VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2023

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information 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 18, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 18, 2023

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 as of and for the fiscal year ("FY") ended June 30, 2023. This MD&A should be read in conjunction with the basic financial statements and notes thereto, that follow this section.

The Virginia Peninsulas Public Service Authority ("VPPSA") is a ten city and county regional solid waste authority providing solid waste management services to member communities through a combination of contractor provided services. VPPSA adopts an annual operating budget for each project and administrative activities for the purpose of determining the annual contributions from the member jurisdictions, based on their project participation, to fund these activities.

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 $7,360,790 (net position). Of this amount, $2,825,263 (unrestricted net position) may be used to meet the Authority's ongoing obligations to its member communities, customers, and creditors.

- Total net position at June 30, 2023 was $7,360,790 compared to $6,765,837 at June 30, 2022, an increase of $594,953.

- Total liabilities at June 30, 2023 were $2,794,181 compared to $1,507,098 at June 30, 2022. The $1,287,083 increase, or 85%, is primarily attributable to the signing of lease extensions during fiscal year 2023 causing an increase to the Authority's lease payable of $1,270,385.

- Operating revenue of $9,146,065 was less than the budgeted amount of $9,295,933 by $150,868, or 1.6%.

- Operating expenses of $8,717,629 was less than the budgeted amount of $9,213,049, by $495,420, or 5.0%.

Overview of the Financial Statements

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

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

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

Financial Analysis

The following table reflects the Authority's condensed summary of the Statement of Net Position at June 30, 2023 and 2022.

Statement of Net Position

	2023	2022
Current and other assets	$ 4,318,105	$ 3,998,765
Capital assets	5,335,131	3,843,754
Noncurrent assets	635,000	1,091,088
Total Assets	10,288,236	8,933,607
Deferred outflows of resources	115,050	250,030
Total Assets and Deferred Outflows of Resources	10,403,286	9,183,637
Current liabilities	1,338,285	1,340,782
Noncurrent liabilities	1,455,896	166,316
Total Liabilities	2,794,181	1,507,098
Deferred inflows of resources	248,315	910,702
Total Liabilities and Deferred Inflows of Resources	3,042,496	2,417,800
Net investment in capital assets	3,900,527	3,679,535
Restricted - pension	635,000	1,091,088
Unrestricted	2,825,263	1,995,214
Total Net Position	$ 7,360,790	$ 6,765,837

At the close of the 2023 and 2022 fiscal years, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $7,360,790 and $6,765,837, respectively. The Authority's net position increased $594,953 during FY2023.

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

The results of the Authority's operations are reported in the following table. The table presents a condensed summary of this information for the years ended June 30, 2023 and 2022.

Statement of Revenues, Expenses, and Changes in Net Position

	2023	2022
Operating revenues	$ 9,146,065	$ 8,359,121
Operating expenses	8,717,629	8,341,254
Operating income	428,436	17,867
Nonoperating revenues, net	166,517	3,869
Change in net position	594,953	21,736
Net position, beginning of year	6,765,837	6,744,101
Net position, end of year	$ 7,360,790	$ 6,765,837

Operating revenues of the Authority increased $786,944, or 9.41%. The increases were due to increases to fees charged to member communities associated with increased cost of operations.

Operating expenses of the Authority decreased $376,375 or 4.51% which are explained in more detail below.

The fiscal year 2023 approved budget for the Authority was $9,295,932.57. The budget was adopted on December 3, 2021, and reflects a $639,572, or a 7.4% increase, over FY 22 approved budget. There was a significant increase at the bottom of the salary range to meet the proposed upcoming minimum wage adjustments. To minimize compression related issues, an adjustment for the hourly employee rates was approved resulting in increases in salaries, health insurance, and benefits. Additional increases in contractual services from the providers of curbside recycling, household chemical disposal and an increase in fuel, tires, parts, and maintenance costs provided the most notable changes from FY 22 to FY 23 budgets.

The Authority operates four Transfer Stations and 14 Convenience Centers in five counties on the Middle Peninsula. Overall, the Transfer System generated 24,767 tons of solid waste, 1,167 tons of white goods, 430 tons of commingled recyclables, 288 tons of mixed paper and 379 tons of cardboard. These numbers represent over 27,000 tons of material handled with over 3,700 containers filled and hauled to numerous facilities across the state. These totals do not include any containers handled for our household chemical events on the Peninsula or the Middle Peninsula or any of the event containers provided and serviced or any recycling efforts on the Peninsula.

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. Compost Facility activities for FY 23 generated incoming material quantities of over 22,645 tons of leaves, grass, and brush. Additionally, over 35,000 cubic yards of compost and mulch products were sold. The curbside recycling program for FY 23 generated 8,292 tons of material, an increase of over 1,400 tons more than that of FY 22 collection activities. Middle Peninsula programs saw decreases in hauling related activities in FY 23 over that of the FY 22 hauling activities. Recycling quantities received were also less than those received in FY 22. This minor reduction in material was beneficial as commodity costs were lower than those received in FY 22. In the case of mixed paper, we saw commodity pricing go from a received revenue to a cost. Cardboard and white goods pricing, although reduced, held a positive value.

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 household chemical collection events maintain their popularity for FY 23 servicing 4,468 vehicles, although down 1,000 vehicles from FY 22, it is still a very popular event and receives praises from many of the participants. The sixteen events on the Peninsula safely and properly disposed of well over 140,000 pounds of items that cannot be landfilled. There are currently two events scheduled yearly on the Middle Peninsula. Those events serviced 209 vehicles and properly disposed of over 10,000 pounds of household chemicals.

Capital Assets

The following table presents a condensed summary of the Authority's capital assets, net of accumulated depreciation and amortization, at June 30, 2023 and 2022.

	2023	2022
Construction in progress	$ 41,692	$ 41,692
Building and improvements	2,601,956	2,724,225
Operating equipment	1,172,675	859,687
Vehicles	97,132	55,110
Right-of-use leased assets	1,421,676	163,040
	$ 5,335,131	$ 3,843,754

During the year ended June 30, 2023, the Authority made purchases of vehicles and operating equipment totaling $735,457. Additionally, the Authority completed additional work related to the Compost Facility BMP retrofit project and capitalized costs of $24,252 into buildings and improvements. These increases are offset by the Authority's current year disposals of $222,644 and depreciation expense of $698,899. The Authority also signed extensions to their lease agreements, which added right-of-use lease assets of $1,430,567. Additional information can be found in Note 4 to the basic financial statements.

Request for Information

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

BASIC FINANCIAL STATEMENTS

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF NET POSITION

JUNE 30, 2023

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 533,741
Investments	3,083,019
Accounts Receivable:	
Member jurisdictions	543,036
Other	57,132
Prepaids	101,177
Total Current Assets	4,318,105
Noncurrent Assets:	
Capital assets, net	5,335,131
Net pension asset	635,000
Total Noncurrent Assets	5,970,131
Total Assets	10,288,236
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension amounts	88,726
Deferred OPEB amounts	26,324
Total Deferred Outflows of Resources	115,050
Total Assets and Deferred Outflows of Resources	$ 10,403,286

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

JUNE 30, 2023

LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 421,103
Compensated absences	168,000
Accrued salaries	49,003
Unearned revenues	555,294
Lease liability, current portion	144,885
Total Current Liabilities	1,338,285
Noncurrent Liabilities:	
Net OPEB liability	92,956
Compensated absences, net of current portion	73,221
Lease liability, net of current portion	1,289,719
Total Noncurrent Liabilities	1,455,896
Total Liabilities	2,794,181
DEFERRED INFLOWS OF RESOURCES	
Deferred pension amounts	221,696
Deferred OPEB amounts	26,619
Total Deferred Inflows of Resources	248,315
Total Liabilities and Deferred Inflows of Resources	3,042,496
NET POSITION	
Net investment in capital assets	3,900,527
Restricted - pension	635,000
Unrestricted	2,825,263
Total Net Position	7,360,790
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 10,403,286

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

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

YEAR ENDED JUNE 30, 2023

Operating Revenues:	
Fees from member jurisdictions for:	
Curbside recycling program	$ 2,720,375
Transfer system operations	1,973,209
Landfill disposal	791,889
Compost facility operations	680,978
Material sales	551,877
Computer recycling services	14,700
Groundwater monitoring	21,024
Tire recycling services	5,240
Convenience centers operations	871,519
Household chemical services	338,616
Administrative services	112,500
Project overhead	590,250
Miscellaneous and other fees	473,888
Total Operating Revenues	9,146,065
Operating Expenses:	
Curbside recycling program	2,709,533
Transfer system operations	2,172,711
Landfill disposal	812,539
Compost facility operations	986,240
Special projects	52,159
Convenience centers operations	792,007
Household chemical services	328,321
Administrative services	754,641
Vehicle maintenance facility	109,478
Total Operating Expenses	8,717,629
Operating Income	428,436
Nonoperating Revenue:	
Interest expense	(3,426)
Investment income	169,943
Total Nonoperating Revenue, net	166,517
Change in net position	594,953
Net position, beginning of year	6,765,837
Net position, end of year	$ 7,360,790

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

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Receipts from customers and users	$ 9,164,010
Payments to suppliers for goods and services	(5,370,646)
Payments to employees	(3,029,108)
Net cash flows from operating activities	764,256
Cash flows from capital and related financing activities:	
Purchase of capital asset	(759,709)
Net cash flows from financing activities	(759,709)
Cash flows from investing activities:	
Purchase of investments	(1,156,447)
Sale of investments	1,132,000
Investment income	169,943
Interest expense	(3,426)
Net cash flows from investing activities	142,070
Net increase in cash and cash equivalents	146,617
Cash and cash equivalents, beginning of year	387,124
Cash and cash equivalents, end of year	$ 533,741
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	$ 428,436
Adjustments:	
Depreciation and amortization	698,899
Change in:	
Accounts receivable	(61,202)
Prepaids	(87,074)
Net pension asset	456,088
Net OPEB liability	8,896
Deferred outflows of resources	134,980
Deferred inflows of resources	(662,387)
Accounts payable and accrued liabilities	707
Accrued salaries	(72,052)
Unearned revenues	79,147
Lease liabilities	(160,182)
Net cash flows from operating activities	$ 764,256
Supplemental disclosure of noncash investing and financing activities:	
Right-to-use lease assets obtained in exchanged for operating lease liability	$ 1,430,567

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

Note 1—Organization and nature of business

Virginia Peninsulas Public Service Authority (the "Authority") was created pursuant to the Virginia Water and Sewer Authorities Act, Chapter 28, Title 15.1, Code of Virginia (1950), as amended (the "Act"). The Authority is governed by a Board of Directors (the "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, 2023, there was $439,664 of the Authority's cash and cash equivalents in excess of the insurance provided by the Federal Deposit Insurance Corporation (the "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 2023 revenues and receivables were derived from contracts with the political subdivisions, which are members of the Authority. Therefore, the Authority is vulnerable to the economic and political conditions within the market in which it operates. With respect to accounts receivable from member jurisdictions, the Authority's members are cities and counties throughout the middle and south peninsulas of Virginia. Historically, all receivables have been collected. At June 30, 2023, the Authority had a concentration with four member jurisdictions that made up approximately 77% of all accounts receivable. Also, at June 30, 2023, the Authority had a concentration with two vendors that made up approximately 58% of all accounts payable.

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

Note 2—Summary of significant accounting policies (continued)

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

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

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

Allowance for Doubtful Accounts – The Authority evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. No allowance for doubtful accounts existed at June 30, 2023.

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

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

Building and improvements	5 – 20 years
Office equipment	5 – 7 years
Operating equipment	5 – 20 years
Vehicles	5 – 7 years
Right-of-use leased assets	2 – 10 years

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

Note 2—Summary of significant accounting policies (continued)

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

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

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

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

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

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

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

Note 2—Summary of significant accounting policies (continued)

Adoption of New Accounting Standards– The Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"), during the year ended June 30, 2023. This standard requires entities to recognize right-of-use subscription assets and subscription liabilities for certain long-term agreements that qualify under the guidance. The Authority has determined that they do not have any agreements required to be recorded under this standard.

Note 3—Cash and cash equivalents and investments

At June 30, 2023, the Authority's cash and investments consisted of:

Deposits:	
Cash on hand	$ 533,741
Investments:	
Commonwealth's Local Government Investment Pool ("LGIP") - rated AAAm by *Standard & Poor's*	3,083,019
Total deposits and investments	$ 3,616,760

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

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

Note 4—Capital assets

Capital assets activity consisted of the following:

	Balance, July 1, 2022	Additions	Reductions	Balance, June 30, 2023
Capital assets not being depreciated or amortized:				
Construction in progress	$ 41,692	$ -	$ -	$ 41,692
Total capital assets not depreciated or amortized	41,692	-	-	41,692
Capital assets being depreciated or amortized:				
Building and improvements	5,491,755	24,252	-	5,516,007
Office equipment	8,587	-	-	8,587
Operating equipment	4,957,919	549,145	(188,090)	5,318,974
Vehicles	1,981,579	186,312	(34,554)	2,133,337
Right-of-use leased assets	322,108	1,430,567	-	1,752,675
Total capital assets being depreciated or amortized	12,761,948	2,190,276	(222,644)	14,729,580
Less accumulated depreciation and amortization:				
Building and improvements	2,767,530	146,521	-	2,914,051
Office equipment	8,587		-	8,587
Operating equipment	4,098,232	236,157	(188,090)	4,146,299
Vehicles	1,926,469	144,290	(34,554)	2,036,205
Right-of-use leased assets	159,068	171,931	-	330,999
Total accumulated depreciation and amortization	8,959,886	698,899	(222,644)	9,436,141
Total capital assets being depreciated and amortized, net	3,802,062	1,491,377	-	5,293,439
Capital assets - net	$ 3,843,754	$ 1,491,377	$ -	$ 5,335,131

Depreciation and amortization expense was charged as follows:

Operating activities:	
Administrative services	$ 288,349
Compost facility operations	178,053
Convenience centers operations	40,677
Household chemical	1,179
Transfer stations operations	190,641
Total depreciation and amortization expense	$ 698,899

Note 5—Compensated absences

Following is a schedule of changes in compensated absences during 2023:

	Balance, July 1, 2022	Net Changes	Balance, June 30, 2023	Current Portion
Compensated absences	$ 241,221	$ -	$ 241,221	$ 168,000

Note 6—Unearned revenues

At June 30, 2023, unearned revenues consist of prepayments of fees by participating jurisdictions as follows:

Landfill disposal fees	$ 182,617
Recycling fees	196,513
Household chemical disposal fees	176,164
Total unearned revenues	$ 555,294

Note 7—Leases

Lease Payable – The Authority leases land, office space, and equipment from various third parties under multiple leases. The leases are for periods ending at different periods through June 2033. The Authority is required to make monthly principal and interest payments ranging from $170 to $10,315 under these leases. The leases do not have a stated interest rate, therefore, the Authority used its incremental borrowing rate, 1.74%, as the discount rate for leases. As of June 30, 2023, the value of the lease liabilities was $1,434,604. The value of the right-to-use assets as of the end of the current fiscal year was $1,752,675 and had accumulated amortization of $330,999.

The following is a schedule of future lease payments relating to the Authority's leases as of June 30, 2023:

	Principal	Interest	Total
2024	$ 144,885	$ 25,470	$ 170,355
2025	145,850	21,282	167,132
2026	149,282	18,717	167,999
2027	152,792	16,091	168,883
2028	156,381	13,404	169,785
Thereafter	685,414	28,274	713,688
	$ 1,434,604	$ 123,238	$ 1,557,842

Note 8—Board-designated equipment reserve

During 2023, the Board designated an additional $295,000 of unrestricted investments for use in vehicle and equipment replacement for the Authority. Interest earned on the underlying investment was $102,742 and is included in additions to the reserve. Remaining additions are related to community payments for the Vehicle Maintenance Facility totaling $96,966 that were deposited to the Convenience Center and Transfer Center Equipment replacement funds. Such funds are invested as described in Note 3. Reductions in the equipment reserve accounts relate to Board approved equipment purchases and repairs totaling $658,721. Activity in the board-designated equipment reserve fund is summarized as follows:

	Balance, July 1, 2022	Additions	Reductions	Balance, June 30, 2023
Administrative services	$ 46,453	$ 1,819	$ -	$ 48,272
Compost facility operations	1,824,464	192,354	(450,853)	1,565,965
Convenience centers operations	148,063	100,962	-	249,025
Transfer station operations	562,962	199,572	(207,868)	554,666
	$ 2,581,942	$ 494,707	$ (658,721)	$ 2,417,928

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, 2023, the Authority has estimated these costs to be $47,095. Funding of these costs will come from current year operating revenues.

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

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

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

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

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

Actuarial Assumptions – The total asset or liability for the Plan and Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality Rates:

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

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

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

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 95% of rates for females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

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

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

The actuarial assumptions used in the June 30, 2021, valuations were based on the results of an actuarial experience study from the period from July 1, 2016 through June 30, 2020, except the change in the discount rates, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board Action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 6o 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year, age, and service through 9 years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

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

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

Assets Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34%	5.71%	1.94%
Fixed Income	15%	2.04%	0.31%
Credit Strategies	14%	4.78%	0.67%
Real Assets	14%	4.70%	0.63%
Private Equity	14%	9.73%	1.36%
MAPS	6%	3.73%	0.22%
PIP	3%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
	Expected arithmetic nominal return*		7.83%

* The above allocation provides a one-year return of 7.83%. 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 5.33%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 7.11%, including expected inflation of 2.50%.

Pension plan

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

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

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contributions Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.

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

<table>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID
RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>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.</td><td>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.
<u>Defined Contribution Component</u>:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>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.</td><td>Earliest Reduced Retirement Eligibility
Age 60 with at least five years (60 months) of service credit.</td><td>Earliest Reduced Retirement Eligibility
<u>Defined Benefit Component</u>:
Age 60 with at least five years (60 months) of service credit.

<u>Defined Contribution Component</u>:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>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%.

<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.

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.</td><td>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%.

<u>Eligibility</u>:
Same as Plan 1.</td><td>Cost-of-Living Adjustment (COLA) in Retirement
<u>Defined Benefit Component</u>:
Same as VRS Plan 2.

<u>Defined Contribution Component</u>:
Not applicable.

<u>Eligibility</u>:
Same as Plan 1 and Plan 2.</td></tr>
</table>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and member's survivor, or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	*Exceptions to COLA Effective Dates:* Same as Plan 1.	*Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program ("VLDP") unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related-disability benefits.

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

Employees Covered by Benefit Terms – As of the June 30, 2021, actuarial valuation, the following employees of the Authority were covered by the benefit terms of the pension plan:

Inactive members	81
Active members	48
Total covered employees	129

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, 2023 was 3.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 $47,000 and $56,590 for the years ended June 30, 2023 and 2022, respectively.

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

Net Pension Asset – The Authority's net pension asset, measured as of June 30, 2022, was $635,000 as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset – The following table represent the changes in net pension asset through the plan's measurement date of June 30, 2022 for the Authority.

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Asset**
Balance, July 1, 2021	$ 6,051,639	$ 7,142,727	$ (1,091,088)
Changes for the year:			
Service cost	136,369	-	136,369
Interest	409,572	-	409,572
Difference between expected and actual experience	29,950	-	29,950
Contributions - employer	-	56,590	(56,590)
Contributions - employee	-	74,782	(74,782)
Net investment income	-	(7,284)	7,284
Benefit payments, including refunds of employee contributions	(240,554)	(240,554)	-
Administrative expense	-	(4,450)	4,450
Other changes	-	165	(165)
Net changes	335,337	(120,751)	456,088
Balance, June 30, 2022	$ 6,386,976	$ 7,021,976	$ (635,000)

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)	$ 150,725	$ (635,000)	$ (1,283,970)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2023, the Authority recognized pension income of $5,227. At June 30, 2023, 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	$ 17,675	$ 15,047
Net difference between projected and actual earnings on pension plan investments	-	206,649
Changes of assumptions	24,051	-
Employer contributions subsequent to the measurement date	47,000	-
	$ 88,726	$ 221,696

$47,000 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Years Ending June 30,	Amount
2024	$ (60,049)
2025	(78,627)
2026	(138,410)
2027	97,116
	$ (179,970)

Payables to the Pension Plan – At June 30, 2023, the Authority had no outstanding payables for required contributions to the pension.

Pension Plan Data – Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

Net Group life insurance other postemployment benefits

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

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

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

<table>
<tr><th>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The 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:
City of Richmond
City of Portsmouth
City of Roanoke
City of Norfolk
Roanoke City School Board
Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</td></tr>
<tr><td>Benefit Amounts
The benefits payable under the GLIP have several components.
<u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
<u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit.
<u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
Accidental dismemberment benefit
Safety belt benefit
Repatriation benefit
Felonious assault benefit
Accelerated death benefit option</td></tr>
<tr><td>Reduction in benefit Amounts
The benefit amounts provided to members covered under the GLIP are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</td></tr>
<tr><td>Minimum Benefit Amount and COLA
For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLIP. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjusted for the COLA was $8,984 as of June 30, 2023.</td></tr>
</table>

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

Contributions – The contribution requirements for the GLIP are governed by Section 51.1-506 and Section 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLIP was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLIP from the Authority were $9,611 and $9,066 for the years ended June 30, 2023 and 2022, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLIP OPEB – At June 30, 2023, the Authority reported a liability of $92,956 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2022 and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLIP OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLIP for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.00772% as compared to 0.00722% at June 30, 2021.

For the year ended June 30, 2023, the Authority recognized GLIP OPEB expense of $1,766. Since there was a change in proportionate share between measurement dates, a portion of the GLIP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the Authority reported deferred outflows and inflows of resources related to the GLIP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,361	$ 3,729
Net difference between projected and actual earnings on OPEB plan investments	-	5,808
Change of assumptions	3,467	9,054
Change in proportionate share	5,885	8,028
Employer contributions subsequent to the measurement date	9,611	-
	$ 26,324	$ 26,619

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

$9,611 reported as deferred outflows of resources related to the GLIP OPEB resulting from the employer's contributions, subsequent to the measurement date, will be recognized as a reduction of the Net GLIP OPEB liability ("NOL") in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to the GLIP OPEB will be recognized in the GLIP OPEB expense in future reporting periods as follows:

Years Ending June 30,		
2024	$	(2,832)
2025		(2,440)
2026		(5,353)
2027		254
2027		465
	$	(9,906)

Net GLIP OPEB Liability – The NOL for the GLIP represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the GLIP is as follows:

	GLIP OPEB Program
Total GLIP OPEB Liability	$ 3,672,085,295
Plan Fiduciary Net Position	2,467,988,880
Employer's Net GLIP OPEB Liability	$ 1,204,096,415
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability	67.21%

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net GLIP OPEB liability	$ 135,262	$ 92,596	$ 58,767

Payables to the VRS Group Life Insurance OPEB Plan – At June 30, 2023, the Authority had no outstanding payables for required contributions to the OPEB.

Note 11—Deferred compensation plan

The Authority offers a deferred compensation plan covering substantially all full-time employees. The purpose of the plan is to provide retirement income and other deferred benefits to employees in accordance with the provisions of Section 457 of the Internal Revenue Code. The Authority contributed $-0- to the plan in 2023.

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, 2023

Schedules of Changes in Net Pension Asset and Related Ratios

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability									
Service cost	$ 136,369	$ 131,505	$ 151,643	$ 150,311	$ 155,676	$ 160,423	$ 159,710	$ 167,557	$ 172,445
Interest	409,572	375,901	342,288	319,898	303,022	287,235	267,669	250,316	226,970
Change of Assumptions	-	264,555	-	143,091	-	(14,029)	-	-	-
Difference between expected and actual experience	29,950	(165,525)	210,496	31,651	(105,466)	(85,810)	(39,883)	(95,373)	-
Benefit payments, including refunds of member contributions	(240,554)	(247,407)	(165,495)	(122,485)	(101,811)	(142,760)	(73,212)	(76,000)	(55,777)
Net change in total pension liability	335,337	359,029	538,932	522,466	251,421	205,059	314,284	246,500	343,638
Plan total pension liability - beginning	6,051,639	5,692,610	5,153,678	4,631,212	4,379,791	4,174,732	3,860,448	3,613,948	3,270,310
Plan total pension liability - ending	6,386,976	6,051,639	5,692,610	5,153,678	4,631,212	4,379,791	4,174,732	3,860,448	3,613,948
Plan Fiduciary Net Pension									
Contributions - employer	56,590	51,182	46,599	49,335	63,571	65,631	93,258	90,274	118,560
Contributions - employee	74,782	67,436	73,805	72,890	72,365	74,196	72,078	69,839	74,872
Net investment income	(7,284)	1,559,022	108,271	357,582	365,457	537,556	77,521	184,457	531,210
Benefit payments, including refunds of member contributions	(240,554)	(247,407)	(165,495)	(122,485)	(101,811)	(142,760)	(73,212)	(76,000)	(55,777)
Administrative expense	(4,450)	(3,902)	(3,666)	(3,448)	(3,065)	(3,050)	(2,549)	(2,406)	(2,718)
Other changes	165	147	(129)	(226)	(329)	(480)	(32)	(40)	28
Net change in plan fiduciary net position	(120,751)	1,426,478	59,385	353,648	396,188	531,093	167,064	266,124	666,175
Plan fiduciary net position - beginning	7,142,727	5,716,249	5,656,864	5,303,216	4,907,028	4,375,935	4,208,871	3,942,747	3,276,572
Plan fiduciary net position - ending	7,021,976	7,142,727	5,716,249	5,656,864	$ 5,303,216	$ 4,907,028	$ 4,375,935	$ 4,208,871	3,942,747
Plan net pension asset - ending	$ (635,000)	$ (1,091,088)	$ (23,639)	$ (503,186)	$ (672,004)	$ (527,237)	$ (201,203)	$ (348,423)	$ (328,799)
Covered payroll	$ 1,678,851	$ 1,490,937	$ 1,616,908	$ 1,585,149	$ 1,519,405	$ 1,464,479	$ 1,419,616	$ 1,361,220	$ 1,481,896
Plan net pension asset as a percentage of covered payroll	(37.82%)	(73.18%)	(1.46%)	(31.74%)	(44.23%)	(36.00%)	(14.17%)	(25.60%)	(22.19%)

Notes to Schedule:
There have been no significant changes to the benefit provisions since the prior actuarial valuation. Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedules of Employer Contributions

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 47,000	$ 56,590	$ 51,181	$ 46,598	$ 49,335	$ 63,571	$ 65,631	$ 93,258	$ 90,274
Contribution in relation to Contractually required contribution	47,000	56,590	51,181	46,598	49,335	63,571	65,631	93,258	90,274
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,779,869	$ 1,678,851	$ 1,490,937	$ 1,616,908	$ 1,585,149	$ 1,519,405	$ 1,464,479	$ 1,419,616	$ 1,361,220
Contributions as a percentage of employer's covered payroll	2.64%	3.37%	3.43%	2.88%	3.11%	4.18%	4.48%	6.57%	6.63%

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Notes to Schedule:
Schedule is intended to show information for 10 years. Since the 2022 measurement date is the ninth year for this presentation, only eight 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, 2023

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Employer's Proportion of the Net GLI OPEB Liability	0.00772%	0.00722%	0.00785%	0.00796%	0.00799%	0.00824%
Employer's Proportionate Share of the Net GLI OPEB Liability	$ 92,956	$ 84,060	$ 131,003	$ 129,530	$ 122,000	$ 124,000
Employer's Covered Payroll	$ 1,678,851	$ 1,490,937	$ 1,616,908	$ 1,585,149	$ 1,519,405	$ 1,464,479
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.54%	5.64%	8.10%	8.17%	8.03%	8.47%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	52.64%	52.64%	52.00%	51.22%	48.86%

Notes to Schedule:

Schedule is intended to show information for 10 years. Since the 2022 measurement date is the sixth year for this presentation, only five additional years of data are available. However, additional years will be included as they become available. Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

Schedules of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2023	$ 9,611	$ 9,611	$ -	$ 1,779,869	0.54%
6/30/2022	9,066	9,066	-	1,678,851	0.54%
6/30/2021	8,051	8,051	-	1,490,937	0.54%
6/30/2020	8,408	8,400	8	1,616,908	0.52%
6/30/2019	8,243	8,100	143	1,585,149	0.51%
6/30/2018	7,901	7,900	1	1,519,405	0.52%
6/30/2017	7,900	7,900	-	1,464,479	0.54%
6/30/2016	7,043	7,043	-	1,419,616	0.50%
6/30/2015	6,822	6,822	-	1,361,220	0.50%
6/30/2014	7,206	7,206	-	1,481,896	0.49%
6/30/2013	7,702	7,702	-	1,504,276	0.51%
6/30/2012	3,835	3,835	-	1,363,936	0.28%

Notes to Schedule:

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

OTHER SUPPLEMENTARY INFORMATION

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY

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

YEAR ENDED JUNE 30, 2022

	Curbside Recycling Program	Drop-off Recycling Program	Transfer System Operations	Landfill Disposal	Compost Facility Operations	Special Projects	Convenience Centers Operations	Household Chemical Services	Commercial Waste Collection	Vehicle Maintenance Facility	Administrative Services	General Fund	Total
Operating Revenues:													
Fees from member jurisdictions for:													
Curbside recycling program	$ 2,720,375	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,720,375
Transfer system operations	-	-	1,973,209	-	-	-	-	-	-	-	-	-	1,973,209
Landfill disposal	-	-	-	791,889	-	-	-	-	-	-	-	-	791,889
Compost facility operations	-	-	-	-	680,978	-	-	-	-	-	-	-	680,978
Material sales	-	-	134,790	-	417,087	-	-	-	-	-	-	-	551,877
Computer recycling services	-	-	-	-	-	14,700	-	-	-	-	-	-	14,700
Groundwater monitoring	-	-	-	-	-	21,024	-	-	-	-	-	-	21,024
Tire recycling services	-	-	-	-	-	5,240	-	-	-	-	-	-	5,240
Convenience centers operations	-	-	-	-	-	-	871,519	-	-	-	-	-	871,519
Household chemical services	-	-	-	-	-	-	-	338,616	-	-	-	-	338,616
Administrative services	-	-	-	-	-	-	-	-	-	-	112,500	-	112,500
Project overhead	-	-	-	-	-	-	-	-	-	-	590,250	-	590,250
Miscellaneous and other fees	-	-	143,897	-	158,634	-	-	-	-	11,469	159,888	-	473,888
Total Operating Revenues	2,720,375	-	2,251,896	791,889	1,256,699	40,964	871,519	338,616	-	11,469	862,638	-	9,146,065
Operating Expenses:													
Advertising	1,425	-	3,701	-	4,003	675	111	2,025	-	-	3,095	-	15,035
Contracted services	2,708,108	-	29,033	812,539	18,857	15,695	-	252,465	-	-	-	-	3,836,697
Depreciation and amortization	-	-	190,641	-	178,053	-	40,677	1,179	-	109,478	178,871	-	698,899
Equipment and vehicle	-	-	305,628	-	143,694	12,750	9,416	17,750	-	-	7,212	-	496,450
Host fees	-	-	-	-	37,961	-	-	-	-	-	-	-	37,961
Insurance	-	-	21,935	-	11,406	-	4,395	861	-	-	4,112	-	42,709
Material processing	-	-	-	-	-	23,039	-	-	-	-	-	-	23,039
Miscellaneous	-	-	(698)	-	10,114	-	1,087	-	-	-	10,800	-	21,303
Office	-	-	4,503	-	1,278	-	1,477	458	-	-	13,221	-	20,937
Professional services	-	-	-	-	-	-	-	-	-	-	60,046	-	60,046
Project overhead	-	-	1,173	-	-	-	-	-	-	-	-	-	1,173
Utilities	-	-	28,166	-	9,448	-	19,904	920	-	-	5,252	-	63,690
Repairs and maintenance	-	-	200,474	-	123,059	-	26,254	622	-	-	246	-	350,655
Returned funds	-	-	6,523	-	-	-	-	-	-	-	-	-	6,523
Recycling - oil and antifreeze	-	-	100	-	-	-	784	-	-	-	-	-	884
Salaries and benefits	-	-	1,337,565	-	387,365	-	671,032	50,652	-	-	448,019	-	2,894,633
Telephone	-	-	15,718	-	6,395	-	7,806	-	-	-	11,001	-	40,920
Travel	-	-	463	-	57	-	385	-	-	-	7,425	-	8,330
Uniforms and supplies	-	-	27,786	-	54,550	-	8,679	1,389	-	-	5,341	-	97,745
Total Operating Expenses	2,709,533	-	2,172,711	812,539	986,240	52,159	792,007	328,321	-	109,478	754,641	-	8,717,629
Operating Income (Loss)	10,842	-	79,185	(20,650)	270,459	(11,195)	79,512	10,295	-	(98,009)	107,997	-	428,436
Nonoperating Revenues Expenses:													
Interest income	-	-	20,587	-	-	-	8,308	-	-	86,934	54,114	-	169,943
Interest expense	-	-	-	-	-	-	-	-	-	-	(3,426)	-	(3,426)
Total Nonoperating Revenues, net	-	-	20,587	-	-	-	8,308	-	-	86,934	50,688	-	166,517
Change in net position	10,842	-	99,772	(20,650)	270,459	(11,195)	87,820	10,295	-	(11,075)	158,685	-	594,953
Net position (deficit), beginning of year	10,899	226,258	353,743	(16,685)	3,230,013	69,688	1,004,216	197,207	5,285	(67,660)	1,864,697	(111,824)	6,765,837
Net position (deficit), end of year	$ 21,741	$ 226,258	$ 453,515	$ (37,335)	$ 3,500,472	$ 58,493	$ 1,092,036	$ 207,502	$ 5,285	$ (78,735)	$ 2,023,382	$ (111,824)	$ 7,360,790

COMPLIANCE SECTION

Cherry Bekaert LLP
Your Guide Forward

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

To the Board of Directors
Virginia Peninsulas Public Service Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2023, 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 18, 2023.

Report on 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 ("internal control") as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Virginia Beach, Virginia
October 18, 2023