>

Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority has the following recurring fair value measurements as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level				
U.S. Government bonds	\$ -	\$ 57,896	\$ -	\$ 57,896
	<u>\$ -</u>	<u>\$ 57,896</u>	<u>\$ -</u>	<u>\$ 57,896</u>

4 Amount of Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Management estimates the allowance account to be \$41,754 and \$53,590 as of June 30, 2022 and 2021, respectively.

5 Due to Other Governments

The Authority has entered into a long-term agreement with Pittsylvania County concerning the construction of water lines. The agreement allows the Authority to repay Pittsylvania County for the cost of these lines based on water usage by the County. The original contract amount was \$1,250,000. The amount repaid for fiscal year 2022 was \$77,441 leaving a balance of \$785,254 as of June 30, 2022.

6 Capital Assets

The following schedule shows the breakdown of capital assets by category at June 30, 2022:

	<u>Restated Balance July 1, 2021</u>	<u>Acquired (Increased)</u>	<u>Disposed (Decreased)</u>	<u>Balance June 30, 2022</u>
Capital assets, not depreciated				
Land and land improvements	\$ 607,203	\$ -	\$ -	\$ 607,203
Construction in Progress				
Water	1,098,585	2,556,517	1,444,567	2,210,535
Sewer	1,314,935	223,875	-	1,538,810
Other	-	465,506	465,506	-
Total Construction in Progress	2,413,520	3,245,898	1,910,073	3,749,345
Total Capital Assets, Not Depreciated	3,020,723	3,245,898	1,910,073	4,356,548
Capital assets, depreciated				
Buildings and leasehold improvements	16,917,038	168,418	-	17,085,456
Water and sewer system	137,780,699	1,561,872	111,972	139,230,599
Intangible Right to Use Lease - infrastructure	4,610,440	-	-	4,610,440
Trucks and autos	2,280,229	154,784	22,603	2,412,410
Office equipment	177,074	25,000	-	202,074
Total Capital Assets, Depreciated	161,765,480	1,910,074	134,575	163,540,979
Less: Accumulated depreciation and amortization				
Land improvements	3,093	89	-	3,182
Buildings and leasehold improvements	2,655,279	404,534	-	3,059,813
Water and sewer system	81,059,901	3,049,044	111,972	83,996,973
Intangible Right to Use Lease - infrastructure	118,216	118,216	-	236,432
Trucks and autos	1,886,108	114,884	22,603	1,978,389
Office equipment	92,730	13,647	-	106,377
Total Accumulated Depreciation	85,815,327	3,700,414	134,575	89,381,166
Total Capital Assets Depreciated, Net	75,950,153	(1,790,340)	-	74,159,813
Total Capital Assets, Net	\$ 78,970,876	\$ 1,455,558	\$ 1,910,073	\$ 78,516,361

The infrastructure lease amortization is presented as amortization expense on the Statement of Revenues, Expenses and Changes in Fund Net Position related to the Authority's intangible asset of tower infrastructure, which is included in the above table as Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

7 Leases

Lessee Arrangements

Lease agreements are summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2022</u>
CCAT, Inc.	8/26/2019	40	Varies, see schedule below	2.50%	\$4,724,384

Annual requirements to amortize the long-term obligation and related interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ (74,000)	\$ 118,800
2024	(75,867)	120,667
2025	(77,782)	122,582
2026	(59,052)	124,352
2027	69,370	124,630
2028-2032	404,791	594,699
2033-2037	512,612	537,863
2038-2042	637,500	466,560
2043-2047	781,884	378,514
2048-2052	948,435	271,135
2053-2057	1,140,313	141,467
2058-2062	<u>516,180</u>	<u>14,656</u>
Totals	<u>\$4,724,384</u>	<u>\$3,015,925</u>

The Authority entered into a lease arrangement on August 26, 2019 with CCAT, Inc., a Virginia corporation, to lease certain ground space (Ground Space Lease) and constructed equipment (Deed of Tower) for 40 years. The imputed interest rate is 2.5%. The initial right-to-use asset was \$4,610,440 to be amortized over 40 years.

Lessor Arrangements

The Authority has a lessor arrangement with the following companies leasing tower rights for cellular and technology communications. The lease agreements are summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2022</u>
USCOC - Tower and ground space	8/1/2017	10 years	Varies, see schedule below	2.50%	\$ 158,492
American Towers, LLC - Tower and ground space	10/28/2013	30 years	Varies, see schedule below	2.50%	626,729
New Cingular Wireless, LLC (AT&T, Inc.)	8/1/2019	5 years	Varies, see schedule below	2.50%	<u>61,136</u>
Totals					<u>\$ 846,357</u>

Annual payments to be received are as follows:

<u>Fiscal Year</u>	<u>Receivable Received</u>	<u>Interest Income</u>
2023	\$ 67,732	\$ 20,389
2024	72,256	18,645
2025	47,740	17,088
2026	48,370	15,916
2027	51,696	14,669
2028-2032	112,675	63,163
2033-2037	158,691	46,558
2038-2042	220,712	23,060
2043-2047	<u>66,485</u>	<u>1,119</u>
Totals	<u>\$ 846,357</u>	<u>\$ 220,607</u>

8 Long-Term Debt

The following is a summary of the Authority's long-term liability activity for the year:

<u>Details of Long-Term Indebtedness</u>	<u>Balance July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
2007 Bonds Payable	\$ 1,105,606	\$ -	\$ 158,769	\$ 946,837	\$ 162,734
2015 VRA Bond	1,030,000	-	110,000	920,000	115,000
2015A VRA Bond	1,323,175	-	79,388	1,243,787	81,023
2015B VRA Bond	1,855,825	-	120,028	1,735,797	120,028
2015C VRA Bond	1,070,178	-	31,479	1,038,699	32,191
2015D VRA Bond	1,163,960	-	34,236	1,129,724	35,012
2018A VRA Bond	592,149	-	14,959	577,190	15,288
2018B VRA Bond	14,198,636	-	596,263	13,602,373	662,982
2021A VRA Bond (not fully disbursed)	243,500	-	-	243,500	5,666
2022A VRA Bond (not fully disbursed)	-	3,057,600	-	3,057,600	75,252
Subtotal	22,583,029	3,057,600	1,145,122	24,495,507	1,305,176
Less: Loan funds not disbursed					
VRA Series 2018B Bond	(252,596)	-	(252,596)	-	-
VRA Series 2021A Bond	(222,995)	-	(205,375)	(17,620)	-
VRA Series 2022A Bond	-	(2,109,970)	-	(2,109,970)	-
	<u>(475,591)</u>	<u>(2,109,970)</u>	<u>(457,971)</u>	<u>(2,127,590)</u>	<u>-</u>
Long-Term Debt before Deferrals	22,107,438	947,630	687,151	22,367,917	1,305,176
Deferred Amounts					
Unamortized premium on 2015 VRA Bond	<u>75,277</u>	<u>-</u>	<u>12,088</u>	<u>63,189</u>	<u>10,562</u>
	<u>75,277</u>	<u>-</u>	<u>12,088</u>	<u>63,189</u>	<u>10,562</u>
Long-Term Debt	22,182,715	947,630	699,239	22,431,106	1,315,738
Compensated absences	<u>444,885</u>	<u>298,072</u>	<u>245,645</u>	<u>497,312</u>	<u>49,731</u>
Total Long-Term Debt	<u>\$ 22,627,600</u>	<u>\$ 1,245,702</u>	<u>\$ 944,884</u>	<u>\$ 22,928,418</u>	<u>\$ 1,365,469</u>

