

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**FINANCIAL SECTION**

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## FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES, PLLC  
*Certified Public Accountants*

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**Independent Auditors' Report**

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**To the Board of Directors  
Blacksburg-Virginia Polytechnic Institute Sanitation Authority  
Blacksburg, Virginia**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the business-type activities of Blacksburg-Virginia Polytechnic Institute Sanitation 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 business-type activities of Blacksburg-Virginia Polytechnic Institute Sanitation Authority, as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blacksburg-Virginia Polytechnic Institute Sanitation 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 Blacksburg-Virginia Polytechnic Institute Sanitation Authority's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

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

### ***Supplementary Information***

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

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of the Blacksburg-Virginia Polytechnic Institute Sanitation 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 Blacksburg-Virginia Polytechnic Institute Sanitation 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 Blacksburg-Virginia Polytechnic Institute Sanitation Authority's internal control over financial reporting and compliance.

*Robinson, James, Cox Associates*

Blacksburg, Virginia  
September 30, 2022

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## **Basic Financial Statements**

## Management's Discussion and Analysis

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To the Board of Directors  
Blacksburg-Virginia Polytechnic Institute Sanitation Authority  
Blacksburg, Virginia

As management of the Blacksburg-Virginia Polytechnic Institute Sanitation Authority, (the Authority), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of revenues, expenses and changes in fund net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. earned but unused vacation leave).

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

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 38 of this report. Note 5 presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

### Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,689,309 (net position). Of this amount \$7,411,421 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's beginning net position increased by \$1,871,570 attributable to total expenses being less than total revenues and debt service.
- The Authority's total liabilities and deferred inflows of resources decreased by \$184,975 during the current fiscal year. This change is due to a decrease of \$899,521 in long-term liabilities and an increase of deferred inflows of resources and short-term liabilities of \$714,546, related primarily to principal reduction due to normal debt service payments and the increase in deferred inflows of resources related to pension investments held at VRS.

## Management's Discussion and Analysis

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$20,689,309 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (53 percent) reflects its investment in capital assets, net of related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

|                                                 | <u>2022</u>          | <u>2021</u>          |
|-------------------------------------------------|----------------------|----------------------|
| Unrestricted cash and other current assets      | \$ 9,235,251         | \$ 8,999,499         |
| Restricted assets                               | 2,394,257            | 999,658              |
| Capital assets                                  | <u>22,983,717</u>    | <u>22,760,337</u>    |
| Total assets                                    | <u>\$ 34,613,225</u> | <u>\$ 32,759,494</u> |
| Deferred outflows of resources                  | <u>\$ 179,603</u>    | <u>\$ 346,839</u>    |
| Long-term liabilities outstanding               | \$ 11,623,972        | \$ 12,523,493        |
| Other liabilities                               | <u>1,191,963</u>     | <u>1,542,240</u>     |
| Total liabilities                               | <u>\$ 12,815,935</u> | <u>\$ 14,065,733</u> |
| Deferred inflows of resources                   | <u>\$ 1,287,684</u>  | <u>\$ 222,861</u>    |
| Net position:                                   |                      |                      |
| Invested in capital assets, net of related debt | \$ 10,883,631        | \$ 9,522,250         |
| Restricted                                      | 2,394,257            | 999,658              |
| Unrestricted                                    | <u>7,411,421</u>     | <u>8,295,831</u>     |
| Total net position                              | <u>\$ 20,689,309</u> | <u>\$ 18,817,739</u> |

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

|                                             | <u>Change in Net Position</u> |                      |
|---------------------------------------------|-------------------------------|----------------------|
|                                             | <u>2022</u>                   | <u>2021</u>          |
| Revenues:                                   |                               |                      |
| Operating revenues                          | \$ 5,142,539                  | \$ 5,185,443         |
| Investment income                           | 131,919                       | 163,063              |
| Total revenues                              | <u>\$ 5,274,458</u>           | <u>\$ 5,348,506</u>  |
| Expenses:                                   |                               |                      |
| Operating expenses (excluding depreciation) | \$ 1,822,244                  | \$ 2,044,231         |
| Depreciation expense                        | 1,386,394                     | 1,413,375            |
| Interest expense                            | <u>194,250</u>                | <u>218,079</u>       |
| Total expenses                              | <u>\$ 3,402,888</u>           | <u>\$ 3,675,685</u>  |
| Increase (decrease) in net position         | \$ 1,871,570                  | \$ 1,672,821         |
| Net position—July 1                         | <u>18,817,739</u>             | <u>17,144,918</u>    |
| Net position—June 30                        | <u>\$ 20,689,309</u>          | <u>\$ 18,817,739</u> |

The Authority's net position increased by \$1,871,570 during the current year. Total revenues decreased by \$74,048 while total expenses decreased by \$272,797. Key elements of these changes are explained in greater detail under the Review of Operations section.

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

**Capital Assets** - The Authority's investment in capital assets as of June 30, 2022 amounts to \$22,983,717 (net of accumulated depreciation). Investment in capital assets increased by \$223,380 during the year, mostly due to an increase in CIP on new projects which were put in place at year-end. Depreciation for FY2022 totaled \$1,386,394, while asset additions were \$1,603,175. A more detailed description of current and future investments in capital assets can be found in the "Long-Term Trends" portion of the report and Note 3 of the Notes to the Financial Statements. Below is a comparison of the items that make up capital assets as of June 30, 2022 with that of June 30, 2021.

|                                        | 2022                 | 2021                 |
|----------------------------------------|----------------------|----------------------|
| Land and improvements                  | \$ 80,921            | \$ 80,921            |
| Buildings and operating equipment, net | 22,900,052           | 19,917,531           |
| Construction in progress               | 2,744                | 2,761,885            |
| <b>Total capital assets</b>            | <b>\$ 22,983,717</b> | <b>\$ 22,760,337</b> |

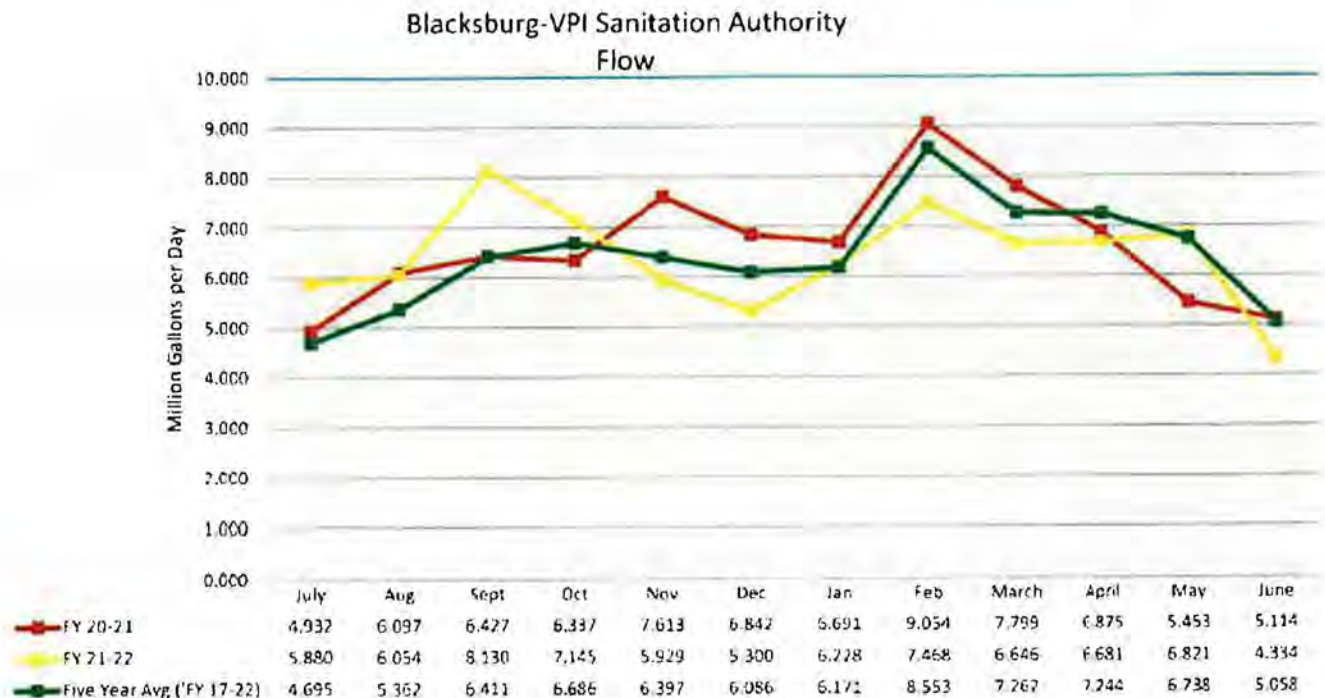
**Long-Term Debt** - At the end of the current fiscal year, the Authority had \$11,893,700 in bonds and notes outstanding versus \$12,645,102 last year, a decrease of \$751,402.

