Buchanan County Public Service Authority
(A Component Unit of the County
of Buchanan, Virginia)

Financial Report

For the Year Ended June 30, 2021

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Financial Section

Independent Auditors' Report

To the Members of the Board
Buchanan County Public Service Authority
Vansant, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Restatement of Beginning Balance

As described in Note 12 to the financial statements, in 2021, the Authority restated beginning balance for a correction of debt. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 33-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022, on our consideration of Buchanan 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 Buchanan 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 Buchanan County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 7, 2022

Basic Financial Statements

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Statement of Net Position
June 30, 2021

ASSETS		
Current Assets:		
Cash and cash equivalents	$	1,169,166
Restricted cash and cash equivalents		293,937
Investments		1,077,748
Receivable (Net of allowance for uncollectibles):		
Water and sewer billings		659,030
Intergovernmental receivables		618,052
Prepaid items		105,237
Total current assets	$	3,923,170
Noncurrent Assets:		
Capital Assets:		
Land, land improvements, land rights	$	105,000
Construction in progress		3,260,331
Buildings and improvements		431,084
Water and sewer systems		151,870,174
Equipment		2,017,161
Accumulated depreciation		(65,129,075)
Total capital assets	$	92,554,675
Total noncurrent assets	$	92,554,675
Total assets	$	96,477,845
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$	609,172
OPEB related items		25,877
Total deferred outflows of resources	$	635,049

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Statement of Net Position (Continued)
June 30, 2021

LIABILITIES		
Current Liabilities:		
Accounts payable - operations	$	214,722
Accounts payable - construction		680,496
Accrued wages		59,430
Accrued interest payable		10,128
Amounts held for customer deposits		228,741
Due to Buchanan County		69,204
Compensated absences - current portion		217,242
Capital lease - current portion		39,543
Bonds payable - current portion		651,775
Total current liabilities	$	2,171,281
Noncurrent Liabilities:		
Compensated absences - net of current portion	$	72,414
Capital lease - net of current portion		121,925
Bonds payable - net of current portion		8,937,080
Net OPEB liability		123,759
Net pension liability		2,524,625
Total noncurrent liabilities	$	11,779,803
Total liabilities	$	13,951,084
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	152,517
OPEB related items		10,637
Total deferred inflows of resources	$	163,154
NET POSITION		
Net investment in capital assets	$	82,123,856
Unrestricted		874,800
Total net position	$	82,998,656

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

Exhibit 2

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating Revenues:		
Water charges	$	5,828,659
Sewer charges		1,540,850
Other revenues		82,203
Total operating revenues	$	7,451,712
Operating Expenses:		
Salaries and fringes	$	3,045,961
Professional services		52,851
Repairs and maintenance		126,506
Materials and supplies		1,428,441
Utilities		807,754
Payroll taxes		148,238
Office and insurance expenses		221,872
Miscellaneous		25,570
Water purchases		1,731,072
Depreciation expense		3,528,338
Total operating expenses	$	11,116,603
Operating income (loss)	$	(3,664,891)
Nonoperating revenues (expenses):		
County of Buchanan, Virginia contribution	$	1,179,932
Connection fees		46,752
Gain on sale of assets		16,628
Interest income		13,833
Interest expense		(177,523)
Total nonoperating revenues (expenses)	$	1,079,622
Income (loss) before capital contributions	$	(2,585,269)
Capital contributions:		
Contributions in aid of construction	$	1,399,709
Change in net position	$	(1,185,560)
Net position, beginning of year, as restated		84,184,216
Net position, end of year	$	82,998,656

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

Exhibit 3

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities:		
Receipts from customers	$	7,490,847
Payments to employees for services		(3,066,736)
Payments to suppliers for goods and services		(4,509,163)
Net cash provided by (used for) operating activities	$	(85,052)
Cash flows from noncapital financing activities:		
Contribution from Buchanan County, VA	$	1,249,136
Net cash provided by (used for) noncapital financing activities	$	1,249,136
Cash flows from capital and related financing activities:		
Connection charges	$	46,752
Purchase of capital assets		(1,756,705)
Proceeds from sale of assets		16,628
Contributions in aid of construction		1,159,724
Principal payments on indebtedness		(1,203,685)
Proceeds from capital lease		197,716
Interest expense		(189,994)
Net cash provided by (used for) capital and related financing activities	$	(1,729,564)
Cash flows from investing activities:		
Interest income	$	163
Purchase of certificates of deposit		(534,369)
Withdrawal of certificates of deposit		534,369
Net cash provided by (used for) investing activities	$	163
Increase (decrease) in cash and cash equivalents	$	(565,317)
Cash and cash equivalents at beginning of year (including $278,023 reported in restricted accounts)		2,028,420
Cash and cash equivalents at end of year (including $293,937 reported in restricted accounts)	$	1,463,103
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(3,664,891)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	$	3,528,338
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable		23,221
(Increase) decrease in prepaid items		(26,354)
(Increase) decrease in deferred outflows of resources		(128,914)
Increase (decrease) in operating payables		(88,743)
Increase (decrease) in compensated absences		12,600
Increase (decrease) in salaries payable		7,924
Increase (decrease) in amounts held for customer deposits		15,914
Increase (decrease) in net OPEB liability		(6,470)
Increase (decrease) in net pension liability		240,688
Increase (decrease) in deferred inflows of resources		1,635
Net cash provided by (used for) operating activities	$	(85,052)
Noncash investing, capital, or financing activities:		
Construction payables	$	680,496

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Buchanan 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 government's accounting policies are described below.

A. The Financial Reporting Entity:
The Authority is a discretely presented component unit of the County of Buchanan, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2021. Information relative to the Authority's federal expenditures is reported in the primary government's (County) financial statements.

B. Basis of Accounting:
Proprietary Funds - The accrual basis of accounting is used for the Authority. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. The Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses for the Authority include salaries and fringes, professional services, repairs and maintenance, materials and supplies, utilities, payroll taxes, office and insurance expenses, water purchases, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Capital Assets:
Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sewer systems), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Capital Assets: (Continued)
Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water & Sewer System	5-50
Equipment	3-10
Buildings and Improvements	30-50

D. Allowance for Uncollectible Accounts:
The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2021, the allowance amounted to approximately $1,063,247.

E. Cash and Cash Equivalents:
Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, they consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. 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.

G. Prepaid Items:
Prepaid items are payments made by the Authority in the current fiscal year to provide services in the subsequent fiscal year.

H. Restricted Assets:
Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amount of $65,196 and customer deposits totaling $228,741.

I. 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 (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plan made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

I. Deferred Outflows/Inflows of Resources (Continued):

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 (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

J. Compensated Absences:
Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement.

K. Pensions:

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

L. Other Postemployment Benefits (OPEB) – Group Life Insurance:
For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB’s fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

M. Net Position:

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

The investments, as reported in the financial statements as of June 30, 2021, consist of non-negotiable certificates of deposit with an original maturity date of 12 months or more and have a balance of $1,077,748 at year end.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION:

A summary of changes in capital assets for the year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land, land improvements, land rights	$ 105,000	$ -	$ -	$ 105,000
Construction in progress	3,531,509	1,809,275	(2,080,453)	3,260,331
Total capital assets not being depreciated	$ 3,636,509	$ 1,809,275	$ (2,080,453)	$ 3,365,331
Capital assets, being depreciated				
Buildings and improvements	$ 431,084	$ -	$ -	$ 431,084
Equipment	1,757,290	437,959	(178,088)	2,017,161
Water and sewer systems	149,769,322	2,100,852	-	151,870,174
Total capital assets being depreciated	$ 151,957,696	$ 2,538,811	$ (178,088)	$ 154,318,419
Accumulated depreciation				
Buildings and improvements	$ (390,651)	$ (3,375)	$ -	$ (394,026)
Equipment	(1,655,780)	(59,604)	178,088	(1,537,296)
Water and sewer systems	(59,732,394)	(3,465,359)	-	(63,197,753)
Total accumulated depreciation	$ (61,778,825)	$ (3,528,338)	$ 178,088	$ (65,129,075)
Total capital assets being depreciated, net	$ 90,178,871	$ (989,527)	$ -	$ 89,189,344
Capital assets, net	$ 93,815,380	$ 819,748	$ (2,080,453)	$ 92,554,675

NOTE 4 – LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2021:

	Balance July 1, 2020, as restated	Increases	Decreases	Balance June 30, 2021
Direct borrowings and placements:				
Revenue bonds	$ 10,756,292	$ -	$ (1,167,437)	$ 9,588,855
Capital lease	-	197,716	(36,248)	161,468
Compensated absences	277,056	220,392	(207,792)	289,656
Net OPEB liability	130,229	35,956	(42,426)	123,759
Net pension liability	2,283,937	768,999	(528,311)	2,524,625
Total	$ 13,447,514	$ 1,223,063	$ (1,982,214)	$ 12,688,363

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

Year Ending June 30,	Direct Borrowings and Placements: Revenue Bonds Principal	Interest
2022	$ 651,775	$ 165,464
2023	933,851	147,373
2024	624,645	133,491
2025	633,992	124,143
2026	643,531	114,604
2027-2031	3,367,804	422,874
2032-2036	2,402,677	163,729
2037-2041	280,554	45,426
2042	50,026	1,109
Totals	$ 9,588,855	$ 1,318,213

NOTE 4 – LONG-TERM OBLIGATIONS (Continued):

Details of Long-term Obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Water and Sewer Revenue Bonds						
VRA bond	0.00%	12/1/01	2032	$ 537,000	$ 196,937	$ 17,904
VRA bond	0.00%	5/15/02	2032	2,580,476	1,118,204	86,016
Rural development bond	4.50%	5/29/02	2042	1,183,500	875,870	26,016
VRA bond	1.62%	5/1/13	2035	9,814,795	7,034,209	476,571
Carter Bank loan refinancing	2.82%	7/14/17	2023	1,404,000	297,000	-
VRA bond	2.50%	4/1/20	2051	969,450	66,635	45,268
Total Direct Borrowings and Placements					$ 9,588,855	$ 651,775
Other Obligations:						
Capital lease	0.00%	7/21/2020	2026	$ 98,110	$ 80,123	$ 19,622
Capital lease	0.00%	7/17/2020	2026	99,606	81,345	19,921
Compensated absences	n/a	n/a	n/a	n/a	289,656	217,242
Net OPEB liability	n/a	n/a	n/a	n/a	123,759	-
Net pension liability	n/a	n/a	n/a	n/a	2,524,625	-
Total Other Obligations					$ 3,099,508	$ 256,785
Total Long-term obligations					$ 12,688,363	$ 908,560

If an event of default occurs with VRA and Rural Development bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the Authority.

Loans from VRA are governed by rate covenants. The Authority failed to meet the 100% bond coverage ratio of the VRA bonds for the fiscal year ending June 30, 2021.

NOTE 5 – COMPENSATED ABSENCES:

The Authority's employees earn vacation leave at various rates. No benefit or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Authority has outstanding accrued vacation pay totaling $289,656.

NOTE 6 – PENSION PLAN:

Plan Description

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

Benefit Structures

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

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 13, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 6 – PENSION PLAN: (Continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2021 was 14.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $215,588 and $193,318 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 6 – PENSION PLAN: (Continued)

Net Pension Liability

At June 30, 2021, the Authority reported a liability of $2,524,625 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The Authority's proportionate share of the same was calculated using contributions for the year ended June 30, 2020 and June 30, 2019 as a basis for allocation. At June 30, 2020 and 2019, the Authority's proportion was 13.72% and 14.62%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

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

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

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

NOTE 6 – PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (Continued)

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

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

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

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

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NOTE 6 – PENSION PLAN: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

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

NOTE 6 – PENSION PLAN: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used 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, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(5.75%)	**(6.75%)**	**(7.75%)**
Authority's proportionate share of the County Retirement Plan Net Pension Liability	$ 3,634,957	$ 2,524,625	$ 1,600,648

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

For the year ended June 30, 2021, the Authority recognized pension expense of $335,867. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

NOTE 6 – PENSION PLAN: (Continued)

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

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 97,442	$ 14,488
Changes in assumptions	112,656	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	138,029
Net difference between projected and actual earnings on pension plan investments	183,486	-
Employer contributions subsequent to the measurement date	215,588	-
Total	$ 609,172	$ 152,517

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NOTE 6 – PENSION PLAN: (Continued)

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

$215,588 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2022	$ 57,835
2023	85,533
2024	37,103
2025	60,596
2026	-
Thereafter	-

Pension Plan Data

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Authority were $8,032 and $7,965 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

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

At June 30, 2021, the Authority reported a liability of $123,759 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00755% as compared to 0.00751% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of $2,643. 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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,938	$ 1,112
Net difference between projected and actual earnings on GLI OPEB plan investments	3,718	-
Change in assumptions	6,189	2,584
Changes in proportion	-	6,941
Employer contributions subsequent to the measurement date	8,032	-
Total	$ 25,877	$ 10,637

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

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

$8,032 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2022	$	(212)
2023		838
2024		2,543
2025		3,370
2026		653
Thereafter		16

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

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

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

NET GLI OPEB Liability

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

	GLI OPEB Plan
Total GLI OPEB Liability	$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	$ 5,379,039
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

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NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.05%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the GLI Plan Net OPEB Liability	$ 162,691	$ 123,759	$ 92,143

GLI Plan Fiduciary Net Position

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

NOTE 8 – CAPITAL LEASE:

The Authority has entered into lease agreements to finance the acquisition of a backhoe and excavator. The lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception.

The cost and accumulated depreciation associated with the backhoe and excavator acquired through the capital leases are as follows:

	Backhoe	Excavator	Total
Machinery and equipment	$ 94,440	$ 95,880	$ 190,320
Accumulated depreciation	(8,901)	(9,036)	(17,937)
Total	$ 85,539	$ 86,844	$ 172,383

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Capital Leases
2022	$ 39,543
2023	39,543
2024	39,543
2025	39,543
2026	3,296
Total minimum lease payments	$ 161,468
Less: amount respresenting interest	-
Present value of minimum lease payments	$ 161,468

NOTE 9 – 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; and natural disasters. The Authority participates with other entities in public entity risk pools for their coverage of workers compensation, general liability, building, equipment, crime and auto insurance with the Virginia Municipal Liability Pool and/or the Virginia Association of Counties Risk Pool. Each member of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the pools contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid.

NOTE 9 – RISK MANAGEMENT: (Continued)

In the event of the loss deficit or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – COMMITMENTS AND CONTINGENCIES:

The PSA is currently under consent order(s) from the Virginia Department of Environmental Quality (DEQ). To comply with same the PSA is making improvements to their system(s). The anticipated cost of compliance cannot be estimated and therefore no liability for same has been recorded in the accompanying financial statements. Furthermore, portions of expenditures for improvements are expected to be capitalized going forward.

The PSA was involved in and initiated several projects during the fiscal year as presented below:

Project	Contract Amount	Contract Amount Outstanding at June 30, 2021
Water Tank Rehabilitation - Contract 1	$ 792,618	$ 122,116
Water Tank Rehabilitation - Contract 2	324,400	45,993
Totals	$ 1,117,018	$ 168,109

NOTE 11 – CONCENTRATIONS:

The County of Buchanan, Virginia provided approximately 14% of the Authority's funding through operating contributions. In addition, capital contributions to the Authority from the County's Coal Road Fund totaled approximately $940,000. A significant reduction in funding would impact the Authority's ability to maintain current service levels.

NOTE 12 – RESTATEMENT OF BEGINNING BALANCE:

The financial statements have been restated as follows:

Net position, as previously restated	$ 84,250,851
Correction of debt	(66,635)
Net position, as restated	$ 84,184,216

NOTE 13 – COVID-19 PANDEMIC SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

NOTE 14 – UPCOMING PROUNOUNCEMENTS:

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

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

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

Statement No. 92, Omnibus 2020, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

NOTE 14 – UPCOMING PROUNOUNCEMENTS: (Continued)

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.

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

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

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

Required Supplementary Information

Exhibit 4

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Schedule of Employer's Proportionate Share of the Net Pension Liability
Pension Plan
For the Measurement Dates of June 30, 2014 throuh June 30, 2020

Authority's Share of Buchanan County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
2020	13.72%	$ 2,524,625	$ 1,542,206	163.70%	71.43%
2019	14.62%	2,283,937	1,570,867	145.39%	74.82%
2018	15.02%	1,926,433	1,637,446	117.65%	77.62%
2017	15.23%	2,048,515	1,586,319	129.14%	75.82%
2016	14.46%	2,287,837	1,564,773	146.21%	70.83%
2015	14.52%	1,839,014	1,546,539	118.91%	75.04%
2014	14.52%	1,830,814	1,549,784	118.13%	74.46%

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

Exhibit 5

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2015 through June 30, 2021

Authority's Share of Buchanan County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	$ 215,588	$ 215,588	$ -	$ 1,483,831	14.53%
2020	193,318	193,318	-	1,542,206	12.54%
2019	200,259	200,259	-	1,570,867	12.75%
2018	199,274	199,274	-	1,637,446	12.17%
2017	198,744	198,744	-	1,586,319	12.53%
2016	209,174	209,174	-	1,564,773	13.37%
2015	205,611	205,611	-	1,546,539	13.29%

Schedule is intended to show information for 10 years. Because the Authority particpates in the County of Buchanan, Virginia's retirement plan, prior to 2015 the Authority's information was included in the County's schedules. Therefore, no additional data is currently available. Additional years will be included as they become available.

Contributions are from Authority's records.

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2021

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

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

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

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

Exhibit 7

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Schedule of Employer's Proportionate Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 throuh June 30, 2020

Authority's Share of Buchanan County, Virginia's Group Life Insurance Program (a cost-sharing multiple employer plan administered by the VRS)

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.00755%	$ 123,759	$ 1,537,004	8.05%	52.64%
2019	0.00751%	130,229	1,576,967	8.26%	52.00%
2018	0.00837%	127,243	1,637,446	7.77%	51.22%
2017	0.00860%	129,492	1,586,319	8.16%	48.86%

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

Exhibit 8

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2021

Authority's Share of Buchanan County, Virginia's Group Life Insurance Program (a cost-sharing multiple employer plan administered by the VRS)

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	$ 8,032	$ 8,032	$ -	$ 1,487,378	0.54%
2020	7,965	7,965	-	1,537,004	0.52%
2019	8,200	8,200	-	1,576,967	0.52%
2018	8,266	8,266	-	1,637,446	0.50%
2017	8,252	8,252	-	1,586,319	0.52%

Schedule is intended to show information for 10 years. Because the Authority particpates in the County of Buchanan, Virginia's retirement plan, prior to 2015 the Authority's information was included in the County's schedules. Therefore, no additional data is currently available. Additional years will be included as they become available.

Buchanan County Public Service Authority
(A Component Unit of the County of Buchanan, Virginia)
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

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

Non-Largest Ten Locality Employers - General Employees

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

Compliance Section

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board
Buchanan County Public Service Authority
Vansant, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities, of the Buchanan County Public Service Authority, a component unit of the County of Buchanan, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Buchanan County Public Service Authority's basic financial statements and have issued our report thereon dated January 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Buchanan 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Buchanan County Public Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Buchanan 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Buchanan 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 7, 2022