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount of Original Issue</u>	<u>Installment Payments</u>	<u>Installment Period</u>	<u>Balance June 30, 2022</u>
Bonds							
Water and Sewer Revenue Bond, Series 2007	2.470%	11/1/2007	2027	\$ 2,700,000	\$ 15,357	Monthly	\$ 946,837
Water and Sewer VRA Series 2015	3.4925%	8/19/2015	2036	1,615,000	Various	Semi-Annual	920,000
Water and Sewer VRA Series 2015A	2.050%	8/19/2015	2036	1,733,769	53,054	Semi-Annual	1,243,787
Water and Sewer VRA Series 2015B	0.000%	12/17/2015	2037	2,400,570	60,014	Semi-Annual	1,735,797
Water and Sewer VRA Series 2015C	2.250%	12/17/2015	2047	1,189,280	27,691	Semi-Annual	1,038,699
Water and Sewer VRA Series 2015D	2.250%	12/17/2015	2047	1,293,500	30,117	Semi-Annual	1,129,724
Water and Sewer VRA Series 2018A	2.650%	3/9/2018	2048	621,200	15,241	Semi-Annual	577,190
Water and Sewer VRA Series 2018B	2.500%	6/21/2018	2040	14,500,000	472,028	Semi-Annual	13,602,373
Water and Sewer VRS Series 2021A	2.500%	2/1/2021	2051	243,500	5,859	Semi-Annual	243,500
Water and Sewer VRS Series 2022A	2.000%	2/11/2022	2052	3,057,600	68,015	Semi-Annual	3,057,600
							24,495,507
				Less: Loan funds not disbursed			
				VRA Series 2021A Bond			(17,620)
				VRA Series 2022A Bond			(2,109,970)
Total Bonded Debt Before Deferrals Less Unfunded Portions of Bonds							\$ 22,367,917

The annual requirements to amortize bond principal and related interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Deferred Amounts</u>	<u>Total LT Debt with Deferrals</u>
2023	\$ 1,305,176	\$ 495,297	\$ 10,562	\$ 1,315,738
2024	1,279,282	520,569	8,963	1,288,245
2025	1,309,565	489,408	7,292	1,316,857
2026	1,250,466	459,679	6,203	1,256,669
2027	1,282,000	431,041	5,606	1,287,606
2028-2032	5,975,129	1,750,813	19,506	5,994,635
2033-2037	6,281,279	1,060,263	5,057	6,286,336
2038-2042	3,814,509	400,895	-	3,814,509
2043-2047	1,260,817	150,606	-	1,260,817
2048-2052	737,284	40,068	-	737,284
	24,495,507	5,798,639	63,189	24,558,696
Less: Loan funds not disbursed				
VRA Series 2021A Bond	(17,620)	-	-	(17,620)
VRA Series 2022A Bond	(2,109,970)	-	-	(2,109,970)
	<u>\$ 22,367,917</u>	<u>\$ 5,798,639</u>	<u>\$ 63,189</u>	22,431,106
Compensated absences				497,312
				<u>\$ 22,928,418</u>

Required escrow funds for debt service, repairs and replacements, and operating needs were as follows:

Operating funds reserve	\$ 1,687,537
Replacement reserve	598,818
Debt service - 2007, 2015A, 2015B, 2018B bonds	62
Debt service - 2015C bond	27,702
Debt service - 2015D bond	<u>30,132</u>
	<u>\$ 2,344,251</u>

The Authority is required to maintain a debt service coverage ratio of 120% (as defined in the bond Master Trust Agreement and related amendments) and to annually obtain a consulting engineer's report to determine amounts needed to escrow for future repairs, replacements, and operating needs. The Authority received the most recent report in May 2022 for the fiscal year 2021. The management of the Authority believes it is in compliance with all requirements.

Revenue bonds require all revenues and receipts derived by the Authority to be pledged as security for the bonds. In addition, a security interest in all accounts receivable for services is granted to the issuer of the bonds.

9 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the Statements of Net Position as of June 30, 2022 and 2021 is determined as follows:

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 167,897,527	\$ 164,786,203
Less: Accumulated depreciation	<u>(89,381,166)</u>	<u>(85,815,327)</u>
Book value	78,516,361	78,970,876
Less: Capital related debt	<u>(22,431,106)</u>	<u>(22,182,715)</u>
Less: Lease liability	<u>(4,724,384)</u>	<u>(4,652,206)</u>
Net Investment in Capital Assets	<u>\$ 51,360,871</u>	<u>\$ 52,135,955</u>

10 Capital Contributions

Capital contributions represent proceeds from federal, state, and local agencies for the following capital projects:

<u>Source of Revenue</u>	<u>Project</u>	
State Funding - Virginia		
Virginia Resources Authority	Fieldale	\$ 53,443
Federal Funding		
Virginia Resources Authority	Preston Road	<u>587,378</u>
Total Capital Contributions		<u>\$ 640,821</u>

11 Operating Leases

The Authority leased its office space from the County for a fifteen-year term commencing November 1, 1997 and ended on October 31, 2012. The lease is renewable annually for one-year terms and has been renewed for a one-year term ending October 31, 2022. In lieu of rent, the Authority renovated a portion of the building for the County's and Authority's use. These improvements (shown as leasehold improvements) are being depreciated over the life of the lease.

12 Commitments and Contingencies

Federal programs in which the Authority participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Special purpose grants are subject to audit to determine compliance with their requirements. Authority officials believe that if any refunds are required, they will be immaterial.

13 Litigation

The City of Martinsville ("City") on June 4, 2020, filed a suit against the Henry County Public Service Authority ("PSA") wherein it is asserted that the PSA is liable to City for a percentage of the cost of repairs to the City's sewage transmission lines. The suit is based on a 1974 Contract between the parties whereby the City agreed to transport and treat certain of the PSA's sewage. It was discovered in 2014 that the Smith River interceptor and other components of the City's sewage transmission system required immediate remediation and it is alleged by the City that the PSA is liable to it for a portion of the remediation costs based on the proportionate amount of the PSA's sewage that is transported by the City's sewage transmission facilities and treated at the City's waste water treatment plant. The amount that the PSA is liable for, according to City's pleading, is \$8,622,860.40 with interest at 6% from June 4, 2020.

The City has filed its Complaint and the PSA has filed its responsive pleadings. Each party has propounded its initial paper discovery to the other and, parties are in the process of responding thereto. No further activity has, as of yet, taken place.

The PSA plans to and is vigorously contesting the case.

As with most litigation it is impossible at this stage to even guess what the outcome might be. Both parties are convinced of the rightness of their cause and it is quite possible that the Judge or a jury will have to determine the issue.

