

**VIRGINIA PENINSULAS PUBLIC
SERVICE AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of and for the Year Ended June 30, 2021

And Report of Independent Auditor

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	8-9
Statement of Revenues, Expenses, and Changes in Net Position.....	10
Statement of Cash Flows.....	11
Notes to the Financial Statements	12-32
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Changes in Net Pension Asset and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System	33
Schedules of Employer’s Share of Net OPEB Liability Group Life Insurance Program and Employer Contributions (Unaudited) – Virginia Retirement System	34
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses, and Changes in Net Position by Program/Service	35
COMPLIANCE SECTION	
Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings.....	38

Report of Independent Auditor

To the Board of Directors
Virginia Peninsulas Public Service Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matters

Correction of an Error

As described in Note 12 to the financial statements, certain errors resulting in the overstatement of previously reported unearned revenues at June 30, 2020 were discovered by management of the Authority during the current fiscal year. Accordingly, adjustments have been made to related net position as of June 30, 2020 to correct these errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position by Program/Service (the "Schedule") is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Virginia Beach, Virginia
October 1, 2021

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

The following Management's Discussion and Analysis ("MD&A") of Virginia Peninsulas Public Service Authority (the "Authority") provides a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2021. This MD&A should be read in conjunction with the basic financial statements and notes thereto, that follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflow of resources at the close of the fiscal year by \$6,744,101 (net position). Of this amount, \$3,230,958 (unrestricted net position) may be used to meet the Authority's ongoing obligations to its member communities, customers, and creditors. Of the unrestricted net position, the Board has designated \$3,489,504 to be set aside for the future replacement of equipment.
- Total net position at June 30, 2021 was \$6,744,101 compared to \$6,675,361 at June 30, 2020 (restated – see Note 12), an increase of \$68,740.
- Total liabilities at June 30, 2021 were \$1,269,340 compared to \$1,474,384 at June 30, 2020 (restated – see Note 12). The \$205,044 decrease, or 13.9%, is primarily attributable to the timing of payments to vendors.
- Operating revenue of \$8,421,444 was greater than the budgeted amount of \$8,271,047 by \$150,397, or 1.82%.
- Operating expenses of \$8,357,832, compared to budgeted operating expenses of \$8,500,759, were \$142,927 below budget, or 1.68%. This reduction in expenses was primarily due to capitalization of costs in fiscal year 2021 relating to the construction of the new vehicle maintenance facility.

Overview of the Financial Statements

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

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

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Financial Analysis

The following table reflects the Authority's condensed summary of the Statement of Net Position at June 30, 2021 and 2020.

Statement of Net Position

	2021	2020 *
Current and other assets	\$ 4,110,815	\$ 4,935,393
Capital assets	3,489,504	2,628,354
Noncurrent assets	23,639	503,000
Total Assets	7,623,958	8,066,747
Deferred outflows of resources	397,010	174,998
Total Assets and Deferred Outflows of Resources	8,020,968	8,241,745
Current liabilities	1,072,544	1,258,755
Noncurrent liabilities	196,796	215,629
Total Liabilities	1,269,340	1,474,384
Deferred inflows of resources	7,527	92,000
Total Liabilities and Deferred Inflows of Resources	1,276,867	1,566,384
Net investment in capital assets	3,489,504	2,628,354
Restricted - pension	23,639	503,000
Unrestricted	3,230,958	3,544,007
Total Net Position	\$ 6,744,101	\$ 6,675,361

* See Note 12 of the financial statements.

At the close of the 2021 and 2020 fiscal years, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,744,101 and \$6,675,361 (restated), respectively. The Authority's net position increased \$68,740 during fiscal year 2021.

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2021

The results of the Authority’s operations are reported in the following table. The table presents a condensed summary of this information for the years ended June 30, 2021 and 2020.

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 8,421,444	\$ 7,923,025
Operating expenses	<u>8,357,832</u>	<u>8,094,002</u>
Operating (loss) income	63,612	(170,977)
Nonoperating revenues	<u>5,128</u>	<u>71,387</u>
Change in net position	68,740	(99,590)
Net position, beginning of year (restated - see Note 12)	<u>6,675,361</u>	<u>6,774,951</u>
Net position, end of year	<u>\$ 6,744,101</u>	<u>\$ 6,675,361</u>

Operating revenues of the Authority increased \$498,419, or 6.29%. The increases were shared by all projects and expense increases in fuel and projected maintenance costs were among the more significant increases. Additionally, the new project of servicing King and Queen County fleet vehicles and the addition of the newly constructed Vehicle Maintenance Facility.

Operating expenses of the Authority increased \$263,830 or 3.26%, in part due to increases in processing fees from commingled recyclable materials and oil & antifreeze, equipment rental costs, and moving expenses to the new facility. Costs for refurbishing some older equipment as new equipment was not available. Increased disposal costs and additional consulting and engineering fees at the compost facility resulting from the BMP Retrofit project.

Transfer System

The Authority operates 4 Transfer Stations and 14 Convenience Centers in five counties on the Middle Peninsula. The Transfer System handled 32,978 tons of solid waste in fiscal year 2021. The Transfer System recycled 1,339 tons of scrap metal generating \$163,094 in revenue in fiscal year 2021. The mixed paper program generated 355 tons of material and \$23,000 in revenue. The cardboard program generated 656 tons and \$89,000 in revenue. An additional 493 tons of comix material was collected and processed bringing the total system recycling effort to almost 3,000 tons. Material commodity pricing has shown a steady increase.

Compost Facility

The Authority’s Compost Facility, located at 145 Goodwin Neck Road in Yorktown, accepts vegetative waste from the Cities of Hampton and Poquoson and from York County, along with a growing number of commercial customers. Sales of compost and mulch reached the budgeted sales goal of \$500,000 despite the BMP Retrofit project that interfered with operations and production.

A total of 24,427 tons of leaves, grass, and brush were received at the Compost Facility during fiscal year 2021, which was a decrease of 287 tons compared to fiscal year 2020.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Household Chemical Project

The household chemical project provided 16 drop-off collection events for the residents of the City of Hampton, James City County, City of Poquoson, Town of Williamsburg, and York County to properly dispose of commonly used products from homeowners. This project is staffed by employees of the Middle Peninsula Transfer System and technical and disposal services are provided through a contract with MXI Environmental. The program provided disposal for 5,361 vehicles in the five communities that are serviced with this project. This was an increase of almost 1,200 vehicles from this same period for FY20.

Computer Recycling

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

Curbside Recycling Project

The Authority provides curbside recycling in James City County, City of Poquoson, City of Williamsburg, and York County. Fiscal year 2021 marked the third year with curbside recycling services provided to the four cities and counties with roll-out carts by Tidewater Fiber Corporation. During fiscal year 2021, more than 7,900 tons of material was recycled from approximately 38,000 homes. The program accepts plastic bottles and jugs, other plastic containers, rigid plastics, aluminum and steel cans, cardboard, mixed paper, and glass bottles and jars.

Capital Assets

The following table presents a condensed summary of the Authority's capital assets, net of accumulated depreciation, at June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 2,040,762	\$ 64,087
Construction in Progress	385,306	1,245,760
Operating equipment	1,024,404	1,035,429
Vehicles	39,032	283,078
	<u>\$ 3,489,504</u>	<u>\$ 2,628,354</u>

During the year ended June 30, 2021, the Authority incurred costs of \$716,154 relating to completing construction of the Vehicle Maintenance Building, which is included above as Buildings and improvements. Additionally, the Authority incurred costs of \$385,267 relating to the Compost Facility BMP retrofit project, which is included in Construction in Progress above. These increases are offset by the Authority's current year depreciation expense of \$385,510. Additional information can be found in Note 4 to the basic financial statements.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Effects of COVID-19

The Authority has experienced some increased material volumes in the waste stream. We have experienced supply line issues and increased costs in fuel and steel. These increases have been felt in increases in costs for parts, equipment, and vehicles. Additionally, we have experienced delays in receiving those items and in some cases, vendors are unwilling to provide the customary pricing periods for fear of significant increases from manufacturers or their parts vendors. Among the greatest issue challenging the operation is the labor force, continued shortages in staff and the competition from the private sector offering incentives and higher wages is an ongoing issue. The Authority's personnel have done an outstanding job social distancing and complying with COVID protocols. We continue to provide all essential personnel the necessary protective equipment including masks, gloves, hand sanitizer, and other disinfecting solutions to ensure their safety.

Site specific activities, such as modifying the sales booth at the compost facility and accepting only credit cards for material sales to minimize exposure, added credit card related fees above what was the normal expense. Additional PPE for all sites and informational signage costs.

Request for Information

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

BASIC FINANCIAL STATEMENTS

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF NET POSITION

JUNE 30, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$	764,536
Investments		2,843,347
Accounts Receivable:		
Member jurisdictions		365,590
Other		123,540
Prepays		13,802
Total Current Assets		<u>4,110,815</u>

Noncurrent Assets:

Capital assets, net		3,489,504
Net pension asset		23,639
Total Noncurrent Assets		<u>3,513,143</u>
Total Assets		<u>7,623,958</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension amounts		370,069
Deferred OPEB amounts		26,941
Total Deferred Outflows of Resources		<u>397,010</u>
Total Assets and Deferred Outflows of Resources	\$	<u><u>8,020,968</u></u>

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

JUNE 30, 2021

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 393,399
Compensated absences	166,000
Accrued salaries	105,655
Unearned revenue	407,490
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Total Current Liabilities	1,072,544

Noncurrent Liabilities:

Net OPEB liability	131,003
Compensated absences, net of current portion	65,793
	<hr/>
Total Noncurrent Liabilities	196,796
	<hr/>
Total Liabilities	1,269,340

DEFERRED INFLOWS OF RESOURCES

Deferred OPEB amounts	7,527
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Total Deferred Inflows of Resources	7,527
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Total Liabilities and Deferred Inflows of Resources	1,276,867

NET POSITION

Net investment in capital assets	3,489,504
Restricted - pension	23,639
Unrestricted	3,230,958
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Total Net Position	6,744,101
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Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 8,020,968

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

YEAR ENDED JUNE 30, 2021

Operating Revenues:

Fees from member jurisdictions for:

Curbside recycling program	\$ 2,543,205
Transfer system operations	1,593,101
Landfill disposal	815,660
Compost facility operations	600,449
Material sales	665,053
Computer recycling services	11,950
Groundwater monitoring	15,086
Tire recycling services	5,770
Convenience centers operations	694,809
Household chemical services	332,906
Administrative services	103,976
Project overhead	535,448
Miscellaneous and other fees	504,031
Total Operating Revenues	8,421,444

Operating Expenses:

Curbside recycling program	2,543,204
Transfer system operations	2,086,933
Landfill disposal	830,997
Compost facility operations	1,101,212
Special projects	42,890
Convenience centers operations	635,082
Household chemical services	312,294
Administrative services	753,566
Vehicle maintenance facility	51,654
Total Operating Expenses	8,357,832

Operating Income 63,612

Nonoperating Revenues:

Investment income	5,128
Total Nonoperating Revenues	5,128

Change in net position 68,740

Net position, beginning of year, as restated (Note 12) 6,675,361

Net position, end of year **\$ 6,744,101**

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Receipts from customers and users	\$ 8,453,491
Payments to suppliers for goods and services	(5,218,115)
Payments to employees	(2,751,682)
	<hr/>
Net cash provided by operating activities	483,694
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Cash flows from capital and related financing activities:	
Purchase of capital asset	(1,246,660)
	<hr/>
Net cash used in financing activities	(1,246,660)
	<hr/>
Cash flows from investing activities:	
Purchase of investments	(461,528)
Sale of investments	1,132,000
Investment income	5,128
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Net cash provided by investing activities	675,600
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Net decrease in cash and cash equivalents	(87,366)
Cash and cash equivalents, beginning of year	851,902
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Cash and cash equivalents, end of year	\$ 764,536
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 63,612
Adjustments:	
Depreciation	385,510
Change in:	
Accounts receivable	65,696
Prepays	1,044
Net pension asset	479,361
Net OPEB liability	1,003
Deferred outflows of resources	(222,012)
Deferred inflows of resources	(84,473)
Accounts payable and accrued liabilities	(169,831)
Compensated absences	(15,836)
Accrued salaries	13,269
Unearned revenue	(33,649)
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Net cash provided by operating activities	\$ 483,694
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The accompanying notes to the financial statements are an integral part of this statement.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Organization and nature of business

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

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

Note 2—Summary of significant accounting policies

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

Credit Risk and Concentrations – Financial instruments which potentially subject the Authority to concentration of credit risk consist principally of cash and cash equivalents, investments, and accounts receivable from member jurisdictions. The Authority places its cash and cash equivalents and investments with two high credit quality institutions and limits the amount of credit exposure to any one of those financial institutions. At June 30, 2021, there was \$637,902 of the Authority’s cash and cash equivalents in excess of the insurance provided by the Federal Deposit Insurance Corporation (“FDIC”), on deposit in the Authority’s bank accounts. These funds, and the Authority’s investments, however, were properly collateralized in accordance with the Virginia Security for Public Deposits Act.

A substantial portion of the Authority’s 2021 revenues and receivables was derived from contracts with the political subdivisions, which are members of the Authority. Therefore, the Authority is vulnerable to the economic and political conditions within the market in which it operates. With respect to accounts receivable from member jurisdictions, the Authority’s members are cities and counties throughout the middle and south peninsulas of Virginia. Historically, all receivables have been collected. At June 30, 2021, the Authority had a concentration with two member jurisdictions that made up approximately 57% of all accounts receivable. Also, at June 30, 2021, the Authority had a concentration with two vendors that made up approximately 67% of all accounts payable.

Basis of Accounting – The Authority’s operations are accounted for as a proprietary fund, using the economic resources measurement focus. The financial statements are presented on the accrual basis of accounting, and under this accounting method, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Summary of significant accounting policies (continued)

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

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

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

Allowance for Doubtful Accounts – The Authority evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. No allowance for doubtful accounts existed at June 30, 2021.

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

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

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

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2—Summary of significant accounting policies (continued)

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

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

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

Note 3—Cash and cash equivalents and investments

At June 30, 2021, the Authority’s cash and investments consisted of:

Deposits:

Demand deposits	\$ 763,986
Cash on hand	550
	<hr/>
	764,536

Investments:

Commonwealth’s Local Government Investment Pool ("LGIP") - rated AAAM by <i>Standard & Poor’s</i>	2,843,347
	<hr/>
Total deposits and investments	<u>\$ 3,607,883</u>

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

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 4—Capital assets

Capital assets activity consisted of the following:

	<u>Balance, July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2021</u>
Capital assets not being depreciated:				
Construction in progress	\$ 1,245,760	\$ 1,101,421	\$ (1,961,875)	\$ 385,306
Total capital assets not depreciated	<u>1,245,760</u>	<u>1,101,421</u>	<u>(1,961,875)</u>	<u>385,306</u>
Capital assets being depreciated:				
Building and improvements	2,639,086	2,031,185	-	4,670,271
Office equipment	8,587	-	-	8,587
Operating equipment	4,860,645	67,275	(4,050)	4,923,870
Vehicles	1,808,653	8,654	-	1,817,307
Total capital assets being depreciated	<u>9,316,971</u>	<u>2,107,114</u>	<u>(4,050)</u>	<u>11,420,035</u>
Less accumulated depreciation:				
Building and improvements	2,574,999	54,510	-	2,629,509
Office equipment	8,587	-	-	8,587
Operating equipment	3,717,308	186,208	(4,050)	3,899,466
Vehicles	1,633,483	144,792	-	1,778,275
Total accumulated depreciation	<u>7,934,377</u>	<u>385,510</u>	<u>(4,050)</u>	<u>8,315,837</u>
Total capital assets being depreciated, net	<u>1,382,594</u>	<u>1,721,604</u>	<u>-</u>	<u>3,104,198</u>
Capital assets - net	<u>\$ 2,628,354</u>	<u>\$ 2,823,025</u>	<u>\$ (1,961,875)</u>	<u>\$ 3,489,504</u>

Depreciation expense was charged as follows:

Operating activities:	
Administrative services	\$ 51,254
Compost facility operations	119,100
Convenience centers operations	32,300
Transfer stations operations	182,856
Total depreciation expense	<u>\$ 385,510</u>

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Compensated absences

Following is a schedule of changes in compensated absences during 2021:

	<u>Balance, July 1, 2020</u>	<u>Net Changes</u>	<u>Balance, June 30, 2021</u>	<u>Current Portion</u>
Compensated absences	\$ 247,629	\$ (15,836)	\$ 231,793	\$ 166,000

Note 6—Unearned revenues

At June 30, 2021, unearned revenues consist of prepayments of fees by participating jurisdictions as follows:

Landfill disposal fees	\$ 106,542
Recycling fees	196,513
Household chemical disposal fees	104,435
Total unearned revenue	<u>\$ 407,490</u>

Note 7—Operating leases

The Authority leases land and the use of a weigh scale under a ground lease agreement with York County for operation of a yard waste composting facility. The lease expires on July 1, 2023. The lease provides for an annual rent increase in an amount equal to the previous lease year's annual rent, multiplied by a percentage equal to the average percentage change from the prior year in the assessed value of all real property located in York County as determined by the York County Real Estate Assessment Department. Due to the volatility of this calculation, only the base amount of the lease is disclosed below. Under the terms of related facility operating agreements, the three jurisdictions participating in the facility are required to pay all operating costs of the facility, including land rent and financing costs, in the form of tipping fees.

The Authority also leases office space in Williamsburg, Virginia through June 30, 2023. Rent expense each year will increase by 2% of the previous year's rent.

Under the terms of the operating leases, future minimum rent payments are as follows:

2022	\$ 155,926
2023	156,743
	<u>\$ 312,669</u>

Land and weigh scale rent expense for 2021 was \$115,075 and is included in compost facility operations as host fees. Office rent expense for 2021 was \$40,050 and is included in administrative services as rent and utilities.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 8—Board-designated equipment reserve

During 2021, the Board designated an additional \$285,000 of unrestricted net position for use in vehicle and equipment replacement for the Authority. Interest earned on the underlying investment was \$3,176 and is included in additions to the reserve. Such funds are invested as described in Note 3. Activity in the board-designated equipment reserve fund is summarized as follows:

	<u>Balance, July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2021</u>
Administrative services	\$ 46,262	\$ 71	\$ -	\$ 46,333
Compost facility operations	1,577,313	122,497	-	1,699,810
Convenience centers operations	70,956	25,124	-	96,080
Transfer station operations	259,336	140,479	-	399,815
Vehicle maintenance facility fund	3,550	5	-	3,555
	<u>\$ 1,957,417</u>	<u>\$ 288,176</u>	<u>\$ -</u>	<u>\$ 2,245,593</u>

Note 9—Contingent liability

The Virginia Department of Environmental Quality (the “Department”) has determined the Authority must comply with the requirements pursuant to the Virginia Financial Assurance Regulations for Solid Waste Disposal, Transfer, and Treatment Facilities (the “Regulation”). Under the Regulation, owners or operators of compost facilities must provide and maintain a financial mechanism or combination of mechanisms demonstrating financial assurance for the closure costs, if applicable, the post-closure care and corrective action costs associated with these facilities. The intent of the Regulation is to ensure, in the event such facilities are abandoned, the costs associated with closure, post closure, or corrective action are borne by the operator abandoning the facility and not the Commonwealth of Virginia. The Department requires the operator to submit a detailed written cost estimate, in current dollars, of the costs of closing the facility in accordance with the requirements. At June 30, 2021, the Authority has estimated these costs to be \$42,039. Funding of these costs will come from current year operating revenues.

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

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

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

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

Actuarial Assumptions – The total asset or liability for the Plan and Program was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Projected salary increases	3.50% - 5.35%
Investment rate of return	6.75%, net of plan or program investment expenses, including inflation*

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

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

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

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

Pension plan

Plan Description – All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

VRS administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table on the following pages:

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Members who were eligible for an ORP and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p><u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Distributions not required, except as governed by law.
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the plan defined benefit component.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier Same as Plan1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS Age 65</p>	<p>Normal Retirement Age VRS Normal Social Security retirement age.</p>	<p>Normal Retirement Age VRS <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of service credit.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> Age 60 with at least five years (60 months) of service credit.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and member's survivor, or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related-disability benefits.</p>

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Employees Covered by Benefit Terms - As of the June 30, 2019, actuarial valuation, the following employees of the Authority were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	23
Inactive members:	
Vested	12
Nonvested	31
Active elsewhere in VRS	7
Total inactive members	50
Active members	46
Total covered employees	119

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

The Authority’s contractually required contribution rate for the year ended June 30, 2021 was 4.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$51,181 and \$46,599 for the years ended June 30, 2021 and 2020, respectively.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

Net Pension Liability – The Authority’s net pension asset, measured as of June 30, 2020, was \$23,639 as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset – The following table represent the changes in net pension asset through the plan’s measurement date of June 30, 2020 for the Authority.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance, July 1, 2019	\$ 5,153,678	\$ 5,656,864	\$ (503,186)
Changes for the year:			
Service cost	151,643	-	151,643
Interest	342,288	-	342,288
Difference between expected and actual experience	210,496	-	210,496
Contributions - employer	-	46,599	(46,599)
Contributions - employee	-	73,805	(73,805)
Net investment income	-	108,271	(108,271)
Benefit payments, including refunds of employee contributions	(165,495)	(165,495)	-
Administrative expense	-	(3,666)	3,666
Other changes	-	(129)	129
Net changes	538,932	59,385	479,547
Balance, June 30, 2020	\$ 5,692,610	\$ 5,716,249	\$ (23,639)

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 626,739	\$ (23,639)	\$ (574,914)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2021, the Authority recognized pension expense of \$229,630. At June 30, 2021, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 123,558	\$ -
Net difference between projected and actual earnings on pension plan investments	170,987	-
Changes of assumptions	24,343	-
Employer contributions subsequent to the measurement date	51,181	-
	<u>\$ 370,069</u>	<u>\$ -</u>

\$51,181 reported as deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 128,662
2023	78,757
2024	57,084
2025	54,385
	<u>\$ 318,888</u>

Payables to the Pension Plan – At June 30, 2021, the Authority had no outstanding payables for required contributions to the pension.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

Net Group life insurance other postemployment benefits

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees The GLIP was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in benefit Amounts The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and COLA For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.</p>

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

Contributions – The contribution requirements for the GLI are governed by Section 51.1-506 and Section 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Program from the Authority were \$8,051 and \$8,400 for the years ended June 30, 2021 and 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Program OPEB – At June 30, 2021, the Authority reported a liability of \$131,003 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer’s proportion was 0.00785% as compared to 0.00796% at June 30, 2019.

For the year ended June 30, 2021, the Authority recognized GLI OPEB expense of \$4,231. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,403	\$ 1,178
Net difference between projected and actual earnings on OPEB plan investments	3,935	-
Change of assumptions	6,552	2,735
Change in proportionate share	-	3,614
Employer contributions subsequent to the measurement date	8,051	-
	<u>\$ 26,941</u>	<u>\$ 7,527</u>

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

\$8,051 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 ("NOL") in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Years Ending June 30,

2022	\$	1,209
2023		2,320
2024		3,335
2025		3,728
2025		761
Thereafter		10
	<u>\$</u>	<u>11,363</u>

Net GLI OPEB Liability – The NOL for the GLI represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,523,938
Plan Fiduciary Net Position	1,855,102
Employer's Net GLI OPEB Liability	<u>\$ 1,668,836</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of U.S. GAAP in the System's notes to the financial statements and required supplementary information.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate – The following table presents the Net GLI OPEB liability of the Authority, calculated using the Program's current discount rate, as well as what the respective Program's Net GLI OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net GLI OPEB liability	<u>\$ 172,214</u>	<u>\$ 131,003</u>	<u>\$ 97,536</u>

Payables to the VRS Group Life Insurance OPEB Plan – At June 30, 2021, the Authority had no outstanding payables for required contributions to the OPEB.

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 11—Deferred compensation plan

The Authority offers a deferred compensation plan covering substantially all full-time employees. The purpose of the plan is to provide retirement income and other deferred benefits to employees in accordance with the provisions of Section 457 of the Internal Revenue Code. The Authority contributed \$-0- to the plan in 2021.

Note 12—Restatement

The Authority has restated the beginning net position to correct overstatements of unearned revenues and understatement of net position due to errors discovered during the year ended June 30, 2021. The restatement had the following effect on the Authority's opening balances as of July 1, 2020:

	As of July 1, 2020		
	Previously Reported	Restatement	Restated
Unearned revenues	\$ 964,428	\$ (523,289)	\$ 441,139
Total liabilities	1,997,673	(523,289)	1,474,384
Net position, unrestricted	3,020,718	523,289	3,544,007
Net position, total	6,152,072	523,289	6,675,361

REQUIRED SUPPLEMENTARY INFORMATION

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

JUNE 30, 2021

Schedules of Changes in Net Pension Asset and Related Ratios

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

Notes to Schedule:

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

Schedules of Employer Contributions

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

Notes to Schedule:

Contractually required contributions are developed using the entry age normal actuarial cost method.

Methods and Assumptions Used to Determine Contribution Rates:

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

Notes to Schedule:

Schedule is intended to show information for 10 years. Since the 2020 measurement date is the sixth year for this presentation, only six additional years of data are available. However, additional years will be included as they become available. Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

JUNE 30, 2021

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

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

Notes to Schedule:

Schedule is intended to show information for 10 years. Since the 2020 measurement date is the fourth year for this presentation, only three additional years of data are available. However, additional years will be included as they become available. Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

Schedules of Employer Contributions

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

Notes to Schedule:

Contractually required contributions are developed using the entry age normal actuarial cost method

OTHER SUPPLEMENTARY INFORMATION

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM/SERVICE

YEAR ENDED JUNE 30, 2021

	Curbside Recycling Program	Drop-off Recycling Program	Transfer System Operations	Landfill Disposal	Compost Facility Operations	Special Projects	Convenience Centers Operations	Household Chemical Services	Commercial Waste Collection	Vehicle Maintenance Facility	Administrative Services	General Fund	Total
Operating Revenues:													
Fees from member jurisdictions for:													
Curbside recycling program	\$ 2,543,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,543,205
Transfer system operations	-	-	1,593,101	-	-	-	-	-	-	-	-	-	1,593,101
Landfill disposal	-	-	-	815,660	-	-	-	-	-	-	-	-	815,660
Compost facility operations	-	-	-	-	600,449	-	-	-	-	-	-	-	600,449
Material sales	-	-	164,259	-	500,794	-	-	-	-	-	-	-	665,053
Computer recycling services	-	-	-	-	-	11,950	-	-	-	-	-	-	11,950
Groundwater monitoring	-	-	-	-	-	15,086	-	-	-	-	-	-	15,086
Tire recycling services	-	-	-	-	-	5,770	-	-	-	-	-	-	5,770
Convenience centers operations	-	-	-	-	-	-	694,809	-	-	-	-	-	694,809
Household chemical services	-	-	-	-	-	-	-	332,906	-	-	-	-	332,906
Administrative services	-	-	-	-	-	-	-	-	-	-	103,976	-	103,976
Project overhead	-	-	-	-	-	-	-	-	-	-	535,448	-	535,448
Miscellaneous and other fees	-	-	253,501	-	51,539	-	-	-	-	4,086	194,905	-	504,031
Total Operating Revenues	2,543,205	-	2,010,861	815,660	1,152,782	32,806	694,809	332,906	-	4,086	834,329	-	8,421,444
Operating Expenses:													
Advertising	1,463	-	3,460	-	1,182	305	833	916	-	-	1,250	-	9,409
Contracted services	2,541,741	-	26,448	834,597	57,199	12,054	-	255,255	-	-	64	-	3,727,358
Depreciation	-	-	182,856	-	119,100	-	32,300	-	-	51,254	-	-	385,510
Equipment and vehicle	-	-	214,263	-	105,244	10,000	6,767	12,576	-	-	2,258	-	351,108
Host fees	-	-	-	-	154,475	-	-	-	-	-	-	-	154,475
Insurance	-	-	12,395	-	10,835	-	3,559	819	-	-	3,435	-	31,043
Material processing	-	-	-	-	-	20,531	-	-	-	-	-	-	20,531
Miscellaneous	-	-	5,561	-	16,162	-	1,480	-	-	400	11,813	-	35,416
Office	-	-	10,656	-	2,928	-	861	401	-	-	20,395	-	35,241
Professional services	-	-	-	-	-	-	-	-	-	-	53,523	-	53,523
Project overhead	-	-	629	(3,600)	-	-	-	-	-	-	-	-	(2,971)
Rent and utilities	-	-	30,398	-	7,387	-	19,020	635	-	-	43,726	-	101,166
Repairs and maintenance	-	-	225,644	-	157,598	-	15,296	476	-	-	(131)	-	398,883
Returned funds	-	-	13,433	-	-	-	-	-	-	-	-	-	13,433
Recycling - oil and antifreeze	-	-	9,844	-	-	-	10,025	-	-	-	-	-	19,869
Salaries and benefits	-	-	1,306,095	-	442,035	-	530,866	39,591	-	-	604,407	-	2,922,994
Telephone	-	-	16,574	-	5,136	-	7,225	-	-	-	8,662	-	37,597
Travel	-	-	911	-	-	-	200	-	-	-	778	-	1,889
Uniforms and supplies	-	-	27,766	-	21,931	-	6,650	1,625	-	-	3,386	-	61,358
Total Operating Expenses	2,543,204	-	2,086,933	830,997	1,101,212	42,890	635,082	312,294	-	51,654	753,566	-	8,357,832
Operating Income (Loss)	1	-	(76,072)	(15,337)	51,570	(10,084)	59,727	20,612	-	(47,568)	80,763	-	63,612
Nonoperating Revenues:													
Interest income	-	-	479	-	-	-	124	-	-	3,229	1,296	-	5,128
Total Nonoperating Revenues	-	-	479	-	-	-	124	-	-	3,229	1,296	-	5,128
Change in net position	1	-	(75,593)	(15,337)	51,570	(10,084)	59,851	20,612	-	(44,339)	82,059	-	68,740
Net position (deficit), beginning of year, as restated	10,897	226,258	452,874	25,963	3,136,254	51,627	947,270	168,539	5,285	95,934	1,666,284	(111,824)	6,675,361
Net position (deficit), end of year	\$ 10,898	\$ 226,258	\$ 377,281	\$ 10,626	\$ 3,187,824	\$ 41,543	\$ 1,007,121	\$ 189,151	\$ 5,285	\$ 51,595	\$ 1,748,343	\$ (111,824)	\$ 6,744,101