The Authority has two loans outstanding. Other long-term obligations of the Authority include accrued vacation pay, VRS net pension liability, and net OPEB liabilities. More detailed information on the Authority's long-term liabilities is presented in Note 4 of the notes to the financial statements.

### Review of Operations

**Operational Revenues** - Revenues for FY 2022 decreased by \$74,048 from FY 2021. Despite an increase in population in the service area, wastewater flow has become somewhat constant as a result of the ongoing sewer line rehabilitations being conducted by the Sanitation Authority, Town of Blacksburg, and Virginia Tech to eliminate inflow and infiltration. The primary cause in changes to annual wastewater flow amounts is due to infiltration and inflow into the sewer lines. When rainfall levels are high, treated flow increases. During periods when rainfall levels are lower, treated flow decreases. During FY 2022 treated flow decreased by 3.30% due to a decrease in rainfall. The chart below shows the amount of treated flow for FY 2022 compared to FY 2021 and the five-year average.

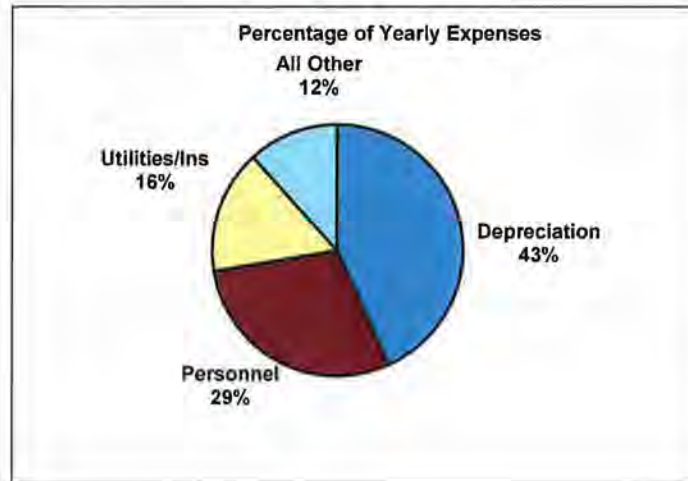
#### Wastewater Flow



## Management's Discussion and Analysis

### Review of Operations (Continued)

Operational Expenses –The expenses of the Authority are mainly fixed and do not fluctuate as revenues rise and fall. The chart below shows a breakdown of the expenses. As can be seen below, the majority is depreciation expense, personnel, utilities, and insurance. Expenses decreased by \$248,968 from FY 2021 to FY 2022 due to decrease in labor and labor related expenses.



### Long-Term Trends

#### Capital Plan

Capital Expenditures during FY 2022 included the following:

- Construction of the 2020 Capital Projects for the replacement of three inlet screw pumps, aeration system upgrade and electrical switch gear replacement continued. Project expenses incurred during the FY 2022 were 1,603,175.

#### Long Term Debt

- On June 28, 2012 the Blacksburg/V.P.I. Sanitation Authority closed on a \$2,510,000 Sewer Revenue Bond with the Virginia Resources Authority/Virginia Water Facilities Revolving Fund for the conversion of Chlorine Gas to an Ultraviolet Light Disinfection System. This loan had a rate of 2.35% for a twenty (20) year term. Effective September 1, 2020, the Virginia Department of Environmental Quality authorized VRA to reduce this Bond Rate to 1.20%.
- On June 23, 2014 the Blacksburg/V.P.I. Sanitation Authority closed on a \$13,300,000 Sewer Revenue Bond with the Virginia Resources Authority/Virginia Water Facilities Revolving Fund for the replacement of the Fluid Bed Incinerator with a Authothermal Thermophilic Aerobic Digestion System. This loan had a rate of 2.10% for a twenty (20) year term. Effective September 1, 2020, the Virginia Department of Environmental Quality authorized VRA to reduce this Bond Rate to 1.65%.

Cash and Reserves – At the end of FY 2022, the Authority maintained a cash balance of \$7,969,839 with an additional \$1,240,001 of collectible outstanding invoices due in 20 days thus representing \$9,209,840 in available funds.

### Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael D. Tuck, CPA, PC, 508 S. Main Street, Blacksburg, VA 24060.

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Statement of Net Position**  
**At June 30, 2022**

**ASSETS**

## Current Assets:

|                             |                     |
|-----------------------------|---------------------|
| Cash and cash equivalents   | \$ 7,969,839        |
| Accounts receivable         | 1,240,001           |
| Prepaid expenses            | 25,511              |
| <b>Total current assets</b> | <b>\$ 9,235,351</b> |

## Noncurrent Assets:

|                                                  |                      |
|--------------------------------------------------|----------------------|
| Restricted cash and cash equivalents             | \$ 953,569           |
| Net pension asset                                | 1,440,688            |
| Capital assets, net of depreciation:             |                      |
| Land                                             | \$ 80,921            |
| Construction in progress                         | 2,745                |
| Equipment                                        | 123,790              |
| Utility plant in service                         | 22,776,261           |
| <b>Total capital assets, net of depreciation</b> | <b>\$ 22,983,717</b> |
| <b>Total noncurrent assets</b>                   | <b>\$ 25,377,974</b> |

**Total assets** **\$ 34,613,325**

**DEFERRED OUTFLOWS OF RESOURCES**

|                                             |                   |
|---------------------------------------------|-------------------|
| Pension related items                       | \$ 136,346        |
| OPEB related items                          | 43,257            |
| <b>Total deferred outflows of resources</b> | <b>\$ 179,603</b> |

**LIABILITIES**

## Current Liabilities:

|                                        |                     |
|----------------------------------------|---------------------|
| Accounts payable                       | \$ 42,344           |
| Construction payables                  | 206,386             |
| Payroll payables                       | 17,055              |
| Interest payable                       | 63,102              |
| Compensated absences - current portion | 99,788              |
| Revenue bonds - current portion        | 763,288             |
| <b>Total current liabilities</b>       | <b>\$ 1,191,963</b> |

## Noncurrent Liabilities:

|                                              |                      |
|----------------------------------------------|----------------------|
| Compensated absences, net of current portion | \$ 33,262            |
| Net OPEB liabilities                         | 460,298              |
| Revenue bonds, net of current portion        | 11,130,412           |
| <b>Total noncurrent liabilities</b>          | <b>\$ 11,623,972</b> |

**Total liabilities** **\$ 12,815,935**

**DEFERRED INFLOWS OF RESOURCES**

|                                            |                     |
|--------------------------------------------|---------------------|
| Pension related items                      | \$ 1,202,853        |
| OPEB related items                         | 84,831              |
| <b>Total deferred inflows of resources</b> | <b>\$ 1,287,684</b> |

**NET POSITION**

|                                     |                      |
|-------------------------------------|----------------------|
| Net investment in capital assets    | \$ 10,883,631        |
| Restricted for future pension costs | 1,440,688            |
| Restricted for debt service         | 953,569              |
| Unrestricted                        | 7,411,421            |
| <b>Total net position</b>           | <b>\$ 20,689,309</b> |