The City of Martinsville filed on or about July 5, 2022 a Petition for Appeal in Virginia Circuit Court for the City of Richmond challenging the reissuance by the Virginia State Water Control Board and related entities of the Virginia Pollutant Discharge Elimination System ("VPDES") permit to the PSA for its Lower Smith River wastewater treatment facility. The Appellees are the noted State parties, and the PSA is an Appellee pursuant to Virginia law. The Petition challenges the legality of the permit issuance by the State parties. The PSA and the State parties have moved for dismissal of the Petition, and a responsive pleading is due from the Appellant shortly. The PSA intends to aggressively oppose the Petition and we understand the State parties' intent to be the same. The litigation is at an early stage, and it is not possible to predict an outcome. If the Court were to decide in favor of the Appellant, and if any such decision was upheld on likely appeal, the VPDES permit would be returned to the State parties for further determinations and actions.

14 Pension Plan

Plan Description

All full-time, salaried permanent (professional) employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. This 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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

The remainder of this page is left blank intentionally.

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Same as Plan 1.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law .

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:
VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:
VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:
Same as Plan 2

Defined Contribution Component:
Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	53
Inactive members:	
Vested inactive members	5
Non-vested inactive members	5
LTD	-
Inactive members active elsewhere in VRS	<u>14</u>
Total inactive members	24
Active members	<u>56</u>
Total covered employees	<u><u>133</u></u>

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.

If the employer used the certified rate: Henry County Public Service Authority's contractually required contribution rate for the year ended June 30, 2022 was 8.44% 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 Henry County Public Service Authority were \$228,847 and \$209,857 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Henry County Public Service Authority, 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.

Actuarial Assumptions – General Employees

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:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
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	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.39%</u>

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher 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 FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 14,175,082	\$ 12,109,178	\$ 2,065,904
Changes for the Year			
Service cost	204,725	-	204,725
Interest	936,629	-	936,629
Benefit changes	-	-	-
Assumption Changes	470,238	-	470,238
Differences between expected and actual experience	(116,997)	-	(116,997)
Contributions - employer	-	196,606	(196,606)
Contributions - employee	-	117,517	(117,517)
Net investment income	-	3,294,547	(3,294,547)
Benefit payments, including refunds	(598,191)	(598,191)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(8,251)	8,251
Other changes	-	310	(310)
Net Changes	896,404	3,002,538	(2,106,134)
Balances at June 30, 2021	<u>\$ 15,071,486</u>	<u>\$ 15,111,716</u>	<u>\$ (40,230)</u>

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability	\$1,975,732	\$ (40,230)	\$(1,706,707)

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

For the year ended June 30, 2022, Henry County Public Service Authority recognized pension expense of \$90,424. At June 30, 2022, Henry County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 108,232	\$ 77,868
Change in assumptions	368,729	-
Net difference between projected and actual earnings on pension plan investments	-	1,635,930
Employer contributions subsequent to the measurement date	<u>228,847</u>	<u>-</u>
Total	<u>\$ 705,808</u>	<u>\$ 1,713,798</u>

\$228,847 reported as deferred outflows of resources related to pensions resulting from Henry County Public Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended
June 30,**

2023	\$ (126,347)
2024	(232,060)
2025	(381,022)
2026	(497,408)
2027	-
Thereafter	-

Pension Plan Data

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

The remainder of this page is left blank intentionally.

15 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic 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 Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS	
Eligible Employees	<p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board
	<p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
Benefit Amounts	<p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
Reduction in Benefit Amounts	<p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)	<p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$14,642 and \$13,440 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2022, the participating employer reported a liability of \$140,178 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .012040% as compared to .012330% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$5,114. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,988	\$ 1,068
Change in assumptions	7,728	19,179
Net difference between projected and actual earnings on GLI OPEB program investments	-	33,458
Changes in proportion	1,416	4,707
Employer contributions subsequent to the measurement date	<u>14,642</u>	<u>-</u>
Total	<u>\$ 39,774</u>	<u>\$ 58,412</u>

\$14,642 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2023	\$ (7,535)
2024	(5,979)
2025	(5,910)
2026	(11,145)
2027	(2,711)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.5% - 5.35%
Teachers	3.5% - 5.95%
SPORS employees	3.5% - 4.75%
VaLORS employees	3.5% - 4.75%
JRS employees	4.50%
Locality - General employees	3.5% - 5.35%
Locality - Hazardous Duty employees	3.5% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
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	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.39%</u>

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Program Net OPEB Liability	\$ 204,806	\$ 140,178	\$ 87,989

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at 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.

16 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	
Eligible Employees	<p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of political subdivision employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts	<p>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
Health Insurance Credit Program Notes:	<ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	19
Inactive members:	
Vested	1
Non-vested	-
Active elsewhere in the system	-
Total inactive members	20
Active members	56
Total covered employees	<u>76</u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) 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. Henry County Public Service Authority's contractually required employer contribution rate for the year ended June 30, 2022 was .36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate 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 from Henry County Public Service Authority to the Political Subdivision Health Insurance Credit Program were \$9,762 and \$8,951 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

Henry County Public Service Authority's net Health Insurance Credit OPEB liability was measured as of June 30, 2021. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	
Locality - General Employees	3.5% - 5.35%
Locality - Hazardous Duty Employees	3.5% - 4.75%
Investment rate of return	6.75%, net of investment investment expenses, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
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	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.39%</u>

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy 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, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

		<u>Increase (Decrease)</u>	
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 151,986	\$ 48,044	\$ 103,942
Changes for the Year			
Service cost	1,976	-	1,976
Interest	9,926	-	9,926
Benefit changes	-	-	-
Changes of assumptions	2,125	-	2,125
Differences between expected and actual experience	(4,683)	-	(4,683)
Contributions - employer	-	8,951	(8,951)
Net investment income	-	12,398	(12,398)
Benefit payments	(9,868)	(9,868)	-
Administrative expenses	-	(146)	146
Other changes	-	-	-
Net Changes	(524)	11,335	(11,859)
Balances at June 30, 2021	<u>\$ 151,462</u>	<u>\$ 59,379</u>	<u>\$ 92,083</u>

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net HIC OPEB Liability	\$ 108,860	\$ 92,083	\$ 77,884

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2022, Henry County Public Service Authority recognized Health Insurance Credit Program OPEB expense \$8,727. At June 30, 2022, Henry County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to Henry County Public Service Authority's Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,246	\$ 3,789
Net difference between projected and actual earnings on HIC OPEB plan investments	-	5,866
Change in assumptions	3,531	1,219
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	<u>9,762</u>	<u>-</u>
Total	<u>\$ 20,539</u>	<u>\$ 10,874</u>

\$9,762 reported as deferred outflows of resources related to the HIC OPEB resulting from Henry County Public Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2023	\$ 270
2024	634
2025	931
2026	(1,826)
2027	(106)
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program 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 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.

17 Henry County Public Service Authority OPEB Plan for Retirees' Health Insurance

General Information About the OPEB Plan

Employer. Henry County Public Service Authority

Summary of Plan Provisions

The following is our understanding of the plan provisions for retiree coverage. Where the following differs from the official plan rules, the valuation should be revised.

