VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2022

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Virginia Peninsulas Public Service Authority
Williamsburg, Virginia

Opinion

We have audited the accompanying financial statements of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted, *Government Auditing Standards*, and the Specifications 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 auditing standards generally accepted, *Government Auditing Standards*, and the Specifications, we:

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

Cherry Bekaert LLP

Virginia Beach, Virginia
October 7, 2022

The following Management's Discussion and Analysis ("MD&A") of Virginia Peninsulas Public Service Authority (the "Authority") provides a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2022. This MD&A should be read in conjunction with the basic financial statements and notes thereto, that follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflow of resources at the close of the fiscal year by $6,765,837 (net position). Of this amount, $1,995,214 (unrestricted net position) may be used to meet the Authority's ongoing obligations to its member communities, customers, and creditors.

- Total net position at June 30, 2022 was $6,765,837 compared to $6,744,101 at June 30, 2021, an increase of $21,736.

- Total liabilities at June 30, 2022 were $1,507,098 compared to $1,269,340 at June 30, 2021. The $237,758 increase, or 18.7%, is primarily attributable to the timing Authority operations and of payments to vendors.

- Operating revenue of $8,359,121 was less than the budgeted amount of $9,182,383 by $823,262, or 8.9%.

- Operating expenses of $8,341,254 was less than the budgeted amount of $8,451,928, by $110,674, or 1.3%.

Overview of the Financial Statements

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

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the MD&A.

Financial Analysis

The following table reflects the Authority's condensed summary of the Statement of Net Position at June 30, 2022 and 2021.

Statement of Net Position

	2022	2021
Current and other assets	$ 3,998,765	$ 4,110,815
Capital assets	3,843,754	3,489,504
Noncurrent assets	1,091,088	23,639
Total Assets	8,933,607	7,623,958
Deferred outflows of resources	250,030	397,010
Total Assets and Deferred Outflows of Resources	9,183,637	8,020,968
Current liabilities	1,340,782	1,072,544
Noncurrent liabilities	166,316	196,796
Total Liabilities	1,507,098	1,269,340
Deferred inflows of resources	910,702	7,527
Total Liabilities and Deferred Inflows of Resources	2,417,800	1,276,867
Net investment in capital assets	3,679,535	3,489,504
Restricted - pension	1,091,088	23,639
Unrestricted	1,995,214	3,230,958
Total Net Position	$ 6,765,837	$ 6,744,101

At the close of the 2022 and 2021 fiscal years, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6,765,837 and $6,744,101, respectively. The Authority's net position increased $21,736 during fiscal year 2022.

A portion of the Authority's unrestricted investments has been internally set aside as Board-designated equipment replacement funds that are available for future investments in capital assets, to provide services to our member communities and customers. Additional information can be found in Note 8 to the basic financial statements.

The results of the Authority's operations are reported in the following table. The table presents a condensed summary of this information for the years ended June 30, 2022 and 2021.

Statement of Revenues, Expenses, and Changes in Net Position

	2022	2021
Operating revenues	$ 8,359,121	$ 8,421,444
Operating expenses	8,341,254	8,357,832
Operating income	17,867	63,612
Nonoperating revenues, net	3,869	5,128
Change in net position	21,736	68,740
Net position, beginning of year (restated - see Note 12)	6,744,101	6,675,361
Net position, end of year	$ 6,765,837	$ 6,744,101

Operating revenues of the Authority decreased $62,323, or 0.7%. The decreases were as a result of reduced revenue from Compost Facility material sales and a reduction in overall costs for the Landfill Monitoring project.

Operating expenses of the Authority decreased $16,578 or 0.2%, in part due to an effort to minimize costs through efficiencies such as lawn maintenance, and repairing containers scheduled for salvage allowing for route efficiency improvement. A decrease in processing fees from commingled recyclable materials.

Transfer System

The Authority operates four Transfer Stations and 14 Convenience Centers in five counties on the Middle Peninsula. The Transfer System handled 30,535 tons of solid waste in fiscal year 2022. The Transfer System recycled 1,192 tons of scrap metal generating $190,541 in revenue in fiscal year 2022. The mixed paper program generated 346 tons of material and $51,618 in revenue. The cardboard program generated 572 tons and $137,964 in revenue. An additional 458 tons of comix material was collected and processed bringing the total system recycling effort to 2,568 tons.

Compost Facility

The Authority's Compost Facility, located at 145 Goodwin Neck Road in Yorktown, accepts vegetative waste from the cities of Hampton and Poquoson and from York County, along with a growing number of commercial customers. Sales of compost and mulch fell short of the budgeted sales goal by $26,571 with total sales of $473,571.

A total of 21,692 tons of leaves, grass, and brush were received at the Compost Facility during fiscal year 2022, which was a decrease of 2,735 tons compared to fiscal year 2021.

Household Chemical Project

The household chemical project provided 16 drop-off collection events for the residents of the city of Hampton, James City County, city of Poquoson, town of Williamsburg, and York County to properly dispose of commonly used products from homeowners. This project is staffed by employees of the Middle Peninsula Transfer System and technical and disposal services are provided through a contract with MXI Environmental. The program provided disposal for 5,503 vehicles in the five communities that are serviced with this project. This was an increase of 142 vehicles from this same period for FY21.