COMPLIANCE SECTION

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

To the Board of Directors
Virginia Peninsulas Public Service Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 1, 2021. Our report included an emphasis paragraph indicating that net position as of June 30, 2020 was restated to reflect the correction of an error.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Cheryl Bekaert LLP".

Virginia Beach, Virginia
October 1, 2021

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

SCHEDULE OF FINDINGS

FISCAL YEAR ENDED JUNE 30, 2021

Finding Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding: 2021-001

Type of Finding: Material Weakness over Financial Reporting – Prior Period Adjustment

Criteria: Unearned revenue should consist of funds held by the Authority that have not yet met the criteria to be recognized as revenue.

Condition: During the year, it was discovered there were various Board of Directors-directed initiatives from previous fiscal years that authorized a portion of unearned revenue funds to be used on various projects.

Cause: Directives made by management and the Board of Directors to authorize the use of unearned revenue funds held by the Authority were not properly recognized as revenue in the fiscal year of those directives.

Effect: The Authority's unearned revenue balances were materially overstated in prior years.

Recommendation: We recommend the Authority perform an annual analysis of all Board of Directors' directives for use of funds to ensure they are properly recorded in the financial statements.

Management's Response: Management did a comparison of the unearned revenue account to supporting reports maintained by the former Executive Director. Upon review there were multiple discrepancies found totaling \$523,289. All three supporting reports were reviewed going back to FY 2009 to investigate the cause and accuracy of the discrepancies. It was determined that the discrepancy was due to three journal entries, one from FY 2010, one from FY 2015, and one from FY 2019, that were not entered into the accounting system. The balances on the supporting spreadsheets were correct but the necessary journal entries were not recorded and therefore the amount of unearned revenue was overstated. In the future, there will be a three person review procedures for all unearned revenue balances and the accounting department will work with the Executive Director to ensure Board directives are properly accounted for.

Finding: 2021-002

Type of Finding: Material Weakness over Financial Reporting

Criteria: In accordance with accounting principles generally accepted in the United States of America, revenue should be recognized when services are provided and expenses should be recognized when the cost is incurred.

Condition: During our proof of cash procedures, it was discovered that management was recording manual journal entries for budgetary purposes that increased both operating revenues and operating expenses by offsetting amounts to adjust for administrative fees earned from the member jurisdictions. Rather than offsetting this adjustment against an expense, management should have adjusted the amount against the revenues from other fees from member jurisdictions.

Cause: Management records monthly budgetary adjustments to project overhead fees for administrative projects to track administrative fees earned.

Effect: Operating revenues and operating expenses were overstated by \$541,548, with a net impact of \$-0- on the change in net position.

Recommendation: We recommend that management either adjust their entry to allocate the revenues for fees from the member jurisdictions to the project overhead or adjust their invoices to separately bill the member jurisdictions for these fees.

Management's Response: Management has reviewed our accounting procedures and revised procedures to better account for fees associated with the administrative project.