Eligibility Conditions

A retiring employee participating in the Employer's medical program with at least 15 years of Authority service, and retires under the VRS plan is eligible to elect post-retirement coverage.

Eligibility for VRS Retirement

Early Retirement – Plan 1

- The employee must have 10 years of service and 50 years of age; or,
- The employee must have 5 years of service and 55 years of age.

Full Retirement – Plan 1

- The employee must have 65 years of age and vested in VRS; or,
- The employee must have 30 years of service and 50 years of age.

Early Retirement – Plan 2&Hybrid

- The employee must have 5 years of service and 60 years of age.

Full Retirement – Plan 2&Hybrid

- The employee must have reached Normal Social Security retirement age with at least 5 years of service; or,
- Age and service must equal 90.

Covered Employees

All full time employees (must be covered by the active plan at the time of retirement). Coverage ceases at age 65 for new retirees.

Type of Coverage	Employee	Spouse
Life Insurance	No post-retirement life insurance is valued.	Not applicable.
Dental Coverage	Post-retirement dental coverage is provided on an Access-only basis, retirees pay the active rate.	Same as Employee.
Vision Coverage	Post-retirement vision coverage is provided on an Access-only basis (COBRA – 18 months). Retirees pay retiree rate.	Same as Employee.
Medical Coverage <ul style="list-style-type: none"> ➤ Employee Cost Sharing ➤ Coverage Ceases 	<p>Active employees and retirees charged the same rate. Retiree pays 100% of this blended premium.</p> <p>Effective July 1, 2020, coverage ceases upon the earlier of death or attainment of Medicare eligibility.</p>	<p>Employee pays 100% of blended spousal premium.</p> <p>Spouse coverage ceases upon earlier of retiree death or Medicare eligibility. Surviving spouses are offered COBRA to age 65.</p>
Disability Coverage	No post-retirement disability insurance is valued.	Not applicable.
Long Term Care Coverage	No post-retirement long term care insurance is valued.	Not applicable.

Amendments

The Employer reserves the right to amend the Plan at any time subject to Board action.

Commonwealth of Virginia

The Commonwealth of Virginia reimburses Public Service Authority retirees' an amount equal to \$1.50 times their years of service up to 30 years. This credit has no effect on the Employer's medical contribution or OPEB obligation.

Employees covered by benefit terms. At July 1, 2020 (the valuation date) the following employees were covered by the benefit terms:

	<u>Count</u>	<u>Total OPEB Liability</u>
Inactive employees or beneficiaries currently receiving benefits	0	\$ -
Active employees	<u>53</u>	<u>281,304</u>
Total	<u>53</u>	<u>\$ 281,304</u>

Employer Contributions

The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

Employee Contributions

None

Net OPEB Liability

The employer's net OPEB liability is reported herein as of June 30, 2022 for the employer fiscal year and reporting period of July 1, 2021 to June 30, 2022. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2021 and the corresponding measurement period of July 1, 2020 to July 1, 2021 for GASB 75 and a measurement date of June 30, 2022 and the corresponding measurement period of July 1, 2021 to June 30, 2022 for GASB 74. The measurement of the total OPEB liability is based on a valuation date of July 1, 2020.

Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	6.75%
Salary Scale	2.50%
Healthcare Cost Trend Rates	0.00% for fiscal year end 2021 (to reflect actual experience), then 7.00% for fiscal year end 2022, decreasing 0.25 per year to an ultimate rate of 5.00%
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021
Actuarial Cost Method	Entry Age Actuarial Cost Method

Expected Return on Assets

6.75%

Discount Rate

- The discount rate for GASB 75 and GASB 74 has been set equal to 6.75% which is the rate of return on assets.

Changes in the Net OPEB Liability

		<u>Increase (Decrease)</u>	
	<u>Total</u> <u>OPEB Retiree HI</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net</u> <u>OPEB Retiree HI</u> <u>Liability (Asset)</u> <u>(a) - (b)</u>
Balances at July 1, 2021	\$ 288,537	\$ 199,498	\$ 89,039
Changes for the Year			
Service cost	7,034	-	7,034
Interest	19,951	-	19,951
Differences between expected and actual experience	(23,541)	-	(23,541)
Contributions - employer	-	13,000 *	(13,000)
Contributions - employee	-	-	-
Net investment income	-	61,163	(61,163)
Benefit payments	-	- **	-
Changes of benefit terms	-	-	-
Administrative expense	-	(728)	728
Other changes	11,394	-	11,394
Net Changes	14,838	73,435	(58,597)
Balances at June 30, 2022***	<u>\$ 303,375</u>	<u>\$ 272,933</u>	<u>\$ 30,442</u>

* This is contribution plus "Pay-as-you-go" Cost

** This is the "pay-as-you-go" Cost

*** Measurement date is July 1, 2021

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

The following presents the Net OPEB liability/(asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1.00%</u> <u>Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1.00%</u> <u>Increase</u>
Employer's Net OPEB Retiree Health Insurance Liability	\$ 58,771	\$ 30,442	\$ 5,101

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

The following presents the Net OPEB liability/(asset) of the employer as of the measurement date calculated using the trend rate, as well as what the employer's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1.00%</u> <u>Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1.00%</u> <u>Increase</u>
Employer's Net OPEB Retiree Health Insurance Liability/(Asset)	\$ (1,000)	\$ 30,442	\$ 66,698

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

For the year ended June 30, 2022, under GASB 75 the employer OPEB expense (credit) is \$(24,693). The deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2022 from various sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,651	\$ 45,277
Changes of assumptions	17,583	41,656
Net difference between projected and actual earnings on OPEB plan investments	-	30,569
Employer contributions after measurement date but prior to fiscal year end	13,000	-
Total	<u>\$ 49,234</u>	<u>\$ 117,502</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,

2023	\$ (38,297)
2024	(31,791)
2025	(2,996)
2026	(6,834)
2027	(885)
2028	(465)
2029	-

18 Aggregate OPEB Information

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability (Asset)</u>	<u>OPEB Expense</u>
VRS OPEB Plans				
<i>Group Life Insurance</i>				
Henry County PSA	\$ 39,774	\$ 58,412	\$ 140,178	\$ 5,114
<i>Health Insurance Credit</i>				
Henry County PSA	20,539	10,874	92,083	8,727
Retiree Health Insurance				
Henry County PSA	<u>49,234</u>	<u>117,502</u>	<u>30,442</u>	<u>(24,693)</u>
Totals	<u>\$ 109,547</u>	<u>\$ 186,788</u>	<u>\$ 262,703</u>	<u>\$ (10,852)</u>

19 Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Authority pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss creating a deficit or depletion of all available excess insurance, the pool may assist all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The settled claims for 2022 and 2021 did not exceed insurance.

20 Water and Sewer Purchases

In 1974, the Authority and neighboring City of Martinsville, Virginia (the "City") signed a service agreement in which the Authority would purchase water and sewage treatment from the City and share in the annual operating costs of the plants in proportion to its actual use as measured by the volume of water used and sewage it contributed. It also allowed for the Authority to purchase capacity rights into the water and sewer plants at an agreed-upon price.

21 Change in Accounting Principles and Restatement

For 2022, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Authority's 2022 financial statements and had an effect on the beginning net position.