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

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2022**

|                                               |                      |
|-----------------------------------------------|----------------------|
| <b>Operating Revenues:</b>                    |                      |
| Bulk sewage treatment fees                    | \$ 5,140,417         |
| Miscellaneous income                          | 2,122                |
| <b>Total operating revenues</b>               | <b>\$ 5,142,539</b>  |
| <b>Operating Expenses:</b>                    |                      |
| <b>Administration</b>                         |                      |
| Employees welfare                             | \$ (37,260)          |
| Facility insurance                            | 42,818               |
| Directors' fees                               | 24,231               |
| Salaries                                      | 159,943              |
| Professional services                         | 48,895               |
| Miscellaneous                                 | 15,249               |
| <b>Total administration</b>                   | <b>\$ 253,876</b>    |
| <b>Operations</b>                             |                      |
| Labor                                         | \$ 599,964           |
| Utilities                                     | 469,208              |
| Supervision                                   | 174,842              |
| Flow monitoring                               | 9,731                |
| Maintenance                                   | 134,284              |
| Fuel oil                                      | 11,056               |
| Chemicals                                     | 106,215              |
| Laboratory                                    | 20,280               |
| Solid waste disposal                          | 24,883               |
| Transportation                                | 14,116               |
| Supplies                                      | 3,789                |
| Depreciation                                  | 1,386,394            |
| <b>Total operations</b>                       | <b>\$ 2,954,762</b>  |
| <b>Total operating expenses</b>               | <b>\$ 3,208,638</b>  |
| <b>Net operating income (loss)</b>            | <b>\$ 1,933,901</b>  |
| <b>Nonoperating Revenues (Expenses):</b>      |                      |
| Interest income                               | \$ 131,919           |
| Interest expense                              | (194,250)            |
| <b>Total nonoperating revenues (expenses)</b> | <b>\$ (62,331)</b>   |
| <b>Change in net position</b>                 | <b>\$ 1,871,570</b>  |
| Net position, beginning of year               | 18,817,739           |
| <b>Net position, end of year</b>              | <b>\$ 20,689,309</b> |

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

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

|                                                                                                               |                       |
|---------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Cash flows from operating activities:</b>                                                                  |                       |
| Receipts from customers and users                                                                             | \$ 5,035,641          |
| Payments to suppliers                                                                                         | (914,020)             |
| Payments to employees and retirees                                                                            | (1,250,215)           |
| <b>Net cash provided by (used for) operating activities</b>                                                   | <b>\$ 2,871,406</b>   |
| <b>Cash flows from capital and related financing activities:</b>                                              |                       |
| Purchase of utility plant and equipment                                                                       | \$ (1,996,373)        |
| Principal payments on bonds                                                                                   | (751,402)             |
| Interest expense                                                                                              | (198,196)             |
| <b>Net cash provided by (used for) capital and related financing activities</b>                               | <b>\$ (2,945,971)</b> |
| <b>Cash flow from investing activities:</b>                                                                   |                       |
| Interest income                                                                                               | \$ 131,919            |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                   | <b>\$ 57,354</b>      |
| Cash and cash equivalents at beginning of year<br>(including \$999,658 held in restricted accounts)           | 8,866,054             |
| Cash and cash equivalents at end of year<br>(including \$953,569 held in restricted accounts)                 | <u>\$ 8,923,408</u>   |
| <b>Reconciliation of operating income (loss) to net cash provided<br/>by (used for) operating activities:</b> |                       |
| Net operating income (loss)                                                                                   | \$ 1,933,901          |
| Adjustments to reconcile operating income (loss) to net cash provided<br>by (used for) operating activities:  |                       |
| Depreciation                                                                                                  | 1,386,394             |
| Changes in operating assets and liabilities:                                                                  |                       |
| (Increase) decrease in accounts receivable                                                                    | (106,898)             |
| (Increase) decrease in prepaid expenses                                                                       | (25,511)              |
| (Increase) decrease in net pension asset                                                                      | (1,498,108)           |
| (Increase) decrease in deferred outflows of resources                                                         | 167,236               |
| Increase (decrease) in deferred inflows of resources                                                          | 1,064,823             |
| Increase (decrease) in accounts payable                                                                       | 12,015                |
| Increase (decrease) in payroll payables                                                                       | 12,123                |
| Increase (decrease) in compensated absences                                                                   | 5,660                 |
| Increase (decrease) in OPEB liability                                                                         | (80,229)              |
| <b>Net cash provided by (used for) operating activities</b>                                                   | <b>\$ 2,871,406</b>   |
| <b>Schedule of non-cash capital and related financing activities:</b>                                         |                       |
| Purchase of property, plant and equipment included in construction payables                                   | 206,386               |
| Purchase of property, plant and equipment included in prior year construction payables                        | (592,985)             |

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

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**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The Blacksburg-Virginia Polytechnic Institute Sanitation Authority was created January 30, 1962 as an authority pursuant to the Virginia Water and Sewer Authorities Act, Code of Virginia (1950, as amended) for the purpose of constructing and maintaining a sewage disposal system for the participating entities, which include the Town of Blacksburg, Virginia and Virginia Polytechnic Institute and State University. The Authority's Board consists of five members. The Town of Blacksburg and the Board of Visitors of Virginia Polytechnic Institute each appoint one member to the Board; remaining members are appointed mutually by the participating entities.

The Governmental Accounting Standards Board (GASB) has determined that, under certain circumstances, related organizations should be considered component units of a primary entity and, as such, reported as part of the primary entity. In so doing, GASB established criteria for determining whether a related entity should be reported as a component unit and, under different circumstances, how component units must be presented. In defining the Authority as a primary reporting entity, related organizations were evaluated for possible inclusion, using the criteria established by the GASB. The criteria would require the reporting entity to include entities that hold resources entirely or almost entirely for the direct benefit of the Authority where the Authority has the ability to access a majority of those resources and those resources are significant to the Authority. Based on these criteria, the Authority does not have any component units, nor is the Authority considered a component unit of any of the participating jurisdictions. Therefore, these financial statements are for the primary entity only.

**B. Financial Statement Presentation**

The financial statements have been prepared in accordance with current financial reporting guidance.

The Authority follows the business-type activities requirements, which provide that the following sections be included in the annual financial report:

1. Management discussion and analysis
2. Basic financial statements including a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows
3. Notes to the financial statements
4. Required supplementary information

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**C. Basis of Accounting**

For financial reporting purposes, the Blacksburg-Virginia Polytechnic Institute Sanitation Authority is considered a special-purpose government, engaged only in business-type activities. Accordingly, the Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

**D. Proprietary Fund Revenue and Expense Classifications**

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including gifts, and other revenue sources that are defined as nonoperating revenues, such as state appropriations and interest and other investment income.

Nonoperating expenses include interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

**E. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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/(asset) and the net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability/(asset) and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability/(asset) and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**F. Net Position**

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position.

The Authority's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. 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 also included in the component of net position.

Restricted- This category includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

**G. Net Position Flow Assumption**

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

**H. Restricted Assets**

On June 28, 2012 the Authority issued \$2,510,000 Virginia Resource Authority Sewer Revenue Bonds. As required by the financing agreement, the Authority placed \$161,197 in a reserve in fiscal year 2012. During fiscal year 2021, the Authority restructured this debt resulting in a decrease of the required reserve to \$143,983.

On June 23, 2014 the Authority issued \$13,300,000 Virginia Resource Authority Sewer Revenue Bonds. As required by the financing agreement, the Authority placed \$834,731 in a reserve in fiscal year 2014. During fiscal year 2021, the Authority restructured this debt resulting in a decrease of the required reserve to \$805,616.

As of June 30, 2022, the Authority maintained compliance with a debt reserve balance of \$953,569 as the original deposits had increased due to normal interest earned.

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), 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 capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

| Asset                    | Years |
|--------------------------|-------|
| Utility plant in service | 20-50 |
| Equipment                | 5-10  |

**J. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these amounts.

**K. Compensated Absences**

Authority employees earn vacation and sick leave each month at a scheduled rate in accordance with the Authority's personnel policies. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability of the Authority. No liability is recorded for non-vesting 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. The Authority accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred on the financial statements. At June 30, 2022, liabilities for accrued vacation time totaled \$81,620 and accrued sick leave totaled \$51,430.

**L. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**M. Investments**

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)), and external investment pools are measured at amortized cost. All other investments are reported at fair value.

**N. Prepaid Items**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**O. Accounts Receivable**

Accounts receivable are stated at book value. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

**P. Pensions**

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority Retirement Plan's fiduciary net position have been determined on the same basis as they are 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.

**Q. Other Postemployment Benefits (OPEB)**

***Group Life Insurance***

For purposes of measuring the net GLI Plan 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 Plan 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.

***Health Insurance***

In addition to the OPEB Group Life Insurance benefit, the Authority allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost.

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**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 the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of June 30, 2022, the Authority did not have any investments.

**NOTE 3 - CAPITAL ASSETS:**

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

|                                             | Beginning<br>Balance | Increases      | Decreases      | Ending<br>Balance |
|---------------------------------------------|----------------------|----------------|----------------|-------------------|
| Capital assets, not being depreciated:      |                      |                |                |                   |
| Land                                        | \$ 80,921            | \$ -           | \$ -           | \$ 80,921         |
| Construction in progress                    | 2,761,885            | 1,603,175      | (4,362,315)    | 2,745             |
| Total capital assets, not being depreciated | \$ 2,842,806         | \$ 1,603,175   | \$ (4,362,315) | \$ 83,666         |
| Capital assets, being depreciated:          |                      |                |                |                   |
| Equipment                                   | \$ 555,248           | \$ 10,999      | \$ -           | \$ 566,247        |
| Utility plant in service                    | 45,981,542           | 4,362,315      | (4,400)        | 50,339,457        |
| Total capital assets being depreciated      | \$ 46,536,790        | \$ 4,373,314   | \$ (4,400)     | \$ 50,905,704     |
| Accumulated depreciation:                   |                      |                |                |                   |
| Equipment                                   | \$ (407,132)         | \$ (35,325)    | \$ -           | \$ (442,457)      |
| Utility plant in service                    | (26,212,127)         | (1,351,069)    | -              | (27,563,196)      |
| Total accumulated depreciation              | \$ (26,619,259)      | \$ (1,386,394) | \$ -           | \$ (28,005,653)   |
| Capital assets, being depreciated, net      | \$ 19,917,531        | \$ 2,986,920   | \$ (4,400)     | \$ 22,900,051     |
| Capital assets, net                         | \$ 22,760,337        | \$ 4,590,095   | \$ (4,366,715) | \$ 22,983,717     |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 4 - LONG-TERM OBLIGATIONS:**

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

|                        | Balance<br>July 1, 2021 | Increases/<br>Issuances | Decreases/<br>Retirements | Balance<br>June 30, 2022 |
|------------------------|-------------------------|-------------------------|---------------------------|--------------------------|
| Direct Borrowings:     |                         |                         |                           |                          |
| Revenue bonds          | \$ 12,645,102           | \$ -                    | \$ (751,402)              | \$ 11,893,700            |
| Compensated absences   | 127,390                 | 37,508                  | (31,848)                  | 133,050                  |
| Net OPEB liabilities   | 540,527                 | 60,169                  | (140,398)                 | 460,298                  |
| Net pension liability* | 57,420                  | 782,597                 | (840,017)                 | -                        |
| Total                  | \$ 13,370,439           | \$ 880,274              | \$ (1,763,665)            | \$ 12,487,048            |

\*During fiscal year 2022, the net pension liability transitioned to a net pension asset as detailed within Note 5.

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

| Year Ending<br>June 30, | Direct Borrowings - Revenue Bonds |              |
|-------------------------|-----------------------------------|--------------|
|                         | Principal                         | Interest     |
| 2023                    | \$ 763,288                        | \$ 186,311   |
| 2024                    | 775,364                           | 174,235      |
| 2025                    | 787,633                           | 161,966      |
| 2026                    | 800,098                           | 149,500      |
| 2027                    | 812,763                           | 136,832      |
| 2028-2032               | 4,261,000                         | 486,994      |
| 2033-2037               | 3,693,553                         | 147,694      |
| Totals                  | \$ 11,893,700                     | \$ 1,443,531 |

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**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 4 - LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long-term indebtedness:

|                                          | Interest<br>Rates | Issue<br>Date | Installment<br>Amounts | Final<br>Maturity<br>Date | Amount of<br>Original<br>Issue | Balance<br>Outstanding | Amount<br>Due Within<br>One Year |
|------------------------------------------|-------------------|---------------|------------------------|---------------------------|--------------------------------|------------------------|----------------------------------|
| Direct Borrowings:                       |                   |               |                        |                           |                                |                        |                                  |
| Revenue Bonds:                           |                   |               |                        |                           |                                |                        |                                  |
| Sewer System Revenue Bond<br>Series 2012 | 1.20%             | 6/28/2012     | \$71,991 (sa)          | 9/1/2033                  | \$ 2,510,000                   | \$ 1,542,318           | \$ 125,851                       |
| Sewer System Revenue Bond<br>Series 2014 | 1.65%             | 6/23/2014     | \$402,808 (sa)         | 9/1/2036                  | \$13,300,000                   | 10,351,382             | 637,437                          |
| Total Revenue Bonds                      |                   |               |                        |                           |                                | <u>\$11,893,700</u>    | <u>\$ 763,288</u>                |
| Other Obligations:                       |                   |               |                        |                           |                                |                        |                                  |
| Compensated Absences                     |                   |               |                        |                           |                                | \$ 133,050             | \$ 99,788                        |
| Net OPEB Liabilities                     |                   |               |                        |                           |                                | 460,298                | -                                |
| Total Other Obligations                  |                   |               |                        |                           |                                | <u>\$ 593,348</u>      | <u>\$ 99,788</u>                 |
| Total Long-Term Obligations              |                   |               |                        |                           |                                | <u>\$12,487,048</u>    | <u>\$ 863,076</u>                |

(sa) - semi-annual installments, including interest as applicable

On September 1, 2020, the Authority entered in an agreement to reduce to cost of funds related to both bonds. Virginia Resources Authority (VRA) agreed to reduce the cost of funds from 2.35% per annum to 1.20% on the 2012 bond with an effective date of September 1, 2020. Virginia Resources Authority (VRA) agreed to reduce the cost of funds from 2.10% per annum to 1.65% on the 2014 bond with an effective date of September 1, 2020. The Authority estimates gross savings due to this restructuring totaled \$582,069 over the life of the two outstanding issuances.

The revenue bonds are subject to a pledge of the system generated revenues. The revenues as received by the Authority are immediately subject to the lien of this pledge. Further, the Authority has agreed to fix and collect rates, fees, and other charges for the services as provided by the system so that each year the net revenues available for debt service will equal at least 100% of the amount required to pay the principal and interest costs of the bonds. The Authority agrees to monitor rates and immediately take action to increase its rates or reduce operation expenses if it fails to satisfy such requirements.

Events of default on the above revenue bonds include failure to pay any payment of principal or interest due under the agreement, failure to fund the required reserve funds, or failing to observe any other covenant including the above net revenue requirement. In the event of default for the revenue bonds, at the discretion of the lender, all amounts owed under the bonds at the time of default, including principal, interest, and all other fees will become immediately due and payable. In addition, the lender may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Code of Virginia, to secure payment of the principal and interest of the bonds if such payment shall not be paid when it becomes due and payable.

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 5 - PENSION PLAN:**

***Plan Description***

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

***Benefit Structures***

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

- a) Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b) Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service 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 equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 5 - 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, 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, 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.

***Employees Covered by Benefit Terms***

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

|                                                                      | <u>Number</u> |
|----------------------------------------------------------------------|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 5             |
| Inactive members:                                                    |               |
| Vested inactive members                                              | 0             |
| Non-vested inactive members                                          | 1             |
| Inactive members active elsewhere in VRS                             | 2             |
| Total inactive members                                               | 3             |
| Active members                                                       | 14            |
| Total covered employees                                              | <u>22</u>     |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Contributions***

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2022 was 0.00% 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 \$0 and \$0 for the years ended June 30, 2022 and June 30, 2021, respectively.

***Net Pension Liability/(Asset)***

The net pension liability/asset (NPL/NPA) is calculated separately for each employer and represents that particular employer's total pension liability/(asset) determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions - General Employees (Continued)***

**Mortality rates:**

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

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% 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 Disables Rates projected generationally; 95% rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

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

**Mortality Improvement:**

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

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

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

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

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 5 - 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:

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

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

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

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 5 - 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, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Net Pension Liability/(Asset)***

|                                                                 | Increase (Decrease)                  |                                          |                                                  |
|-----------------------------------------------------------------|--------------------------------------|------------------------------------------|--------------------------------------------------|
|                                                                 | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability (Asset)<br>(a) - (b) |
| Balances at June 30, 2020                                       | \$ 7,789,607                         | \$ 7,732,187                             | \$ 57,420                                        |
| Changes for the year:                                           |                                      |                                          |                                                  |
| Service cost                                                    | \$ 74,251                            | \$ -                                     | \$ 74,251                                        |
| Interest                                                        | 519,982                              | -                                        | 519,982                                          |
| Changes of assumptions                                          | 183,117                              | -                                        | 183,117                                          |
| Differences between expected<br>and actual experience           | (116,126)                            | -                                        | (116,126)                                        |
| Contributions - employee                                        | -                                    | 48,540                                   | (48,540)                                         |
| Net investment income                                           | -                                    | 2,115,840                                | (2,115,840)                                      |
| Benefit payments, including refunds<br>of employee contribution | (172,350)                            | (172,350)                                | -                                                |
| Administrative expenses                                         | -                                    | (5,247)                                  | 5,247                                            |
| Other changes                                                   | -                                    | 199                                      | (199)                                            |
| Net changes                                                     | \$ 488,874                           | \$ 1,986,982                             | \$ (1,498,108)                                   |
| Balances at June 30, 2021                                       | \$ 8,278,481                         | \$ 9,719,169                             | \$ (1,440,688)                                   |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate***

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

|                               | Rate         |                  |                |
|-------------------------------|--------------|------------------|----------------|
|                               | 1% Decrease  | Current Discount | 1% Increase    |
|                               | (5.75%)      | (6.75%)          | (7.75%)        |
| Authority's                   |              |                  |                |
| Net Pension Liability (Asset) | \$ (456,551) | \$ (1,440,688)   | \$ (2,273,233) |

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

For the year ended June 30, 2022, the Authority recognized pension expense of \$(334,304). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|----------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ -                              | \$ 146,209                       |
| Change in assumptions                                                            | 136,346                           | -                                |
| Net difference between projected and actual earnings on pension plan investments | -                                 | 1,056,644                        |
| Employer contributions subsequent to the measurement date                        | -                                 | -                                |
| Total                                                                            | \$ 136,346                        | \$ 1,202,853                     |

*The remainder of this page is left blank intentionally.*

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 5 - PENSION PLAN: (CONTINUED)**

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

\$0 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/increase of the net pension liability/(asset) in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended June 30**

|            |    |           |
|------------|----|-----------|
| 2023       | \$ | (282,453) |
| 2024       |    | (221,159) |
| 2025       |    | (243,241) |
| 2026       |    | (319,654) |
| 2027       |    | -         |
| Thereafter |    | -         |

***Pension Plan Data***

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

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN:**

***Plan Description***

In addition to the pension benefits described in Note 5, the Authority administers a single employer defined benefit healthcare plan, The Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report.

***Benefits Provided***

Postemployment benefits are provided to eligible retirees to include health insurance. The Plan will provide retiring employees the option to continue health insurance offered by the Authority and will provide assistance to retirees through monthly cash stipends. Employees are eligible for the program after twenty (20) years of service to the Authority.

***Plan Membership***

At January 1, 2022 (actuarial date), the following employees were covered by the benefit terms:

|                                      |           |
|--------------------------------------|-----------|
| Total active employees with coverage | 12        |
| Total retirees with coverage         | <u>6</u>  |
| Total                                | <u>18</u> |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)**

***Contributions***

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2022 was \$99,507.

***Total OPEB Liability***

The Authority's total OPEB liability was measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of January 1, 2022.

***Actuarial Assumptions***

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                  |                                               |
|------------------|-----------------------------------------------|
| Salary Increases | 2.50%                                         |
| Discount Rate    | 3.69%, for accounting and funding disclosures |

Mortality rates for active employees, healthy retirees, and disabled retirees was the RP-2014 Blue Collar Tables (M/F).

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

***Discount Rate***

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 3.69% as of the end of the fiscal year with the expectation that the Authority will continue paying the cost from operating funds.

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**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)**

***Changes in Total OPEB Liability***

|                                                   | Total OPEB Liability |
|---------------------------------------------------|----------------------|
| Balances at June 30, 2021                         | \$ 460,589           |
| Changes for the year:                             |                      |
| Service cost                                      | 3,827                |
| Interest                                          | 8,837                |
| Difference between expected and actual experience | 31,132               |
| Changes in assumptions                            | (91,182)             |
| Benefit payments                                  | (8,325)              |
| Net changes                                       | (55,711)             |
| Balances at June 30, 2022                         | \$ 404,878           |

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current discount rate:

| Rate                   |                                  |                        |
|------------------------|----------------------------------|------------------------|
| 1% Decrease<br>(2.69%) | Current Discount Rate<br>(3.69%) | 1% Increase<br>(4.69%) |
| \$ 433,315             | \$ 404,878                       | \$ 350,523             |

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.25%) or one percentage point higher (5.25%) than the current healthcare cost trend rates:

| Rate                   |                                  |                        |
|------------------------|----------------------------------|------------------------|
| 1% Decrease<br>(3.25%) | Healthcare Cost Trend<br>(4.25%) | 1% Increase<br>(5.25%) |
| \$ 384,310             | \$ 404,878                       | \$ 392,934             |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2022, the Authority recognized OPEB expense in the amount of \$198. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                                  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|----------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                               | \$ 20,755                                 | \$ -                                     |
| Change in actuarial assumptions                                                  | 8,135                                     | 60,788                                   |
| Net difference between projected and actual earnings on pension plan investments | -                                         | -                                        |
| Total                                                                            | \$ <u>28,890</u>                          | \$ <u>60,788</u>                         |

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

**Year ended June 30**

|      |          |
|------|----------|
| 2023 | (11,882) |
| 2024 | (20,016) |

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

**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.

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

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***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 program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, 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 \$8,722 as of June 30, 2022.

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ( $1.34\% \times 60\%$ ) and the employer component was 0.54% ( $1.34\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$4,991 and \$5,308 for the years ended June 30, 2022 and June 30, 2021, respectively.