Computer Recycling

The Authority provided collection at each of the 16 household chemical collection events. Staff accepts the material during these events and separates the material into gaylord containers in an open top container. After each event the open top container is delivered to Computer Recycling of Virginia for processing. Data contained in hard drives is either wiped using software that is NIST 800-80 compliant using a triple pass, zero fill or the hard drive is physically dismantled or shredded.

Curbside Recycling Project

The Authority provides curbside recycling in James City County, city of Poquoson, city of Williamsburg, and York County. Fiscal year 2022 marked the fourth year with curbside recycling services provided to the four cities and counties with roll-out carts by Tidewater Fiber Corporation. During fiscal year 2022, more than 6,850 tons of material was recycled from approximately 38,500 homes. The program accepts plastic bottles and jugs, other plastic containers, rigid plastics, aluminum and steel cans, cardboard, mixed paper, and glass bottles and jars.

Capital Assets

The following table presents a condensed summary of the Authority's capital assets, net of accumulated depreciation and amortization, at June 30, 2022 and 2021.

	2022	2021
Building and improvements	$ 2,724,225	$ 2,040,762
Construction in Progress	41,692	385,306
Operating equipment	859,687	1,024,404
Vehicles	55,110	39,032
Right-of-use leased assets	163,040	-
	$ 3,843,754	$ 3,489,504

During the year ended June 30, 2022, the Authority made purchases of vehicles and operating equipment totaling $198,321. Additionally, the Authority completed the Compost Facility BMP retrofit project and capitalized costs of $391,510 relating to project out of Construction in Progress and into buildings and improvements. These increases are offset by the Authority's current year depreciation expense of $644,050. As required by Governmental Accounting Standard Board Statement 87, *Leases*, the Authority began capitalizing its leases in the fiscal year beginning July 1, 2021. The balance of those leases is included with capital assets. Additional information can be found in Note 4 to the basic financial statements.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed in writing to the Executive Director, Virginia Peninsulas Public Service Authority, 475 McLaws Circle, Suite 3B, Williamsburg, Virginia 23185.

BASIC FINANCIAL STATEMENTS

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS		
Current Assets:		
Cash and cash equivalents	$	387,124
Investments		3,058,572
Accounts Receivable:		
Member jurisdictions		432,925
Other		106,041
Prepaids		14,103
Total Current Assets		3,998,765
Noncurrent Assets:		
Capital assets, net		3,843,754
Net pension asset		1,091,088
Total Noncurrent Assets		4,934,842
Total Assets		8,933,607
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension amounts		226,743
Deferred OPEB amounts		23,287
Total Deferred Outflows of Resources		250,030
Total Assets and Deferred Outflows of Resources	$	9,183,637

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2022

LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$	420,396
Compensated absences		163,000
Accrued salaries		121,055
Unearned revenue		476,147
Lease payable, current portion		160,184
Total Current Liabilities		1,340,782
Noncurrent Liabilities:		
Net OPEB liability		84,060
Compensated absences, net of current portion		78,221
Lease payable, net of current portion		4,035
Total Noncurrent Liabilities		166,316
Total Liabilities		1,507,098
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB amounts		42,674
Deferred Pension amounts		868,028
Total Deferred Inflows of Resources		910,702
Total Liabilities and Deferred Inflows of Resources		2,417,800
NET POSITION		
Net investment in capital assets		3,679,535
Restricted - pension		1,091,088
Unrestricted		1,995,214
Total Net Position		6,765,837
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	9,183,637

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

Operating Revenues:	
Fees from member jurisdictions for:	
Curbside recycling program	$ 2,501,689
Transfer system operations	1,639,291
Landfill disposal	775,524
Compost facility operations	582,942
Material sales	568,222
Computer recycling services	13,950
Groundwater monitoring	24,269
Tire recycling services	7,503
Convenience centers operations	738,650
Household chemical services	301,056
Administrative services	112,500
Project overhead	555,567
Miscellaneous and other fees	537,958
Total Operating Revenues	8,359,121
Operating Expenses:	
Curbside recycling program	2,501,688
Transfer system operations	2,147,075
Landfill disposal	802,835
Compost facility operations	1,028,154
Special projects	17,577
Convenience centers operations	741,981
Household chemical services	293,000
Administrative services	672,263
Vehicle maintenance facility	136,681
Total Operating Expenses	8,341,254
Operating Income	17,867
Nonoperating Revenues (Expenses):	
Interest expense	(3,951)
Investment income	7,820
Total Nonoperating Revenues, Net	3,869
Change in net position	21,736
Net position, beginning of year	6,744,101
Net position, end of year	$ 6,765,837

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:	
Receipts from customers and users	$ 8,377,942
Payments to suppliers for goods and services	(4,884,357)
Payments to employees	(2,825,560)
Net cash flows from operating activities	668,025
Cash flows from capital and related financing activities:	
Purchase of capital asset	(676,192)
Payments on lease liabilities	(161,840)
Net cash flows from financing activities	(838,032)
Cash flows from investing activities:	
Purchase of investments	(1,347,225)
Sale of investments	1,132,000
Investment income	7,820
Net cash flows from investing activities	(207,405)
Net decrease in cash and cash equivalents	(377,412)
Cash and cash equivalents, beginning of year	764,536
Cash and cash equivalents, end of year	$ 387,124
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	$ 17,867
Adjustments:	
Depreciation and amortization	644,050
Change in:	
Accounts receivable	(49,836)
Prepaids	(301)
Net pension asset	(1,067,449)
Net OPEB liability	(46,943)
Deferred outflows of resources	146,980
Deferred inflows of resources	903,175
Accounts payable and accrued liabilities	26,997
Compensated absences	9,428
Accrued salaries	15,400
Unearned revenue	68,657
Net cash flows from operating activities	$ 668,025