The following changes in account and their effect on net position as reported June 30, 2021:

Net Position Restated Due to GASB 87 Implementation:

Balance - as previously reported - June 30, 2021	\$ 72,201,992
Implementation of GASB 87 for Lease Accounting:	
Initial lease receivable	907,987
Intangible lease assets	4,610,440
Accumulated amortization - lease assets	(118,216)
Lease liability	(4,652,206)
Deferred inflows - leases	(882,773)
Total Restated Amounts	(134,768)
Restated Balance - beginning of the year - July 1, 2021	<u>\$ 72,067,224</u>

22 Upcoming Pronouncements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements for government end users. The provisions of this Statement are effective for fiscal year 2023.

GASB Statement No. 99, *Omnibus 2022*. This Statement will 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 in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 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.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

23 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through October 25, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Henry County Public Service Authority

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios - VRS Pension

For the Plan Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability								
Service cost	\$ 204,725	\$ 205,356	\$ 196,211	\$ 197,922	\$ 214,217	\$ 207,152	\$ 197,594	\$ 199,863
Interest	936,629	893,426	849,523	815,669	785,488	761,707	687,221	656,584
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(116,997)	167,301	256,321	14,798	123,682	(130,672)	589,016	-
Changes of assumptions	470,238	-	397,152	-	(136,024)	-	-	-
Benefit payments	(598,191)	(653,896)	(544,698)	(544,822)	(567,590)	(429,348)	(390,123)	(447,437)
Net change in total pension liability	896,404	612,187	1,154,509	483,567	419,773	408,839	1,083,708	409,010
Total pension liability - beginning	14,175,082	13,562,895	12,408,386	11,924,819	11,505,046	11,096,207	10,012,499	9,603,489
Total pension liability - ending (a)	\$ 15,071,486	\$ 14,175,082	\$ 13,562,895	\$ 12,408,386	\$ 11,924,819	\$ 11,505,046	\$ 11,096,207	\$ 10,012,499
Plan fiduciary net position								
Contributions - employer	\$ 196,606	\$ 149,778	\$ 148,530	\$ 156,364	\$ 154,971	\$ 157,317	\$ 152,017	\$ 138,474
Contributions - employee	117,517	119,685	116,690	116,593	112,606	111,309	119,286	108,301
Net investment income	3,294,547	232,981	777,995	826,617	1,238,906	177,159	454,864	1,374,762
Benefit payments	(598,191)	(653,896)	(544,698)	(544,822)	(567,590)	(429,348)	(390,123)	(447,437)
Refunds of contributions	-	-	-	-	-	-	-	-
Administrator charges	(8,251)	(8,114)	(7,805)	(7,231)	(7,292)	(6,411)	(6,254)	(7,503)
Other	310	(273)	(490)	(731)	(1,098)	(75)	(94)	72
Net change in plan fiduciary net position	3,002,538	(159,839)	490,222	546,790	930,503	9,951	329,696	1,166,669
Plan fiduciary net position - beginning	12,109,178	12,269,017	11,778,795	11,232,005	10,301,502	10,291,551	9,961,855	8,795,186
Plan fiduciary net position - ending (b)	\$ 15,111,716	\$ 12,109,178	\$ 12,269,017	\$ 11,778,795	\$ 11,232,005	\$ 10,301,502	\$ 10,291,551	\$ 9,961,855
Political subdivision's net pension liability - ending (a-b)	\$ (40,230)	\$ 2,065,904	\$ 1,293,878	\$ 629,591	\$ 692,814	\$ 1,203,544	\$ 804,656	\$ 50,644
Plan fiduciary net position as a percentage of the total pension liability	100.27%	85.43%	90.46%	94.93%	94.19%	89.54%	92.75%	99.49%
Covered payroll	\$ 2,486,456	\$ 2,531,827	\$ 2,434,388	\$ 2,329,670	\$ 2,287,191	\$ 2,252,132	\$ 2,161,601	\$ 2,047,723
Political subdivision's net pension liability as a percentage of covered payroll	-1.62%	81.60%	53.15%	27.02%	30.29%	53.44%	37.23%	2.47%

Henry County Public Service Authority

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2013 through 2022

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)*	Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)		
2022	\$ 228,847	\$ 228,847	\$ -	\$ 2,711,473	8.44%
2021	209,857	209,857	-	2,486,456	8.44%
2020	162,290	162,290	-	2,531,827	6.41%
2019	156,044	156,044	-	2,434,388	6.41%
2018	161,212	161,212	-	2,329,670	6.92%
2017	158,274	158,274	-	2,287,191	6.92%
2016	159,224	159,224	-	2,252,132	7.07%
2015	152,161	152,161	-	2,161,601	7.04%
2014	138,474	138,474	-	2,047,723	6.76%
2013	136,619	136,619	-	2,109,778	6.48%

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

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll.

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 – Employer's covered payroll amount for the fiscal year.

Henry County Public Service Authority

Notes to Required Supplementary Information – VRS Pension

For the Year Ended June 30, 2022

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Henry County Public Service Authority

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program

For the Measurement Dates of June 30, 2017 through 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.012040%	0.012330%	0.012440%	0.012270%	0.012400%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 140,178	\$ 205,768	\$ 202,432	\$ 186,000	\$ 187,000
Employer's Covered Payroll	\$ 2,486,456	\$ 2,536,972	\$ 2,439,558	\$ 2,329,670	\$ 2,287,191
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.638%	8.111%	8.298%	7.984%	8.176%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2021 is the fifth year of presentation, only five years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 130 of the VRS 2021 Annual Report.

Henry County Public Service Authority

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2013 through 2022

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2022	\$ 14,642	\$ 14,642	\$ -	\$ 2,711,473	0.54%
2021	13,440	13,440	-	2,486,456	0.54%
2020	13,176	13,176	-	2,536,972	0.52%
2019	12,686	12,686	-	2,439,558	0.52%
2018	12,131	12,131	-	2,329,670	0.52%
2017	11,893	11,893	-	2,287,191	0.52%
2016	10,845	10,845	-	2,259,406	0.48%
2015	10,398	10,398	-	2,166,326	0.48%
2014	10,143	10,143	-	2,113,192	0.48%
2013	9,996	9,996	-	2,082,602	0.48%

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

Henry County Public Service Authority

Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Henry County Public Service Authority