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**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, 2022, the entity reported a liability of \$55,420 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.00480% as compared to 0.00480% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$1,554. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

|                                                                                   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-----------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                                | \$ 6,321                                  | \$ 422                                   |
| Net difference between projected and actual earnings on GLI OPEB plan investments | -                                         | 13,227                                   |
| Change in assumptions                                                             | 3,055                                     | 7,583                                    |
| Changes in proportionate share                                                    | -                                         | 2,811                                    |
| Employer contributions subsequent to the measurement date                         | 4,991                                     | -                                        |
| Total                                                                             | \$ <u>14,367</u>                          | \$ <u>24,043</u>                         |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**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)***

\$4,991 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> |    |         |
|---------------------------|----|---------|
| 2023                      | \$ | (3,446) |
| 2024                      |    | (2,831) |
| 2025                      |    | (2,804) |
| 2026                      |    | (4,644) |
| 2027                      |    | (942)   |
| Thereafter                |    | -       |

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Comprehensive Annual Financial 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,<br>including inflation |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 7 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions: (Continued)***

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

**Mortality Improvement:**

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

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

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

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

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**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, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

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

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

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**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**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:

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

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

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

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**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, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed 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 | Current Discount | 1% Increase |
|                                                 | (5.75)%     | (6.75)%          | (7.75)%     |
| Authority's proportionate share of the GLI Plan |             |                  |             |
| Net OPEB Liability                              | \$ 80,970   | \$ 55,420        | \$ 34,787   |

***GLI Program Fiduciary Net Position***

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <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 8 - OPEB SUMMARY:**

|                                           | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense |
|-------------------------------------------|-------------------|------------------|--------------------|--------------|
| Authority Stand-Alone Plan (Note 6)       | \$ 28,890         | \$ 60,788        | \$ 404,878         | \$ 198       |
| VRS OPEB Plans:                           |                   |                  |                    |              |
| Group Life Insurance (GLI) Plan (Note 7): | 14,367            | 24,043           | 55,420             | 1,554        |
| Totals                                    | \$ 43,257         | \$ 84,831        | \$ 460,298         | \$ 1,752     |

**BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2022**

**NOTE 9 - RELATED TRANSACTIONS:**

| Entity             | Fees<br>2022 | Accounts Receivable<br>2022 |
|--------------------|--------------|-----------------------------|
| Montgomery PSA     | \$ 185,075   | \$ 56,172                   |
| Virginia Tech      | 1,191,767    | 255,897                     |
| Town of Blacksburg | 3,763,575    | 927,932                     |
| Totals             | \$ 5,140,417 | \$ 1,240,001                |

**NOTE 10 - 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 localities in a public entity risk pool for its coverage of general liability, property, equipment, crime and auto insurance with the Virginia Municipal League (VML) Insurance Programs. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Risk Pool contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of the loss, deficit or depletion of all available funds, 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. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**NOTE 11 - LITIGATION:**

As of June 30, 2022, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES:**

***Commitments:***

At June 30, 2022, the Authority had the below outstanding construction commitment:

| Project                 | Contract Amount | Expenditures to Date | Payable    |
|-------------------------|-----------------|----------------------|------------|
| Stroubles Creek WWTP II | \$ 3,652,720    | \$ 3,627,720         | \$ 206,386 |

**NOTE 13 - UPCOMING PRONOUNCEMENTS:**

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. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

BLACKSBURG-VIRGINIA POLYTECHNIC INSTITUTE SANITATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2022

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**NOTE 13 - UPCOMING PRONOUNCEMENTS: (CONTINUED)**

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

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

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

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

## Required Supplementary Information

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Health Insurance**  
**For the Years Ended June 30, 2018 through June 30, 2022**

|                                                                                                 | 2022               | 2021              | 2020              | 2019              | 2018              |
|-------------------------------------------------------------------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total OPEB liability</b>                                                                     |                    |                   |                   |                   |                   |
| Service cost                                                                                    | \$ 3,827           | \$ 3,734          | \$ 2,159          | \$ 2,106          | \$ 2,055          |
| Interest                                                                                        | 8,837              | 10,636            | 13,564            | 14,897            | 14,949            |
| Changes in assumptions                                                                          | (91,182)           | 24,407            | 31,754            | 20,206            | -                 |
| Differences between expected and actual experience                                              | 31,132             | -                 | (34,695)          | -                 | -                 |
| Benefit payments                                                                                | (8,325)            | (17,056)          | (10,144)          | (20,795)          | (16,065)          |
| <b>Net change in total OPEB liability</b>                                                       | <b>\$ (55,711)</b> | <b>\$ 21,721</b>  | <b>\$ 2,638</b>   | <b>\$ 16,414</b>  | <b>\$ 939</b>     |
| <b>Total OPEB liability - beginning</b>                                                         | <b>460,589</b>     | <b>438,868</b>    | <b>436,230</b>    | <b>419,816</b>    | <b>418,877</b>    |
| <b>Total OPEB liability - ending</b>                                                            | <b>\$ 404,878</b>  | <b>\$ 460,589</b> | <b>\$ 438,868</b> | <b>\$ 436,230</b> | <b>\$ 419,816</b> |
| <br><b>Covered-employee payroll</b>                                                             | <br>\$ 951,787     | <br>\$ 1,053,532  | <br>\$ 948,083    | <br>\$ 987,343    | <br>\$ 926,024    |
| <br><b>Authority's total OPEB liability (asset) as a percentage of covered-employee payroll</b> | <br>42.54%         | <br>43.72%        | <br>46.29%        | <br>44.18%        | <br>45.34%        |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Notes to Required Supplementary Information**  
**Health Insurance**  
**For the Year Ended June 30, 2022**

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Valuation Date: 1/1/2022

Measurement Date: 6/30/2022

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

|                       |                                                                                                                   |
|-----------------------|-------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry age normal level % of salary                                                                                |
| Discount Rate         | 3.69% as of June 30, 2022                                                                                         |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 5.75% and gradually declines to 4.25%                              |
| Salary Increase Rates | The salary increase rate is 2.50% per year                                                                        |
| Retirement Age        | The average age at retirement is 62                                                                               |
| Mortality Rates       | The mortality rates for active, healthy, and disabled retirees was calculated using the Pub2010G.HC (M/F) tables. |

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Schedule of Authority's Share of Net OPEB Liability**  
**Group Life Insurance (GLI) Plan**  
**For the Measurement Dates of June 30, 2017 through June 30, 2021**

| Date | Employer's<br>Proportion of the<br>Net GLI OPEB<br>Liability | Employer's<br>Proportionate<br>Share of the<br>Net GLI OPEB<br>Liability | Employer's<br>Covered<br>Payroll | Employer's<br>Proportionate Share<br>of the Net GLI OPEB<br>Liability<br>as a Percentage of<br>Covered Payroll<br>(3)/(4) | Plan Fiduciary<br>Net Position as a<br>Percentage of Total<br>GLI OPEB Liability |
|------|--------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| (1)  | (2)                                                          | (3)                                                                      | (4)                              | (5)                                                                                                                       | (6)                                                                              |
| 2021 | 0.00480% \$                                                  | 55,420 \$                                                                | 982,893                          | 5.64%                                                                                                                     | 67.45%                                                                           |
| 2020 | 0.00480%                                                     | 79,938                                                                   | 985,275                          | 8.11%                                                                                                                     | 52.64%                                                                           |
| 2019 | 0.00497%                                                     | 80,875                                                                   | 974,139                          | 8.30%                                                                                                                     | 52.00%                                                                           |
| 2018 | 0.00504%                                                     | 77,000                                                                   | 958,538                          | 8.03%                                                                                                                     | 51.22%                                                                           |
| 2017 | 0.00522%                                                     | 79,000                                                                   | 962,184                          | 8.21%                                                                                                                     | 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.