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

Note 1—Organization and nature of business

Virginia Peninsulas Public Service Authority (the "Authority") was created pursuant to the Virginia Water and Sewer Authorities Act, Chapter 28, Title 15.1, Code of Virginia (1950), as amended (the "Act"). The Authority is governed by a board consisting of 10 members, appointed by the governing body of his or her political subdivision. The political subdivisions, which are members of the Authority, are the Cities of Hampton, Poquoson, and Williamsburg and the Counties of Essex, James City, King and Queen, King William, Mathews, Middlesex, and York.

The Authority was formed to develop regional refuse collection, waste reduction, and disposal alternatives with the ultimate goal of acquiring, financing, constructing and/or operating, and maintaining a regional residential, commercial, and industrial garbage and refuse collection and disposal system or systems, and to develop and maintain a regional information base pertaining to solid waste issues, all pursuant to the provisions of the Act. Specific projects will be identified by the Authority and implemented through the agreements with and among the member jurisdictions. Each member jurisdiction has the option of participating in a particular project of the Authority, and only the jurisdictions participating in such project shall be obligated to fund it.

Note 2—Summary of significant accounting policies

Financial Reporting Entity – These financial statements present the financial position and activities of Virginia Peninsulas Public Service Authority. The Authority's services are classified as business-type activities (Proprietary Fund). Therefore, the measurement focus is upon the determination of operating income, changes in net position, and cash flows. Accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to the Authority are those similar to those used in the private sector.

Credit Risk and Concentrations – Financial instruments which potentially subject the Authority to concentration of credit risk consist principally of cash and cash equivalents, investments, and accounts receivable from member jurisdictions. The Authority places its cash and cash equivalents and investments with two high credit quality institutions and limits the amount of credit exposure to any one of those financial institutions. At June 30, 2022, there was $359,200 of the Authority's cash and cash equivalents in excess of the insurance provided by the Federal Deposit Insurance Corporation ("FDIC"), on deposit in the Authority's bank accounts. These funds, and the Authority's investments, however, were properly collateralized in accordance with the Virginia Security for Public Deposits Act.

A substantial portion of the Authority's 2022 revenues and receivables were derived from contracts with the political subdivisions, which are members of the Authority. Therefore, the Authority is vulnerable to the economic and political conditions within the market in which it operates. With respect to accounts receivable from member jurisdictions, the Authority's members are cities and counties throughout the middle and south peninsulas of Virginia. Historically, all receivables have been collected. At June 30, 2022, the Authority had a concentration with two member jurisdictions that made up approximately 57% of all accounts receivable. Also, at June 30, 2022, the Authority had a concentration with two vendors that made up approximately 67% of all accounts payable.

Basis of Accounting – The Authority's operations are accounted for as a proprietary fund, using the economic resources measurement focus. The financial statements are presented on the accrual basis of accounting, and under this accounting method, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. 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 the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents – The Authority considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Investments – Investments are valued at the amortized cost method, which due to their nature and duration approximates fair value.

Allowance for Doubtful Accounts – The Authority evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. No allowance for doubtful accounts existed at June 30, 2022.

Prepaids – Prepaids are current assets that are created by paying for an expense that will not be incurred until a future period. These expenses include but are not limited to the prepayment of insurance and other operating expenses.

Capital Assets – Capital assets are recorded at historical cost. Capital acquisitions and improvements exceeding $5,000 are capitalized. Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. The cost of assets sold, retired, or otherwise disposed of and the related accumulated depreciation is eliminated from the account and any resulting gain or loss is included in other income on the statement of revenues, expenses, and changes in net position. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Building and improvements	5 – 20 years
Office equipment	5 – 7 years
Operating equipment	5 – 20 years
Vehicles	5 – 7 years

Deferred Outflows of Resources – Represent a consumption of net position that applies to a future period and will not be recognized as an expense until then. The Authority's deferred outflows of resources consists of pension contributions and group life insurance contributions made to the respective plans that were made subsequent to the measurement of the net pension asset and net other postemployment benefits ("OPEB") liability and before the end of the reporting period. The Authority's deferred outflows of resources also includes amounts remaining to be recognized as a reduction of pension and OPEB expenses as a result of changes to the net pension asset and net OPEB liability for changes in assumptions, net difference between projected and actual earnings on pension and OPEB plan investments and the difference between expected and actual experience. Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be amortized in the following year. Changes in deferred outflows of resources, other than subsequent contributions, are amortized over the remaining service life of all plan participants with the exception of investment experience amounts which are deferred and amortized over a close five-year period.

Note 2—Summary of significant accounting policies (continued)

Deferred Inflows of Resources – Represent an acquisition of net position that applies to a future period and will not be recognized as revenue until then. The Authority's deferred inflow of resources represents amounts remaining to be recognized as a reduction of OPEB expense as a result of changes to the net OPEB liability for the difference between expected and actual experience. This amount is required to be recognized in the computation of OPEB expense using a systematic and rational method over a closed period equal to the remaining service lives of all employees that are provided benefits through the plan. The Authority's deferred inflows of resources also includes the changes in assumptions and change in proportionate share of the net OPEB liability. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants.

Compensated Absences – Authority employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated up to 25% of accumulated sick pay and 100% of accumulated vacation pay at their then current rates of pay. The cost of accumulated accrued compensated absences including associated benefits, both current and noncurrent portions, is accounted for as a liability on the statement of net position.

Use of Restricted / Unrestricted Net Position – When an expense is incurred for purposes for which both restricted an unrestricted net position is available, the Authority's policy is to apply restricted net position first.

Leases - Lessee – The Authority is a lessee on various noncancellable leases for equipment, office space, and land. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with noncurrent liabilities on the statement of net position.

Note 3—Cash and cash equivalents and investments

At June 30, 2022, the Authority's cash and investments consisted of:

Deposits:		
Demand deposits	$	386,574
Cash on hand		550
		387,124
Investments:		
Commonwealth's Local Government Investment Pool ("LGIP") - rated AAAm by *Standard & Poor's*		3,058,572
Total deposits and investments	$	3,445,696

Deposits with banks are covered by the FDIC and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool ("LGIP"). LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of U.S. GAAP with the portfolio securities valued by the amortized cost method. The fair value of the Authority's position in the LGIP is the same as the pool shares and is measured in accordance with U.S. GAAP at amortized cost.

Note 4—Capital assets

Capital assets activity consisted of the following:

	Balance, July 1, 2021	Additions	Reductions	Balance, June 30, 2022
Capital assets not being depreciated or amortized:				
Construction in progress	$ 385,305	$ 47,897	$ (391,510)	$ 41,692
Total capital assets not depreciated or amortized	385,305	47,897	(391,510)	41,692
Capital assets being depreciated or amortized:				
Building and improvements	4,670,271	821,484	-	5,491,755
Office equipment	8,587	-	-	8,587
Operating equipment	4,815,962	141,957	-	4,957,919
Vehicles	1,925,215	56,364	-	1,981,579
Right-of-use leased assets	-	322,108	-	322,108
Total capital assets being depreciated or amortized	11,420,035	1,341,913	-	12,761,948
Less accumulated depreciation and amortization:				
Building and improvements	2,629,509	138,021	-	2,767,530
Office equipment	8,587	-	-	8,587
Operating equipment	3,899,465	198,767	-	4,098,232
Vehicles	1,778,275	148,194	-	1,926,469
Right-of-use leased assets	-	159,068	-	159,068
Total accumulated depreciation and amortization:	8,315,836	644,050	-	8,959,886
Total capital assets being depreciated and amortized, net	3,104,199	697,863	-	3,802,062
Capital assets - net	$ 3,489,504	$ 745,760	$ (391,510)	$ 3,843,754

Depreciation and amortization expense was charged as follows:

Operating activities:	
Administrative services	$ 298,718
Compost facility operations	119,100
Convenience centers operations	38,453
Household Chemical	295
Transfer stations operations	187,484
Total depreciation and amortization expense	$ 644,050

Note 5—Compensated absences

Following is a schedule of changes in compensated absences during 2022:

	Balance, July 1, 2021	Net Changes	Balance, June 30, 2022	Current Portion
Compensated absences	$ 231,793	$ 9,428	$ 241,221	$ 163,000

Note 6—Unearned revenues

At June 30, 2022, unearned revenues consist of prepayments of fees by participating jurisdictions as follows:

Landfill disposal fees	$ 128,005
Recycling fees	196,513
Household chemical disposal fees	151,629
Total unearned revenues	$ 476,147

Note 7—Leases

Lease Payable – The Authority leases land, office space, and equipment from various third parties under multiple leases. The leases are for periods ending at different periods through July 2024. An initial lease liability was recorded in the amount of $322,108 during the current fiscal year. As of June 30, 2022, the value of the lease liability was $164,219. The Authority is required to make annual principal and interest payments ranging from $170 to $9,737 under these leases. The leases do not have a stated interest rate, therefore, the Authority used its incremental borrowing rate, 1.74%, as the discount rate for leases. The value of the right-to-use assets as of the end of the current fiscal year was $322,108 and had accumulated amortization of $164,219.

The following is a schedule of future lease payments relating to the Authority's leases as of June 30, 2022:

	Principal	Interest	Total
2023	$ 160,184	$ 1,584	$ 161,768
2024	4,035	38	4,073
	$ 164,219	$ 1,622	$ 165,841

Note 8—Board-designated equipment reserve

During 2022, the Board designated an additional $285,000 of unrestricted investments for use in vehicle and equipment replacement for the Authority. Interest earned on the underlying investment was $6,695 and is included in additions to the reserve. Remaining additions are related to community payments for the Vehicle Maintenance Facility totaling $286,119 that were deposited to the Convenience Center and Transfer Center Equipment replacement funds. Such funds are invested as described in Note 3. Reductions in the equipment reserve accounts relate to Board approved equipment purchases and repairs totaling $241,465. Activity in the board-designated equipment reserve fund is summarized as follows:

	Balance, July 1, 2021	Additions	Reductions	Balance, June 30, 2022
Administrative services	$ 46,333	$ 120	$ -	$ 46,453
Compost facility operations	1,699,810	124,654	-	1,824,464
Convenience centers operations	96,080	185,545	(133,562)	148,063
Transfer station operations	399,815	267,493	(104,346)	562,962
Vehicle maintenance facility fund	3,555	2	(3,557)	-
	$ 2,245,593	$ 577,814	$ (241,465)	$ 2,581,942

Note 9—Contingent liability

The Virginia Department of Environmental Quality (the “Department”) has determined the Authority must comply with the requirements pursuant to the Virginia Financial Assurance Regulations for Solid Waste Disposal, Transfer, and Treatment Facilities (the “Regulation”). Under the Regulation, owners or operators of compost facilities must provide and maintain a financial mechanism or combination of mechanisms demonstrating financial assurance for the closure costs, if applicable, the post-closure care and corrective action costs associated with these facilities. The intent of the Regulation is to ensure, in the event such facilities are abandoned, the costs associated with closure, post closure, or corrective action are borne by the operator abandoning the facility and not the Commonwealth of Virginia. The Department requires the operator to submit a detailed written cost estimate, in current dollars, of the costs of closing the facility in accordance with the requirements. At June 30, 2022, the Authority has estimated these costs to be $43,973. Funding of these costs will come from current year operating revenues.

Note 10—Pension plan and group life insurance other postemployment benefits

The Authority participates in an agent multiple employer pension plan (the “Plan”) and a cost-sharing multiple employer Group Life Insurance Program (“Program”) offered by the Virginia Retirement System ("VRS").

VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org, or by writing to VRS' Chief Financial Office at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions and long-term expected rate of return are the same for the pension plan and the group life insurance other postemployment benefits plan. As such, the presentation of the actuarial assumptions and long term expected rate of return are combined below. Specific information for the Plan and OPEB plan will be presented after this section.

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

Actuarial Assumptions – The total asset or liability for the Plan and Program 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%
Projected salary increases	3.50% - 5.35%
Investment rate of return	6.75%, net of Plan or program investment expenses, including inflation

Mortality Rates:

All Other (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.

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

The actuarial assumptions used in the June 30, 2020, valuations were based on the results of an actuarial experience study from the period from July 1, 2016 through June 30, 2020, except the change in the discount rates, 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 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 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.

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

Long-Term Expected Rate of Return (continued) – The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Assets Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34%	5.00%	1.70%
Fixed Income	15%	0.57%	0.09%
Credit Strategies	14%	4.49%	0.63%
Real Assets	14%	4.76%	0.67%
Private Equity	14%	9.94%	1.39%
MAPS	6%	3.29%	0.20%
PIP	3%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
	Expected arithmetic nominal return*		7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 7.11%, including expected inflation of 2.50%.

Pension plan

Plan Description – All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. 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 public service, based on specific criteria 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.

VRS 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 on the following pages:

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	**About Plan 2** Same as Plan 1.	**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 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.	**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.	**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.

PLAN 1	PLAN 2	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.	Members who were eligible for an ORP and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Those employees eligible for an 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.
Retirement Contributions Employees contribute up to 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.	**Retirement Contributions** Same as Plan 1.	**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 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.	**Service Credit** Same as Plan 1.	**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.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
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.	**Vesting** Same as Plan 1.	**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. 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. Distributions not required, except as governed by law.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	**Calculating the Benefit** See definition under Plan 1.	**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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the plan defined benefit component.
Service Retirement Multiplier 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%.	**Service Retirement Multiplier** Same as Plan1 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.	**Service Retirement Multiplier** *Defined Benefit Component:* The retirement multiplier for the defined benefit component is 1.00%. For members that 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. *Defined Contribution Component:* Not applicable.
Normal Retirement Age VRS Age 65	**Normal Retirement Age VRS** Normal Social Security retirement age.	**Normal Retirement Age VRS** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* 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. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* Age 60 with at least five years (60 months) of service credit. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The 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.	**Cost-of-Living Adjustment (COLA) in Retirement** The 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.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as VRS Plan 2. *Defined Contribution Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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 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.	*Exceptions to COLA Effective Dates:* Same as Plan 1.	*Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**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.	**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 and 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.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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 toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exception: • 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 of the Authority were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	26
Inactive members:	
Vested	11
Nonvested	34
Active elsewhere in VRS	7
Total inactive members	52
Active members	42
Total covered employees	120

Contributions – The contribution requirement for active employees is governed by Section 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 contribution rate for the year ended June 30, 2022 was 4.25% 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 $56,590 and $51,181 for the years ended June 30, 2022 and 2021, respectively.

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

Net Pension Asset – The Authority's net pension asset, measured as of June 30, 2021, was $1,091,088 as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset – The following table represent the changes in net pension asset through the plan's measurement date of June 30, 2021 for the Authority.

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Asset**
Balance, July 1, 2020	$ 5,692,610	$ 5,716,249	$ (23,639)
Changes for the year:			
Service cost	131,505	-	131,505
Interest	375,901	-	375,901
Difference between expected and actual experience	(165,525)	-	(165,525)
Contributions - employer	-	51,182	(51,182)
Contributions - employee	-	67,436	(67,436)
Net investment income	-	1,559,022	(1,559,022)
Benefit payments, including refunds of employee contributions	(247,407)	(247,407)	-
Administrative expense	-	(3,902)	3,902
Other changes	-	147	(147)
Net changes	94,474	1,426,478	(1,332,004)
Balance, June 30, 2021	$ 5,787,084	$ 7,142,727	$ (1,355,643)

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate – The following table presents the net pension asset of the Authority, using the discount rate of 6.75%, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension asset	$ (360,841)	$ (1,091,088)	$ (1,705,347)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2022, the Authority recognized pension expense of $496. At June 30, 2021, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,850	$ 90,286
Net difference between projected and actual earnings on pension plan investments	-	777,742
Changes of assumptions	144,303	-
Employer contributions subsequent to the measurement date	56,590	-
	$ 226,743	$ 868,028

$56,590 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 year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Years Ending June 30,	Amount
2023	$ (111,760)
2024	(169,442)
2025	(181,145)
2026	(235,528)
	$ (697,875)

Payables to the Pension Plan – At June 30, 2022, the Authority had no outstanding payables for required contributions to the pension.

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

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

Net Group life insurance other postemployment benefits

Plan Description – All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Group Life Insurance Program ("GLIP") upon employment.

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

The specific information for GLIP OPEB, including eligibility, coverage, and benefits is set out in the table below:

<table>
<tr><th>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The GLIPP 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:
City of Richmond
City of Portsmouth
City of Roanoke
City of Norfolk
Roanoke City School Board
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.</td></tr>
<tr><td>Benefit Amounts
The benefits payable under the GLIP have several components.
<u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
<u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit.
<u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
Accidental dismemberment benefit
Safety belt benefit
Repatriation benefit
Felonious assault benefit
Accelerated death benefit option</td></tr>
<tr><td>Reduction in benefit Amounts
The benefit amounts provided to members covered under the GLIP 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.</td></tr>
<tr><td>Minimum Benefit Amount and COLA
For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLIP. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.</td></tr>
</table>

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

Contributions – The contribution requirements for the GLIP are governed by Section 51.1-506 and Section 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 GLIP 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. Contributions to the GLIP from the Authority were $9,066 and $8,051 for the years ended June 30, 2022 and 2021, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLIP OPEB – At June 30, 2022, the Authority reported a liability of $84,060 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2021 and the total GLIP OPEB liability used to calculate the Net GLIP 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 GLIP OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLIP for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.00722% as compared to 0.00785% at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized GLIP OPEB expense of $945. Since there was a change in proportionate share between measurement dates, a portion of the GLIP OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,587	$ 640
Net difference between projected and actual earnings on OPEB plan investments	-	20,063
Change of assumptions	4,634	11,501
Change in proportionate share	-	10,470
Employer contributions subsequent to the measurement date	9,066	-
	$ 23,287	$ 42,674

Note 10—Pension plan and group life insurance other postemployment benefits (continued)

$9,066 reported as deferred outflows of resources related to the GLIP OPEB resulting from the employer's contributions, subsequent to the measurement date, will be recognized as a reduction of the Net GLIP OPEB liability ("NOL") in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to the GLIP OPEB will be recognized in the GLIP OPEB expense in future reporting periods as follows:

Years Ending June 30,		
2023	$	(6,640)
2024		(5,707)
2025		(5,317)
2026		(8,025)
2026		(2,764)
	$	(28,453)

Net GLIP OPEB Liability – The NOL for the GLIP represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the GLIP is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLIP OPEB Liability	$ 3,577,346
Plan Fiduciary Net Position	2,413,074
Employer's Net GLIP OPEB Liability	$ 1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability	67.45%

The total GLIP 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 GLIP OPEB liability is disclosed in accordance with the requirements of U.S. GAAP in the System's notes to the financial statements and required supplementary information.

Sensitivity of the Employer's Proportionate Share of the Net GLIP OPEB Liability to Changes in the Discount Rate – The following table presents the Net GLIP OPEB liability of the Authority, calculated using the Program's current discount rate, as well as what the respective Program's Net GLIP 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.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net GLIP OPEB liability	$ 122,815	$ 84,060	$ 52,764

Payables to the VRS Group Life Insurance OPEB Plan – At June 30, 2022, the Authority had no outstanding payables for required contributions to the OPEB.

Note 11—Deferred compensation plan

The Authority offers a deferred compensation plan covering substantially all full-time employees. The purpose of the plan is to provide retirement income and other deferred benefits to employees in accordance with the provisions of Section 457 of the Internal Revenue Code. The Authority contributed $-0- to the plan in 2022.

REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
SCHEDULES OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS AND EMPLOYER CONTRIBUTIONS (UNAUDITED) - VIRGINIA RETIREMENT SYSTEM

JUNE 30, 2022

Schedules of Changes in Net Pension Asset and Related Ratios

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability								
Service cost	$ 131,505	$ 151,643	$ 150,311	$ 155,676	$ 160,423	$ 159,710	$ 167,557	$ 172,445
Interest	375,901	342,288	319,898	303,022	287,235	267,669	250,316	226,970
Change of Assumptions	264,555	-	143,091	-	(14,029)	-	-	-
Difference between expected and actual experience	(165,525)	210,496	31,651	(105,466)	(85,810)	(39,883)	(95,373)	-
Benefit payments, including refunds of member contributions	(247,407)	(165,495)	(122,485)	(101,811)	(142,760)	(73,212)	(76,000)	(55,777)
Net change in total pension liability	359,029	538,932	522,466	251,421	205,059	314,284	246,500	343,638
Plan total pension liability - beginning	5,692,610	5,153,678	4,631,212	4,379,791	4,174,732	3,860,448	3,613,948	3,270,310
Plan total pension liability - ending	6,051,639	5,692,610	5,153,678	4,631,212	4,379,791	4,174,732	3,860,448	3,613,948
Plan Fiduciary Net Pension								
Contributions - employer	51,182	46,599	49,335	63,571	65,631	93,258	90,274	118,560
Contributions - employee	67,436	73,805	72,890	72,365	74,196	72,078	69,839	74,872
Net investment income	1,559,022	108,271	357,582	365,457	537,556	77,521	184,457	531,210
Benefit payments, including refunds of member contributions	(247,407)	(165,495)	(122,485)	(101,811)	(142,760)	(73,212)	(76,000)	(55,777)
Administrative expense	(3,902)	(3,666)	(3,448)	(3,065)	(3,050)	(2,549)	(2,406)	(2,718)
Other changes	147	(129)	(226)	(329)	(480)	(32)	(40)	28
Net change in plan fiduciary net position	1,426,478	59,385	353,648	396,188	531,093	167,064	266,124	666,175
Plan fiduciary net position - beginning	5,716,249	5,656,864	5,303,216	4,907,028	4,375,935	4,208,871	3,942,747	3,276,572
Plan fiduciary net position - ending	7,142,727	5,716,249	5,656,864	$ 5,303,216	$ 4,907,028	$ 4,375,935	$ 4,208,871	3,942,747
Plan net pension asset - ending	$ (1,091,088)	$ (23,639)	$ (503,186)	$ (672,004)	$ (527,237)	$ (201,203)	$ (348,423)	$ (328,799)
Covered payroll	$ 1,490,937	$ 1,616,908	$ 1,585,149	$ 1,519,405	$ 1,464,479	$ 1,419,616	$ 1,361,220	$ 1,481,896
Plan net pension asset as a percentage of covered payroll	(73.18%)	(1.46%)	(31.74%)	(44.23%)	(36.00%)	(14.17%)	(25.60%)	(22.19%)

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

Schedules of Employer Contributions

	June 30, 2021	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 56,590	$ 51,181	$ 46,598	$ 49,335	$ 63,571	$ 65,631	$ 93,258	$ 90,274
Contribution in relation to Contractually required contribution	56,590	51,181	46,598	49,335	63,571	65,631	93,258	90,274
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,678,851	$ 1,490,937	$ 1,616,908	$ 1,585,149	$ 1,519,405	$ 1,464,479	$ 1,419,616	$ 1,361,220
Contributions as a percentage of employer's covered payroll	3.37%	3.43%	2.88%	3.11%	4.18%	4.48%	6.57%	6.63%

Notes to Schedule:
Contractually required contributions are developed using the entry age normal actuarial cost method.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Amortization period	16-25 years
Asset valuation method	5-year smoothed market
Inflation rate	2.50%
Projected salary increases	3.5% - 5.35% per annum, compounded annually
Investment rate of return	6.75% per annum, compounded annually

Notes to Schedule:
Schedule is intended to show information for 10 years. Since the 2021 measurement date is the eighth year for this presentation, only seven additional years of data are available. However, additional years will be included as they become available. Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM
AND EMPLOYER CONTRIBUTIONS (UNAUDITED) - VIRGINIA RETIREMENT SYSTEM

JUNE 30, 2022

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Employer's Proportion of the Net GLI OPEB Liability	0.00722%	0.00785%	0.00796%	0.00799%	0.00824%
Employer's Proportionate Share of the Net GLI OPEB Liability	$ 84,060	$ 131,003	$ 129,530	$ 122,000	$ 124,000
Employer's Covered Payroll	$ 1,490,937	$ 1,616,908	$ 1,585,149	$ 1,519,405	$ 1,464,479
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.64%	8.10%	8.17%	8.03%	8.47%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.64%	52.00%	51.22%	48.86%

Notes to Schedule:
Schedule is intended to show information for 10 years. Since the 2021 measurement date is the fifth year for this presentation, only four additional years of data are available. However, additional years will be included as they become available. Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**The measurement date is the previous fiscal year.*

Schedules of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2022	$ 9,066	$ 9,066	$ -	$ 1,678,851	0.54%
6/30/2021	8,051	8,051	-	1,490,937	0.54%
6/30/2020	8,408	8,400	8	1,616,908	0.52%
6/30/2019	8,243	8,100	143	1,585,149	0.51%
6/30/2018	7,901	7,900	1	1,519,405	0.52%
6/30/2017	7,900	7,900	-	1,464,479	0.54%
6/30/2016	7,043	7,043	-	1,419,616	0.50%
6/30/2015	6,822	6,822	-	1,361,220	0.50%
6/30/2014	7,206	7,206	-	1,481,896	0.49%
6/30/2013	7,702	7,702	-	1,504,276	0.51%
6/30/2012	3,835	3,835	-	1,363,936	0.28%

Notes to Schedule:
Contractually required contributions are developed using the entry age normal actuarial cost method

OTHER SUPPLEMENTARY INFORMATION

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM/SERVICE

YEAR ENDED JUNE 30, 2022

	Curbside Recycling Program	Drop-off Recycling Program	Transfer System Operations	Landfill Disposal	Compost Facility Operations	Special Projects	Convenience Centers Operations	Household Chemical Services	Commercial Waste Collection	Vehicle Maintenance Facility	Administrative Services	General Fund	Total
Operating Revenues:													
Fees from member jurisdictions for:													
Curbside recycling program	$ 2,501,689	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,501,689
Transfer system operations	-	-	1,639,291	-	-	-	-	-	-	-	-	-	1,639,291
Landfill disposal	-	-	-	775,524	-	-	-	-	-	-	-	-	775,524
Compost facility operations	-	-	-	-	582,942	-	-	-	-	-	-	-	582,942
Material sales	-	-	200,992	-	367,230	-	-	-	-	-	-	-	568,222
Computer recycling services	-	-	-	-	-	13,950	-	-	-	-	-	-	13,950
Groundwater monitoring	-	-	-	-	-	24,269	-	-	-	-	-	-	24,269
Tire recycling services	-	-	-	-	-	7,503	-	-	-	-	-	-	7,503
Convenience centers operations	-	-	-	-	-	-	738,650	-	-	-	-	-	738,650
Household chemical services	-	-	-	-	-	-	-	301,056	-	-	-	-	301,056
Administrative services	-	-	-	-	-	-	-	-	-	-	112,500	-	112,500
Project overhead	-	-	-	-	-	-	-	-	-	-	555,567	-	555,567
Miscellaneous and other fees	-	-	281,761	-	120,171	-	-	-	-	11,950	124,076	-	537,958
Total Operating Revenues	2,501,689	-	2,122,044	775,524	1,070,343	45,722	738,650	301,056	-	11,950	792,143	-	8,359,121
Operating Expenses:													
Advertising	917	-	3,912	-	1,307	643	212	1,929	-	-	1,078	-	9,998
Contracted services	2,500,771	-	32,711	802,835	8,042	6,899	-	221,304	-	-	-	-	3,572,562
Depreciation and amortization	-	-	187,484	-	119,100	-	38,453	295	-	136,681	162,037	-	644,050
Equipment and vehicle	-	-	276,452	-	134,942	10,000	12,951	13,121	-	-	6,710	-	454,176
Host fees	-	-	-	-	33,241	-	-	-	-	-	-	-	33,241
Insurance	-	-	16,795	-	11,953	-	4,611	931	-	-	5,148	-	39,438
Material processing	-	-	-	-	-	35	-	-	-	-	-	-	35
Miscellaneous	-	-	13,566	-	9,294	-	869	-	-	-	20,029	-	43,758
Office	-	-	7,498	-	5,223	-	1,026	355	-	-	8,190	-	22,292
Professional services	-	-	-	-	3,740	-	-	-	-	-	57,541	-	61,281
Project overhead	-	-	391	-	-	-	-	-	-	-	-	-	391
Utilities	-	-	23,708	-	8,366	-	18,865	1,280	-	-	3,760	-	55,979
Repairs and maintenance	-	-	208,756	-	196,774	-	26,303	129	-	-	351	-	432,313
Returned funds	-	-	41,665	-	-	-	-	-	-	-	-	-	41,665
Recycling - oil and antifreeze	-	-	9,272	-	-	-	9,815	-	-	-	-	-	19,087
Salaries and benefits	-	-	1,275,096	-	460,965	-	613,085	48,941	-	-	388,064	-	2,786,151
Telephone	-	-	18,225	-	5,380	-	7,628	-	-	-	10,211	-	41,444
Travel	-	-	751	-	-	-	132	-	-	-	5,479	-	6,362
Uniforms and supplies	-	-	30,793	-	29,827	-	8,031	4,715	-	-	3,665	-	77,031
Total Operating Expenses	2,501,688	-	2,147,075	802,835	1,028,154	17,577	741,981	293,000	-	136,681	672,263	-	8,341,254
Operating Income (Loss)	1	-	(25,031)	(27,311)	42,189	28,145	(3,331)	8,056	-	(124,731)	119,880	-	17,867
Nonoperating Revenues Expenses:													
Interest income	-	-	1,493	-	-	-	426	-	-	5,476	425	-	7,820
Interest expense	-	-	-	-	-	-	-	-	-	-	(3,951)	-	(3,951)
Total Nonoperating Revenues, net	-	-	1,493	-	-	-	426	-	-	5,476	(3,526)	-	3,869
Change in net position	1	-	(23,538)	(27,311)	42,189	28,145	(2,905)	8,056	-	(119,255)	116,354	-	21,736
Net position (deficit), beginning of year	10,898	226,258	377,281	10,626	3,187,824	41,543	1,007,121	189,151	5,285	51,595	1,748,343	(111,824)	6,744,101
Net position (deficit), end of year	$ 10,899	$ 226,258	$ 353,743	$ (16,685)	$ 3,230,013	$ 69,688	$ 1,004,216	$ 197,207	$ 5,285	$ (67,660)	$ 1,864,697	$ (111,824)	$ 6,765,837

COMPLIANCE SECTION

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor 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
Virginia Peninsulas Public Service Authority

We have audited, 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* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting as the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 Authority's financial statements are free of 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* or the Specifications.

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 7, 2022