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability and Related Ratios

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB liability					
Service cost	\$ 1,976	\$ 1,994	\$ 1,879	\$ 1,908	\$ 2,173
Interest	9,926	9,762	8,981	8,854	9,009
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(4,683)	1,008	12,212	874	-
Changes of assumptions	2,125	-	3,549	-	(5,144)
Benefit payments	<u>(9,868)</u>	<u>(10,795)</u>	<u>(9,816)</u>	<u>(9,827)</u>	<u>(6,653)</u>
Net change in total HIC OPEB liability	(524)	1,969	16,805	1,809	(615)
Total HIC OPEB liability - beginning	<u>151,986</u>	<u>150,017</u>	<u>133,212</u>	<u>131,403</u>	<u>132,018</u>
Total HIC OPEB liability - ending (a)	<u>\$ 151,462</u>	<u>\$ 151,986</u>	<u>\$ 150,017</u>	<u>\$ 133,212</u>	<u>\$ 131,403</u>
Plan fiduciary net position					
Contributions - employer	\$ 8,951	\$ 8,355	\$ 8,033	\$ 7,222	\$ 7,090
Net investment income	12,398	979	3,005	3,325	4,912
Benefit payments	(9,868)	(10,795)	(9,816)	(9,827)	(6,653)
Administrator charges	(146)	(91)	(65)	(76)	(80)
Other	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(246)</u>	<u>246</u>
Net change in plan fiduciary net position	11,335	(1,552)	1,154	398	5,515
Plan fiduciary net position - beginning	<u>48,044</u>	<u>49,596</u>	<u>48,442</u>	<u>48,040</u>	<u>42,525</u>
Plan fiduciary net position - ending (b)	<u>\$ 59,379</u>	<u>\$ 48,044</u>	<u>\$ 49,596</u>	<u>\$ 48,438</u>	<u>\$ 48,040</u>
Political subdivision's net HIC OPEB liability - ending (a) - (b)	<u>\$ 92,083</u>	<u>\$ 103,942</u>	<u>\$ 100,421</u>	<u>\$ 84,774</u>	<u>\$ 83,363</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	39.20%	31.61%	33.06%	36.36%	36.56%
Covered payroll	\$ 2,486,456	\$ 2,531,827	\$ 2,439,558	\$ 2,329,670	\$ 2,287,191
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	3.70%	4.11%	4.12%	3.64%	3.64%

Schedule is intended to show information for 10 years.
Since 2021 is the fifth year of presentation, only five
years of data are available. However, additional years will
be included as they become available.

Henry County Public Service Authority

Schedule of Employer Contributions

Health Insurance Credit - Political Subdivisions

For the Years Ended June 30, 2013 through 2022

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2022	\$ 9,762	\$ 9,762	\$ -	\$ 2,711,473	0.36%
2021	8,951	8,951	-	2,486,456	0.36%
2020	8,355	8,355	-	2,531,827	0.33%
2019	8,033	8,033	-	2,439,558	0.33%
2018	7,222	7,222	-	2,329,670	0.31%
2017	7,090	7,090	-	2,287,191	0.31%
2016	6,756	6,756	-	2,252,132	0.30%
2015	6,485	6,485	-	2,161,710	0.30%
2014	6,755	6,755	-	2,110,884	0.32%
2013	6,664	6,664	-	2,082,602	0.32%

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

Henry County Public Service Authority

Notes to Required Supplementary Information – HIC OPEB

For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Henry County Public Service Authority

Schedule of Changes in the Political Subdivision's Net OPEB Liability - Retiree Health Insurance and Related Ratios

Last 10 Fiscal Years (as information becomes available)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 7,034	\$ 5,526	\$ 4,768	\$ 13,667	\$ 13,334
Interest	19,951	16,747	16,656	15,290	14,774
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(23,541)	27,449	(954)	(79,795)	-
Changes of assumptions	-	169	16,276	(132,712)	-
Benefit Payments, including refunds of employee contributions	-	(7,741)	(15,069)	(14,987)	(12,948)
Other	11,394	-	-	-	-
Net change in total OPEB liability	14,838	42,150	21,677	(198,537)	15,160
Total OPEB liability - beginning	288,537	246,387	224,710	423,247	408,087
Total OPEB liability - ending (a)	\$ 303,375	\$ 288,537	\$ 246,387	\$ 224,710	\$ 423,247
Plan fiduciary net position					
Contributions - employer	\$ 13,000	\$ 20,741	\$ 28,069	\$ 27,987	\$ 25,948
Contributions - employee	-	-	-	-	-
Net investment income	61,163	5,122	8,200	12,879	15,136
Benefit Payments, including refunds of employee contributions	-	(7,741)	(15,069)	(14,987)	(12,948)
Administrative expenses	(728)	(706)	(678)	(655)	(636)
Other	-	-	-	-	-
Net change in plan fiduciary net position	73,435	17,416	20,522	25,224	27,500
Plan fiduciary net position - beginning	199,498	182,082	161,560	136,336	108,836
Plan fiduciary net position - ending (b)	\$ 272,933	\$ 199,498	\$ 182,082	\$ 161,560	\$ 136,336
Employer's net OPEB liability - ending (a) - (b)	\$ 30,442	\$ 89,039	\$ 64,305	\$ 63,150	\$ 286,911
Plan fiduciary net position as a percentage of the total OPEB liability	89.97%	69.14%	73.90%	71.90%	32.21%
Covered employee-payroll	\$ 2,431,642	\$ 2,431,642	\$ 2,351,060	\$ 2,351,060	\$ 2,222,703
Employer's net OPEB liability as a percentage of covered employee-payroll	1.25%	3.66%	2.74%	2.69%	12.91%

Henry County Public Service Authority

Schedule of Employer Contributions - OPEB Retiree Health Insurance

For the Years Ended June 30, 2013 through 2022

Date	Contributions in Relation to			Expected Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
	Actuarially Determined Contribution (1)	Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)		
2022	\$ -	\$ 13,000	\$ (13,000)	\$ 2,431,642	0.53%
2021	7,741	20,741	(13,000)	2,431,642	0.85%
2020	15,069	28,069	(13,000)	2,351,060	1.19%
2019	14,987	27,987	(13,000)	2,351,060	1.19%
2018	12,948	12,948	-	2,222,703	0.58%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A

Notes

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree contributions. It is sometimes referred to as "pay-as-you-go."

The expected benefit payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Actuarially determined contributions, which are based on the "pay-as-you-go" cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown.

The first valuation under GASB 75 used expected "pay-as-you-go" cost.

OTHER INFORMATION

Table 1

Henry County Public Service Authority

Revenues by Source

Last Ten Fiscal Years

<u>Fiscal Years Ended June 30</u>	<u>Water</u>	<u>Sewer</u>	<u>Other</u>	<u>Investment Earnings</u>	<u>Grants and Other Contributions</u>	<u>Connection Fees</u>	<u>Totals</u>
2022	\$ 7,192,958	\$ 4,906,378	\$ 458,811	\$ 86,869	\$ 640,821	\$ 94,450	\$ 13,380,287
2021	7,146,344	5,201,246	618,422	105,891	439,496	66,400	13,577,799
2020	6,985,664	5,201,786	897,385	351,975	126,564	30,900	13,594,274
2019	7,122,340	5,475,014	894,662	499,195	355,750	49,700	14,396,661
2018	7,092,814	4,972,918	822,748	378,726	677,358	68,000	14,012,564
2017	7,103,980	5,095,250	790,811	340,012	896,386	46,292	14,272,731
2016	7,001,004	5,193,665	837,617	393,482	1,075,869	109,850	14,611,487
2015	6,933,471	4,830,544	863,771	379,498	173,085	57,950	13,238,319
2014	6,828,639	4,656,607	768,128	371,617	37,480	41,600	12,704,071
2013	6,043,520	4,026,670	762,450	366,579	32,739	47,924	11,279,882