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Schedule of Employer Contributions**  
**Group Life Insurance (GLI) Plan**  
**For the Years Ended June 30, 2013 through June 30, 2022**

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| Date | Contributions in                                 |                                                                 |                                               |                                         |       | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|------|--------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|-------|---------------------------------------------------------|
|      | Contractually<br>Required<br>Contribution<br>(1) | Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) |       |                                                         |
| 2022 | \$ 4,991                                         | \$ 4,991                                                        | \$ -                                          | \$ 924,318                              | 0.54% |                                                         |
| 2021 | 5,308                                            | 5,308                                                           | -                                             | 982,893                                 | 0.54% |                                                         |
| 2020 | 5,123                                            | 5,123                                                           | -                                             | 985,275                                 | 0.52% |                                                         |
| 2019 | 5,066                                            | 5,066                                                           | -                                             | 974,139                                 | 0.52% |                                                         |
| 2018 | 4,984                                            | 4,984                                                           | -                                             | 958,538                                 | 0.52% |                                                         |
| 2017 | 5,003                                            | 5,003                                                           | -                                             | 962,184                                 | 0.52% |                                                         |
| 2016 | 4,496                                            | 4,496                                                           | -                                             | 936,751                                 | 0.48% |                                                         |
| 2015 | 4,354                                            | 4,354                                                           | -                                             | 907,037                                 | 0.48% |                                                         |
| 2014 | 4,225                                            | 4,225                                                           | -                                             | 880,122                                 | 0.48% |                                                         |
| 2013 | 4,089                                            | 4,089                                                           | -                                             | 851,880                                 | 0.48% |                                                         |

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Notes to Required Supplementary Information**  
**Group Life Insurance (GLI) Plan**  
**For the Year Ended June 30, 2022**

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

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

**Non-Largest Ten Locality Employers - General Employees**

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

Blacksburg-Virginia Polytechnic Institute Sanitation Authority  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
For the Measurement Dates of June 30, 2014 through June 30, 2021

|                                                                              | 2021           | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|------------------------------------------------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total Pension Liability</b>                                               |                |              |              |              |              |              |              |              |
| Service cost                                                                 | \$ 74,251      | \$ 72,176    | \$ 66,418    | \$ 67,283    | \$ 69,945    | \$ 69,229    | \$ 67,139    | \$ 63,837    |
| Interest                                                                     | 519,982        | 504,459      | 488,944      | 481,255      | 473,800      | 453,311      | 433,448      | 407,124      |
| Difference between expected and actual experience                            | (116,126)      | (198,773)    | (138,911)    | (328,266)    | (156,863)    | (130,387)    | (120,331)    | -            |
| Changes in assumptions                                                       | 183,117        | -            | 193,848      | -            | (179,141)    | -            | -            | -            |
| Benefit payments, including refunds of employee contributions                | (172,350)      | (123,446)    | (120,050)    | (100,817)    | (101,638)    | (97,272)     | (95,725)     | (94,098)     |
| Net change in pension liability                                              | \$ 488,874     | \$ 254,416   | \$ 490,249   | \$ 119,455   | \$ 106,103   | \$ 294,881   | \$ 284,531   | \$ 376,863   |
| Total pension liability - beginning                                          | 7,789,607      | 7,535,191    | 7,044,942    | 6,925,487    | 6,819,384    | 6,524,503    | 6,239,972    | 5,863,109    |
| Total pension liability - ending (a)                                         | \$ 8,278,481   | \$ 7,789,607 | \$ 7,535,191 | \$ 7,044,942 | \$ 6,925,487 | \$ 6,819,384 | \$ 6,524,503 | \$ 6,239,972 |
| <b>Plan Fiduciary Net Position</b>                                           |                |              |              |              |              |              |              |              |
| Contributions - employer                                                     | \$ -           | \$ 49,779    | \$ 49,088    | \$ 64,893    | \$ 65,140    | \$ 101,169   | \$ 97,960    | \$ 82,379    |
| Contributions - employee                                                     | 48,540         | 49,187       | 48,504       | 47,927       | 48,109       | 46,838       | 45,352       | 44,006       |
| Net investment income                                                        | 2,115,840      | 145,935      | 481,687      | 495,263      | 727,534      | 103,870      | 253,381      | 747,979      |
| Benefit payments, including refunds of employee contributions                | (172,350)      | (123,446)    | (120,050)    | (100,817)    | (101,638)    | (97,272)     | (95,725)     | (94,098)     |
| Administrative expense                                                       | (5,247)        | (4,890)      | (4,658)      | (4,182)      | (4,109)      | (3,526)      | (3,375)      | (3,960)      |
| Other                                                                        | 199            | (174)        | (304)        | (444)        | (651)        | (43)         | (52)         | 39           |
| Net change in plan fiduciary net position                                    | \$ 1,986,982   | \$ 116,391   | \$ 454,267   | \$ 502,640   | \$ 734,385   | \$ 151,036   | \$ 297,541   | \$ 776,345   |
| Plan Fiduciary Net Position - beginning                                      | 7,732,187      | 7,615,796    | 7,161,529    | 6,658,889    | 5,924,504    | 5,773,468    | 5,475,927    | 4,699,582    |
| Plan Fiduciary Net Position - ending (b)                                     | \$ 9,719,169   | \$ 7,732,187 | \$ 7,615,796 | \$ 7,161,529 | \$ 6,658,889 | \$ 5,924,504 | \$ 5,773,468 | \$ 5,475,927 |
| Authority's net pension liability/(asset) - ending (a) - (b)                 | \$ (1,440,688) | \$ 57,420    | \$ (80,605)  | \$ (116,587) | \$ 266,598   | \$ 894,880   | \$ 751,035   | \$ 764,045   |
| Plan fiduciary net position as a percentage of the total pension liability   | 117.40%        | 99.26%       | 101.07%      | 101.65%      | 96.15%       | 86.88%       | 88.49%       | 87.76%       |
| Covered payroll                                                              | \$ 982,893     | \$ 985,275   | \$ 974,139   | \$ 958,538   | \$ 962,184   | \$ 936,751   | \$ 907,037   | \$ 880,122   |
| Authority's net pension liability/(asset) as a percentage of covered payroll | -146.58%       | 5.83%        | -8.27%       | -12.16%      | 27.71%       | 95.53%       | 82.80%       | 86.81%       |

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.

Blacksburg-Virginia Polytechnic Institute Sanitation Authority  
Schedule of Employer Contributions - Pension Plan  
For the Years Ended June 30, 2013 through June 30, 2022

| Date | Contractually<br>Required<br>Contribution | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency (Excess)<br>(1) - (2) | Employer's<br>Covered Payroll | Contributions as a<br>% of Covered<br>Payroll<br>(2)/(4) |
|------|-------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------|----------------------------------------------------------|
|      | (1)                                       | (2)                                                                          | (3)                                              | (4)                           | (5)                                                      |
| 2022 | \$ -                                      | \$ -                                                                         | \$ -                                             | \$ 924,318                    | 0.00%                                                    |
| 2021 | -                                         | -                                                                            | -                                                | 982,893                       | 0.00%                                                    |
| 2020 | 49,779                                    | 49,779                                                                       | -                                                | 985,275                       | 5.05%                                                    |
| 2019 | 49,088                                    | 49,088                                                                       | -                                                | 974,139                       | 5.04%                                                    |
| 2018 | 64,893                                    | 64,893                                                                       | -                                                | 958,538                       | 6.77%                                                    |
| 2017 | 65,140                                    | 65,140                                                                       | -                                                | 962,184                       | 6.77%                                                    |
| 2016 | 101,169                                   | 101,169                                                                      | -                                                | 936,751                       | 10.80%                                                   |
| 2015 | 97,960                                    | 97,960                                                                       | -                                                | 907,037                       | 10.80%                                                   |
| 2014 | 82,379                                    | 82,379                                                                       | -                                                | 880,122                       | 9.36%                                                    |
| 2013 | 79,736                                    | 79,736                                                                       | -                                                | 851,880                       | 9.36%                                                    |

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Notes to Required Supplementary Information - Pension Plan**  
**For the Year Ended June 30, 2022**

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

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

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

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

## Other Supplementary Information

Blacksburg-Virginia Polytechnic Institute Sanitation Authority  
Schedule of Revenues and Expenses - Budget to Actual - Budgetary Basis of Accounting  
For the Year Ended June 30, 2022

|                                          | <u>Budget</u>  | <u>Actual</u>  | <u>Variance</u><br><u>favorable (unfavorable)</u> |
|------------------------------------------|----------------|----------------|---------------------------------------------------|
| <b>OPERATING REVENUES:</b>               |                |                |                                                   |
| Bulk sewage treatment fees               | \$ 4,131,510   | \$ 5,140,417   | \$ 1,008,907                                      |
| Miscellaneous                            | -              | 2,122          | 2,122                                             |
| Total Operating Revenues                 | \$ 4,131,510   | \$ 5,142,539   | \$ 1,011,029                                      |
| <b>OPERATING EXPENSES:</b>               |                |                |                                                   |
| <b>Administration</b>                    |                |                |                                                   |
| Employees welfare                        | \$ 335,880     | \$ 303,618     | \$ 32,262                                         |
| Facility insurance                       | 43,000         | 42,818         | 182                                               |
| Retirees' benefits                       | 5,400          | 5,400          | -                                                 |
| Directors' fees                          | 24,230         | 24,231         | (1)                                               |
| Salaries                                 | 157,880        | 159,943        | (2,063)                                           |
| Professional services                    | 67,570         | 48,895         | 18,675                                            |
| Miscellaneous                            | 17,400         | 15,249         | 2,151                                             |
| Total Administration                     | \$ 651,360     | \$ 600,154     | \$ 51,206                                         |
| <b>Operations</b>                        |                |                |                                                   |
| Labor                                    | \$ 637,450     | \$ 599,964     | \$ 37,486                                         |
| Utilities                                | 480,000        | 469,208        | 10,792                                            |
| Supervision                              | 174,540        | 174,842        | (302)                                             |
| Flow monitoring                          | 14,950         | 9,731          | 5,219                                             |
| Maintenance                              | 110,000        | 134,284        | (24,284)                                          |
| Fuel oil                                 | 19,000         | 11,056         | 7,944                                             |
| Chemicals                                | 100,000        | 106,215        | (6,215)                                           |
| Laboratory                               | 30,600         | 20,280         | 10,320                                            |
| Solid waste disposal                     | 25,000         | 24,883         | 117                                               |
| Transportation                           | 16,800         | 14,116         | 2,684                                             |
| Supplies                                 | 3,200          | 3,789          | (589)                                             |
| Total Operations                         | \$ 1,611,540   | \$ 1,568,368   | \$ 43,172                                         |
| Total Operating Expenses                 | \$ 2,262,900   | \$ 2,168,522   | \$ 94,378                                         |
| Operating Revenues in Excess of Expenses | \$ 1,868,610   | \$ 2,974,017   | \$ 1,105,407                                      |
| <b>NONOPERATING REVENUES (EXPENSES):</b> |                |                |                                                   |
| Debt service                             | \$ (949,599)   | \$ (949,598)   | \$ 1                                              |
| Capital purchases                        | (1,234,690)    | (1,996,373)    | (761,683)                                         |
| Interest income                          | 108,000        | 131,919        | 23,919                                            |
| Total Nonoperating Revenues (Expenses)   | \$ (2,076,289) | \$ (2,814,052) | \$ (737,763)                                      |
| Revenues Over (Under) Expenses           | \$ (207,679)   | \$ 159,965     | \$ 367,644                                        |

This statement is prepared using the Authority's budgetary basis of accounting which differs from that required of generally accepted accounting principles.

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Reconciliation of Revenues over Expenses (Budgetary Basis of Accounting) to**  
**Changes in Net Position (GAAP Basis of Accounting)**  
**For the Year Ended June 30, 2022**

|                                                                                                           |                     |
|-----------------------------------------------------------------------------------------------------------|---------------------|
| Revenues Over Expenses - Budgetary Basis of Accounting                                                    | \$ 159,965          |
| Differences - Budgetary Basis to GAAP Basis of Accounting                                                 |                     |
| Decrease in interest payable                                                                              | 3,946               |
| Change in net OPEB liabilities                                                                            | 80,229              |
| Change in net pension liability/(asset)                                                                   | 1,498,108           |
| Change in deferred outflows of resources and deferred inflows of resources<br>related to pension and OPEB | (1,232,059)         |
| Capital outlay                                                                                            | 1,996,373           |
| Depreciation expense                                                                                      | (1,386,394)         |
| Debt service principal payments                                                                           | 751,402             |
| Change in net position as presented in Exhibit 2 - GAAP Basis of Accounting                               | \$ <u>1,871,570</u> |

## Other Statistical Information

Table 1

**Blacksburg-Virginia Polytechnic Institute Sanitation Authority**  
**Pledged Revenue Coverage**  
**For the Years Ended June 30, 2013 through June 30, 2022**

| Fiscal Year | Operating Revenues | Investment Income | Gross Revenues | Less:                                       | Net Revenues Available for Debt Service | Debt Service |            | Total Debt Service | Less:             | Net Available Revenues | Coverage (Net Revenues Available for Debt Service/ Debt Service) |
|-------------|--------------------|-------------------|----------------|---------------------------------------------|-----------------------------------------|--------------|------------|--------------------|-------------------|------------------------|------------------------------------------------------------------|
|             |                    |                   |                | Operating Expenses (excluding depreciation) |                                         | Principal    | Interest   |                    | 100% Debt Service |                        |                                                                  |
| 2022        | \$ 5,142,539       | \$ 131,919        | \$ 5,274,458   | \$ (1,822,244)                              | \$ 3,452,214                            | \$ 751,402   | \$ 198,196 | \$ 949,598         | \$ (949,598)      | \$ 2,502,616           | 364%                                                             |
| 2021        | 5,185,443          | 163,063           | 5,348,506      | (2,044,231)                                 | 3,304,275                               | 723,596      | 246,100    | 969,696            | (969,696)         | 2,334,579              | 341%                                                             |
| 2020        | 4,992,991          | 165,418           | 5,158,409      | (2,019,673)                                 | 3,138,736                               | 693,435      | 296,355    | 989,790            | (989,790)         | 2,148,946              | 317%                                                             |
| 2019        | 5,095,319          | 147,771           | 5,243,090      | (1,868,728)                                 | 3,374,362                               | 678,831      | 306,117    | 984,948            | (984,948)         | 2,389,414              | 343%                                                             |
| 2018        | 4,504,289          | 63,177            | 4,567,466      | (1,910,824)                                 | 2,656,642                               | 669,703      | 320,087    | 989,790            | (989,790)         | 1,666,852              | 268%                                                             |
| 2017        | 4,214,441          | 54,226            | 4,268,667      | (2,168,029)                                 | 2,100,638                               | 103,628      | 492,684    | 596,312            | (596,312)         | 1,504,326              | 352%                                                             |
| 2016        | 4,185,092          | 44,349            | 4,229,441      | (2,045,609)                                 | 2,183,832                               | 104,269      | 53,859     | 158,128            | (158,128)         | 2,025,704              | 1381%                                                            |
| 2015        | 3,464,356          | 45,677            | 3,510,033      | (2,082,063)                                 | 1,427,970                               | 373,347      | 135,381    | 508,728            | (508,728)         | 919,242                | 281%                                                             |
| 2014        | 3,336,521          | 42,901            | 3,379,422      | (2,188,064)                                 | 1,191,358                               | 254,810      | 150,958    | 405,768            | (405,768)         | 785,590                | 294%                                                             |
| 2013        | 3,235,899          | 49,374            | 3,285,273      | (2,064,487)                                 | 1,220,786                               | 240,644      | 105,742    | 346,386            | (346,386)         | 874,400                | 352%                                                             |

Note: The revenue covenant is 100% of all debt service.

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## COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES, PLLC  
Certified Public Accountants

**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**

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To the Board of Directors  
Blacksburg-Virginia Polytechnic Institute Sanitation Authority  
Blacksburg, 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 Blacksburg-Virginia Polytechnic Institute Sanitation Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Blacksburg-Virginia Polytechnic Institute Sanitation Authority's basic financial statements and have issued our report thereon dated September 30, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Blacksburg-Virginia Polytechnic Institute Sanitation Authority's internal control over financial reporting (internal control) as a basis for designing the 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 Blacksburg-Virginia Polytechnic Institute Sanitation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Blacksburg-Virginia Polytechnic Institute Sanitation Authority's internal control.

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Blacksburg-Virginia Polytechnic Institute Sanitation 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, Famer, Cox Associates*

Blacksburg, Virginia  
September 30, 2022