Table 2

Expenses by Function

Last Ten Fiscal Years

<u>Fiscal Years Ended June 30</u>	<u>System Maintenance</u>	<u>Treatment</u>	<u>Engineering and Mapping</u>	<u>Administration and Other</u>	<u>Depreciation</u>	<u>Amortization and Interest</u>	<u>Totals</u>
2022	\$ 1,485,396	\$ 4,150,289	\$ 450,036	\$ 2,277,201	\$ 3,582,198	\$ 640,276	\$ 12,585,396
2021	1,688,840	4,025,710	422,002	2,351,214	3,365,372	632,066	12,485,204
2020	1,567,689	3,907,038	387,529	2,142,358	3,237,823	567,891	11,810,328
2019	1,504,439	3,853,792	348,134	2,139,593	3,284,794	597,572	11,728,324
2018	1,697,202	3,071,162	321,179	3,238,496	3,218,463	676,436	12,222,938
2017	1,439,404	3,114,831	362,299	2,183,031	3,131,080	833,701	11,064,346
2016	1,336,527	3,491,294	323,939	2,107,370	3,085,840	1,016,061	11,361,031
2015	1,206,781	3,183,910	289,375	2,072,224	3,073,959	1,128,956	10,955,205
2014	1,249,187	3,117,220	320,103	2,091,333	3,061,958	1,263,436	11,103,237
2013	1,319,612	3,024,397	315,279	1,909,491	3,056,933	1,388,263	11,013,975

Henry County Public Service Authority

Revenue Bond Debt Service Coverage

Last Ten Fiscal Years

<u>Fiscal Years Ended June 30</u>	<u>Unrestricted Cash Beginning of Year</u>	<u>Gross Revenues</u>	<u>Direct Operating Expenses**</u>	<u>Net Available</u>	<u>Principal***</u>	<u>Interest</u>	<u>Total Debt</u>	<u>Coverage</u>
2022	\$ 20,073,132	\$ 12,739,466	\$ 8,362,922	\$ 24,449,676	\$ 1,145,122	\$ 522,060	\$ 1,667,182	14.67
2021	17,096,441	13,138,303	8,487,766	21,746,978	842,828	632,066	1,474,894	14.74
2020	13,931,734	13,467,710	8,004,614	19,394,830	4,064,022	567,891	4,631,913	4.19
2019	11,540,550	14,040,911	7,845,958	17,735,503	3,873,197	597,572	4,470,769	3.97
2018	9,143,032	13,335,206	7,216,760	15,261,478	3,684,256	677,694	4,361,950	3.50
2017	8,544,150	13,376,344	7,099,565	14,820,929	3,383,019	832,952	4,215,971	3.52
2016	7,159,883	13,535,618	7,259,130	13,436,371	3,138,527	955,079	4,093,606	3.28
2015	6,344,143	13,065,234	6,752,290	12,657,087	2,960,185	1,128,206	4,088,391	3.10
2014	5,385,959	12,666,591	6,777,843	11,274,707	2,808,413	1,262,686	4,071,099	2.77
2013	5,467,913	11,247,143	6,568,779	10,146,277	2,671,909	1,387,513	4,059,422	2.50

**Excluding depreciation, interest, and amortization.

***Excludes debt refinancing payoffs.

Henry County Public Service Authority

Schedule of Insurance in Force

June 30, 2022

<u>Type Coverage</u> <u>(Insurer)</u>	<u>Liability Limits</u>	
Commercial General Liability (Virginia Risk Sharing Association)	\$ 1,000,000	Each Occurrence Limit
	100,000	Fire Damage Limit
	10,000	Medical Expense Limit
	10,000	No Fault Property Damage
Primary Automobile Liability (Virginia Risk Sharing Association)	\$ 1,000,000	Per Occurrence
	10,000	Medical Payment Per Person
	10,000	No Fault Coverage Per Occurrence
Automobile Uninsured Motorists (Virginia Risk Sharing Association)	\$ 25,000	Bodily Injury Per Person
	50,000	Bodily Injury Per Accident
	20,000	Property Damage Per Accident
Automobile Physical Damage (Virginia Risk Sharing Association)	Actual	Comprehensive
	Actual	Collision
	\$ 250	Deductible/Comprehensive
	500	Deductible/Collision
Excess Liability Coverage (Virginia Risk Sharing Association)	\$ 2,000,000	Per Occurrence
Commercial Property Coverage (Virginia Risk Sharing Association)	\$55,201,731	Blanket Real and Personal Property
	100,000	Accounts Receivable
	1,000,000	Extra Expense
	100,000	Business Interruption - Property
	500,000	Debris Removal
	1,000	Deductible
	50,000,000	Flood (Zones B, C, & X only)
	50,000,000	Earthquake
	25,000	Deductible
Commercial Inland Marine Coverage (Virginia Risk Sharing Association)	\$ 400,000	Contractor's Equipment
Boiler and Machinery Coverage (Virginia Risk Sharing Association)	\$50,000,000	Direct Damage (Per Accident)
	100,000	CFC
	100,000	Ammonia Contamination
	100,000	Expediting Expenses
	100,000	Hazardous Substances
	100,000	Water Damage
	100,000	Computer
	100,000	Perishable Goods
	250,000	Demolition & ICC
	250,000	Newly Acquired Location
	1,000	Deductible
Crime Coverage (Virginia Risk Sharing Association)	\$ 25,000	Computer Fraud
	1,000,000	Public Employees Dishonesty
	1,000,000	Forgery or Alteration
	1,000,000	Theft, Disappearance, and Destruction
	1,000,000	Money & Counterfeit Papers
	5,000	Deductible
Worker's Compensation (Virginia Risk Sharing Self-Insurance Association)	Statutory	State Statutory Provision
	\$ 1,000,000	Employer's Liability Limit
Public Official Liability (Commonwealth of Virginia - Division of Risk Management)	\$ 1,000,000	Limit of Liability
	1,000	Deductible

Table 5**Henry County Public Service Authority****Raw Water Production by Source (In Million Gallons)**

Last Ten Fiscal Years

Fiscal Years Ended June 30	City of Martinsville/ Eden	Philpott	Wells	Totals
2022	2	1,074	3	1,079
2021	5	1,126	3	1,134
2020	6	1,183	3	1,192
2019	7	1,195	3	1,205
2018	6	1,122	3	1,131
2017	6	1,069	4	1,079
2016	9	1,032	9	1,050
2015	10	1,022	10	1,042
2014	12	1,023	11	1,046
2013	14	1,021	9	1,044

Source: Reports prepared by the Authority and submitted to the Virginia Department of Health.

Table 6**Waste Water Treatment By Plant
(In Million Gallons)**

Last Ten Fiscal Years

Fiscal Years Ended June 30	City of Martinsville	Lower Smith River	Totals
2022	762	-	762
2021	1,066	-	1,066
2020	917	-	917
2019	903	-	903
2018	696	-	696
2017	767	-	767
2016	854	-	854
2015	651	-	651
2014	590	-	590
2013	681	-	681

Note: Does not include waste treatment in lagoon systems.

Source: Flow Reports

Table 7

Henry County Public Service Authority

Demographic Statistics

Last Ten Fiscal Years

Fiscal Years Ended June 30	Population (1)	Per Capita Income (2)	Median Age (3)	Unemployment Rate (4)
2022	50,000	43,380	48.1	3.2%
2021	51,450	40,545	47.6	5.4%
2020	51,019	39,367	47.2	9.3%
2019	51,438	37,827	46.8	3.6%
2018	51,975	35,899	46.2	3.9%
2017	52,352	34,968	46.0	5.1%
2016	52,822	33,439	45.5	5.7%
2015	53,273	32,546	45.0	7.3%
2014	53,560	31,650	44.5	8.4%
2013	53,889	30,097	44.7	9.3%

Sources:

- 1) U. S. Census, 2010 and 2020; other figures are annually adjusted estimates prepared by the University of Virginia Weldon Cooper Center for Public Service.
- 2) Bureau of Economic Analysis. Figures are for Martinsville and Henry County combined; Henry County only figures not available; information based on latest available data.
- 3) U. S. Census Bureau.
- 4) Virginia Labor Market Information.

Henry County Public Service Authority

List of Ten Largest Customers

Year Ended June 30, 2022

<u>Customer</u>	<u>Business</u>	<u>Amount</u>	<u>Percent of Total Billings*</u>
C.P. Films, Inc.	Manufacturing	\$ 658,750	5.44%
Monogram Snack Martinsville, LLC	Manufacturing	327,354	2.71%
Henry County Schools	Public School System	146,715	1.21%
County of Henry, Virginia	Local Government	166,797	1.38%
Scrub Board/Bobby Nickelston	Laundries and Car Washes	121,314	1.00%
King's Grant	Retirement Community	142,765	1.18%
CAH Properties	Rental Properties	75,239	0.62%
Stanleytown Healthcare	Healthcare/Rehab Facility	59,818	0.49%
Press Glass, Inc.	Manufacturing	91,085	0.75%
LIC Associates	Rental Properties	<u>76,782</u>	<u>0.63%</u>
Total		<u>\$ 1,866,619</u>	<u>15.43%</u>
*Total Billings		<u>\$ 12,099,336</u>	

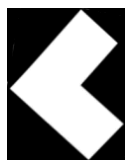
Henry County Public Service Authority

Miscellaneous Statistical Data

As of June 30, 2022

Type of Entity	Independent authority created pursuant to the Virginia Water and Sewer Authorities Act, Section 15.2-5100, Code of Virginia (1950), as amended.		
Date of Incorporation	1965		
Selected Information	Number of Employees		60
	Number of Active Water Connections		12,354
	Number of Active Sewer Connections		7,083
	Miles of Water Lines		377
	Miles of Sewer Lines		244
	Number of Fire Hydrants		1,681
	Water Treatment Plant Capacity		6 MGD
	City of Martinsville, Virginia Purchased Water Capacity		2 MGD
	Sewer Treatment Plant Capacity		6 MGD
	City of Martinsville Purchased Sewer Capacity		4 MGD
	Average Daily Water Consumption		2.96 MG
	Average Daily Sewage Flow		2.09 MGD
Bond Rating	Not rated		
Minimum Consumption Charge Per Service (Sewer charges are based on water consumption.)	Residential customers charged a minimum monthly consumption charge of \$30 per service for up to 4,000 gallons consumption. Non-Residential customers charged a minimum monthly consumption charge of \$45 per service for up to 4,000 gallons consumption. Institutional customers charged a minimum monthly consumption charge of \$68.50 per service for up to 6,000 gallons consumption.		
Additional Consumption	The following charges apply to each 1,000 gallons, or fractions thereof, of water consumed above mentioned minimums: Residential customers - \$4.70 per additional 1,000 gallons. Non-Residential customers - \$7 per additional 1,000 gallons. Institutional customers - \$8.10 per additional 1,000 gallons.		
Exceptions	The Authority reserves the right to negotiate contracts for service charges with industrial users.		

COMPLIANCE



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 Board of Directors
Henry County Public Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and fiduciary fund of Henry County Public Service Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Henry County Public Service Authority's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control over Financial Reporting

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

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

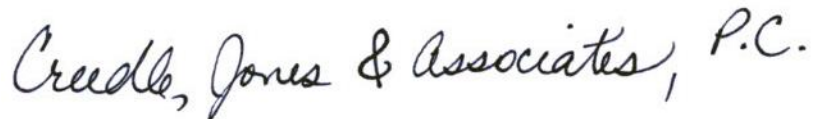
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

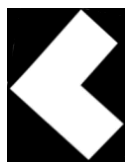
Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive, flowing script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 25, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Henry County Public Service Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Henry County Public Service Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Henry County Public Service Authority's major federal programs for the year ended June 30, 2022. Henry County Public Service Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Henry County Public Service Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance); and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards, the Uniform Guidance, and specifications are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Henry County Public Service Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Henry County Public Service Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Henry County Public Service Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Henry County Public Service Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Henry County Public Service Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Henry County Public Service Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Henry County Public Service Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Henry County Public Service Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

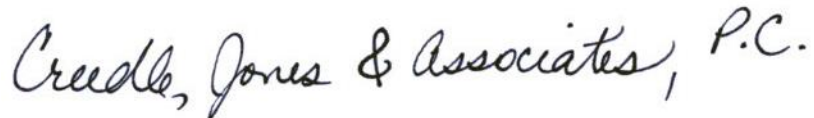
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Creedle, Jones & Associates, P.C.".

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 25, 2022

Henry County Public Service Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Environmental Protection Agency			
Pass-Through Payments			
<i>Virginia Department of Health</i>			
Drinking Water State Revolving Funds Cluster			
Capitalization Grants for Drinking Water State Revolving Funds			
Loan Proceeds/Expenditures			
Series 2018B - Philpott Project	66.468	601	\$ 252,596
Series 2022A - Preston Road Project	66.468	601	<u>947,630</u>
Subtotal - loan proceeds			<u>1,200,226</u>
Grant Proceeds			
Preston Road	66.468	601	<u>587,378</u>
Subtotal - grant proceeds			<u>587,378</u>
Total - Capitalization Grants and Loans			<u>1,787,604</u>
Grand Totals			<u>\$ 1,787,604</u>

See accompanying notes to schedule of expenditures of federal awards

Henry County Public Service Authority

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Henry County Public Service Authority under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Henry County Public Service Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Henry County Public Service Authority.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Henry County Public Service Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Federal Loans Outstanding

Henry County Public Service Authority had the following federal loan balances outstanding at year-end:

Federal Loans Outstanding through Virginia Resources Authority

Program	Federal Catalog Number	Amount Outstanding
Virginia Department of Health		
Capitalization Grants for Drinking Water State Revolving Funds Cluster		
Loan Name		
Series 2018B - Philpott Project	66.468	\$ 13,602,373
Series 2022A - Preston Road Project	66.468	947,630
Total Loans Outstanding		<u>\$ 14,550,003</u>

5. Subrecipients

No awards were passed through to subrecipients.

Henry County Public Service Authority

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (unmodified, qualified, adverse, or disclaimer):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None Reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None Reported

Type of auditor's report issued on compliance for major federal programs (unmodified, qualified, adverse, or disclaimer):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

No

Identification of Major Federal Programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.468

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes