



Virginia Peninsulas Public Service Authority

Financial Report

June 30, 2025

Virginia Peninsulas Public Service Authority

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Independent Auditor's Report

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 business-type activities of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2025, 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, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the 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 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.

Change in Accounting Principle

As described in Notes 2 and 13 to the financial statements, in 2025, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 accompanying other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 September 26, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 26, 2025

Virginia Peninsulas Public Service Authority

Management's Discussion and Analysis

June 30, 2025

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, 2025. 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 \$10,306,824 (net position). Of this amount, \$5,096,033 (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, 2025, was \$10,306,824 compared to \$8,671,377 (restated) at June 30, 2024, an increase of \$1,635,447.
- Total liabilities at June 30, 2025, were \$3,516,736 compared to \$2,789,073 (restated) at June 30, 2024. The \$727,663 increase, or 26.1%, is primarily attributable to monies held in dispute for curbside recycling tonnages.
- Operating revenue of \$11,198,488 was less than the budgeted amount of \$11,588,396 by \$389,908 or 3.4%.
- Operating expenses of \$9,728,412 were less than the budgeted amount of \$11,588,396 by \$1,859,984 or 16.0%.

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

Virginia Peninsulas Public Service Authority

Management's Discussion and Analysis

June 30, 2025

Financial Analysis

The following table reflects the Authority's condensed summary of the Statement of Net Position at June 30, 2025 and 2024.

Statement of Net Position

	2025	2024, as restated
Current and other assets	\$ 7,993,173	\$ 5,181,794
Capital assets	5,890,777	6,234,266
Total assets	13,883,950	11,416,060
Deferred outflows of resources	164,155	175,761
Total assets and deferred outflows of resources	14,048,105	11,591,821
Current liabilities	2,310,291	1,447,543
Noncurrent liabilities	1,206,445	1,341,530
Total liabilities	3,516,736	2,789,073
Deferred inflows of resources	224,545	131,371
Total liabilities and deferred inflows of resources	3,741,281	2,920,444
Net investment in capital assets	4,709,696	4,944,547
Restricted - pension	501,095	438,647
Unrestricted	5,096,033	3,288,183
Total net position	\$ 10,306,824	\$ 8,671,377

At the close of the 2025 and 2024 fiscal years, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,306,824 and \$8,671,377, respectively. The Authority's net position increased \$1,635,447 during FY2025.

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, 2025 and 2024.

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024, as restated
Operating revenues	\$ 11,198,488	\$ 10,324,284
Operating expenses	9,728,412	9,285,596
Operating income	1,470,076	1,038,688
Nonoperating revenues, net	165,371	271,899
Change in net position	1,635,447	1,310,587
Net Position, beginning of year	8,671,377	7,360,790
Net Position, end of year	\$ 10,306,824	\$ 8,671,377

Operating revenues of the Authority increased \$874,204, or 8.47%. The increases were due to increases to fees charged to member communities associated with increased cost of operations.

Operating expenses of the Authority increased \$442,816 or 4.77%, which are explained in more detail below.

Virginia Peninsulas Public Service Authority

Management's Discussion and Analysis

June 30, 2025

The fiscal year 2025 approved budget for the Authority was \$11,588,396. The budget was adopted on December 1, 2023, and reflects a \$475,291, or a 4.2% increase, over FY2024 approved budget. There were no additional positions included in this budget. A 10% increase in offered health insurance, a 5% increase to the bottom of the pay scales, a significant increase in IT services due to closing of business of the long-term IT provider, along with continued increase in costs for tires, parts, equipment, and maintenance costs provided the most notable changes from FY2024 to FY2025 budgets.

The Authority operates four Transfer Stations and 14 Convenience Centers in five counties on the Middle Peninsula. Overall, the Transfer System generated 27,116 tons of solid waste, 1,223 tons of white goods, 386 tons of commingled recyclables, 352 tons of mixed paper and 528 tons of cardboard. These numbers represent over 29,600 tons of material handled. 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 FY2025 generated incoming material quantities of 16,687 tons of leaves, grass, and brush. Additionally, 38,719 cubic yards of compost and mulch products were sold. The curbside recycling program for FY2025 generated 7,875 tons of material, a slight decrease of 226 tons from that of FY2024 collection activities. Middle Peninsula programs experienced a slight increase in hauling related activities in FY2025 when compared to FY2024 collection activities. Recycling quantities received were less than those received in FY2024. Commodity pricing for mixed paper started the fiscal year at a high rate to VPPSA of received revenue. At the mid-year mark, mixed paper pricing decreased substantially but slowly increased by fiscal year end. Cardboard pricing started the year out as a high received revenue but also experienced a decrease at the mid-year mark and remained at a stable rate. White goods pricing remained flat, maintaining a positive value through the fiscal year. Commingled recycling was delivered to a processing facility at a fixed cost per ton during FY2025.

The household chemical project provided 14 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 FY2025 servicing 4,612 vehicles. The 14 events on the Peninsula safely and properly disposed of well over 175,000 pounds of items that cannot be landfilled. There are currently two events scheduled yearly on the Middle Peninsula. Those events serviced 143 vehicles and properly disposed of over 9,000 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, 2025 and 2024.

	2025	2024
Construction in progress	\$ -	\$ 41,692
Building and improvements	2,308,862	2,455,409
Operating equipment	2,102,318	2,406,467
Vehicles	360,169	65,870
Right-of-use lease assets	1,119,428	1,264,828
	<u>\$ 5,890,777</u>	<u>\$ 6,234,266</u>

During the year ended June 30, 2025, the Authority made purchases of vehicles and operating equipment totaling \$508,600. These increases are offset by the Authority's current year disposals of \$351,908 and depreciation expense of \$800,877. Additional information can be found in Note 4 to the basic financial statements.

Virginia Peninsulas Public Service Authority

Management's Discussion and Analysis

June 30, 2025

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, 2025

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 3,173,065
Investments (Note 3)	2,920,433
Accounts receivable:	
Member jurisdictions	1,347,463
Other	35,541
Prepays	15,576
Total current assets	<u>7,492,078</u>

NONCURRENT ASSETS

Capital assets, net (Note 4)	5,890,777
Net pension asset (Note 10)	501,095
Total noncurrent assets	<u>6,391,872</u>
Total assets	<u>13,883,950</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension amounts (Note 10)	146,265
Deferred OPEB amounts (Note 11)	17,890
Total deferred outflows of resources	<u>164,155</u>
Total assets and deferred outflows of resources	<u><u>\$ 14,048,105</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 1,247,576
Compensated absences (Note 5)	173,000
Accrued salaries	61,991
Unearned revenues (Note 6)	674,436
Lease liability, current portion (Note 7)	153,288
Total current liabilities	<u>2,310,291</u>

NONCURRENT LIABILITIES

Net OPEB liability (Note 11)	84,475
Compensated absences, net of current portion (Note 5)	122,154
Lease liability, net of current portion (Note 7)	999,816
Total noncurrent liabilities	<u>1,206,445</u>
Total liabilities	<u>3,516,736</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension amounts (Note 10)	206,191
Deferred OPEB amounts (Note 11)	18,354
Total deferred inflows of resources	<u>224,545</u>
Total liabilities and deferred inflows of resources	<u>3,741,281</u>

NET POSITION

Net investment in capital assets	4,709,696
Restricted - pension	501,095
Unrestricted	5,096,033
Total net position	<u>10,306,824</u>
Total liabilities and deferred inflows of resources, and net position	<u><u>\$ 14,048,105</u></u>

Virginia Peninsulas Public Service Authority

Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2025

OPERATING REVENUES

Fees from member jurisdictions for:

Curbside recycling program	\$ 3,162,139
Transfer system operations	2,704,150
Landfill disposal	835,102
Compost facility operations	1,034,863
Material sales	580,815
Computer recycling services	15,950
Tire recycling services	5,700
Convenience centers operations	1,080,719
Household chemical services	377,899
Administrative services	112,500
Project overhead	797,834
Miscellaneous and other fees	490,817

Total operating revenues

11,198,488

OPERATING EXPENSES

Curbside recycling program	3,157,300
Transfer system operations	2,443,888
Landfill disposal	821,250
Compost facility operations	1,075,963
Special projects	43,492
Convenience centers operations	979,890
Household chemical services	351,900
Administrative services	849,459
Vehicle maintenance facility	5,270

Total operating expenses

9,728,412

Operating income

1,470,076

NONOPERATING REVENUES (EXPENSES)

Gain on disposal of capital assets	41,680
Interest expense	(21,384)
Investment income	144,974
Sales tax	101
Total nonoperating revenues	<u>165,371</u>
Change in net position	<u>1,635,447</u>

NET POSITION

Beginning of year, as restated (Note 13)	8,671,377
End of year	<u><u>\$ 10,306,824</u></u>

Virginia Peninsulas Public Service Authority

Statement of Cash Flows

Year Ended June 30, 2025

OPERATING ACTIVITIES

Receipts from customers and users	\$ 10,830,190
Payments to suppliers for goods and services	(4,837,804)
Payments to employees	(3,287,168)
Net cash provided by operating activities	<u>2,705,218</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital asset	(426,791)
Proceeds from sale of capital asset	51,301
Principal payments of lease liability	(148,755)
Net cash used in financing activities	<u>(524,245)</u>

INVESTING ACTIVITIES

Purchase of investments	(985,576)
Sale of investments	517,170
Investment income	144,974
Interest expense	(21,384)
Net cash used in investing activities	<u>(344,816)</u>
Net increase in cash and cash equivalents	1,836,157

CASH AND CASH EQUIVALENTS

Beginning of year	1,336,908
End of year	<u><u>\$ 3,173,065</u></u>

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 1,470,076
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	800,877
Changes in current assets and liabilities:	
Accounts receivable	(446,290)
Prepays	1,922
Net pension asset	(62,448)
Net OPEB liability	(6,073)
Deferred outflows of resources	11,606
Deferred inflows of resources	93,174
Accounts payable and accrued liabilities	811,044
Compensated absences	(54,486)
Accrued salaries	7,824
Unearned revenues	77,992
Net cash provided by operating activities	<u><u>\$ 2,705,218</u></u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITY

Acquisition of construction of capital assets included in accounts payable at year-end	<u><u>\$ 27,977</u></u>
Acquisition of capital assets through leases	<u><u>\$ 12,140</u></u>

Virginia Peninsulas Public Service Authority

Notes to Basic Financial Statements

June 30, 2025

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, 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

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, 2025, there was \$3,017,161 of the Authority’s cash and cash equivalents in excess of the insurance provided by the Federal Deposit Insurance Corporation (“FDIC”), on deposit in the Authority’s bank accounts. These funds, and the Authority’s investments, however, were properly collateralized in accordance with the Virginia Security for Public Deposits Act.

A substantial portion of the Authority’s 2025 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, 2025, the Authority had a concentration with three member jurisdictions that made up approximately 83% of all accounts receivable. Also, at June 30, 2025, the Authority had a concentration with one vendor that made up approximately 82% of all accounts payable.

Virginia Peninsulas Public Service Authority

Notes to Basic Financial Statements

June 30, 2025

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.

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, 2025.

Prepays

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

Capital Assets

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

Virginia Peninsulas Public Service Authority

Notes to Basic Financial Statements

June 30, 2025

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-to-use lease assets	See Note 7

Deferred Outflows of Resources

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 consist 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 include 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, changes in proportionate share, difference between projected and actual earnings, 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.

Deferred Inflows of Resources

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 inflows of resources represent 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 include the net difference between projected and actual earnings on pension and OPEB plan investments, 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

The Authority permits employees to accrue vacation and sick leave in varying amounts each pay period. A liability is recognized for the amount of accumulated accrued compensated absences including associated benefits, that is estimated to be used or taken, at current pay rates at year-end.

Use of Restricted / Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first.

Virginia Peninsulas Public Service Authority

Notes to Basic Financial Statements

June 30, 2025

Leases – Lessee

The Authority is a lessee on various noncancelable leases for equipment, office space, and land. The Authority recognizes a lease liability and an intangible right-of-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 the lease term. Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it used 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 noncancelable 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 leases 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.

Adoption of New Accounting Standard

Effective July 1, 2024, the Authority adopted GASB Statement No. 101, *Compensated Absences*. Statement No. 101 provides guidance on the recognition and measurement for compensated absences. The implementation of this pronouncement had the effect of restating previously reported amounts. Further information on this restatement is provided in Note 13, and additional details on the Authority's compensated absences can be found in Note 5.

Note 3 – Cash, Cash Equivalents, and Investments

At June 30, 2025, the Authority's cash and investments consisted of.

Deposits:	
Cash on hand	\$ 3,173,065
Investments:	
Commonwealth's Local Government Investment Pool ("LGIP") – rated AAAM by <i>Standard & Poor's</i>	2,920,433
	<u>\$ 6,093,498</u>

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

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Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, and the State Treasurer’s LGIP. LGIP is managed in accordance with the “2a7 like pool” risk limiting requirements of U.S. GAAP with the portfolio securities valued by the amortized cost method. The fair value of the Authority’s position in 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, 2024	Increases	Decreases	Balance June 30, 2025
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:				
Buildings and improvements	5,516,007	-	(83,650)	5,432,357
Office equipment	8,587	-	-	8,587
Operating equipment	6,025,456	75,848	(268,258)	5,833,046
Vehicles	2,208,716	420,612	-	2,629,328
Right-of-use lease assets	1,432,212	12,140	-	1,444,352
Total capital being depreciated or amortized	15,190,978	508,600	(351,908)	15,347,670
Accumulated depreciation and amortization:				
Buildings and improvements	3,060,598	146,547	(83,650)	3,123,495
Office equipment	8,587	-	-	8,587
Operating equipment	3,618,989	370,477	(258,738)	3,730,728
Vehicles	2,142,846	126,313	-	2,269,159
Right-of-use lease assets	167,384	157,540	-	324,924
Total accumulated depreciation and amortization	8,998,404	800,877	(342,388)	9,456,893
Total capital assets being depreciated and amortized, net	6,192,574	(292,277)	(9,520)	5,890,777
Capital assets, net	<u>\$ 6,234,266</u>	<u>\$ (292,277)</u>	<u>\$ (51,212)</u>	<u>\$ 5,890,777</u>

Depreciation and amortization expense were charged as follows:

Administrative services	\$ 164,483
Vehicle maintenance facility	5,270
Compost facility operations	268,989
Convenience centers operations	62,817
Household chemical	1,179
Transfer stations operations	298,139
Total depreciation and amortization expense	<u>\$ 800,877</u>

Virginia Peninsulas Public Service Authority

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Note 5 – Compensated Absences

The Authority adopted GASB Statement No. 101, *Compensated Absences* in fiscal year 2025 and previously reported amounts were restated. Restated balances are provided in Note 13 and below. The following is a schedule of changes in compensated absences during 2025:

	Balance July 1, 2024, as restated	Net Changes	Balance June 30, 2025	Current Portion
Compensated absences	<u>\$ 349,640</u>	<u>\$ (54,486)</u>	<u>\$ 295,154</u>	<u>\$ 173,000</u>

Note 6 – Unearned Revenues

At June 30, 2025, unearned revenues consist of prepayments of fees by participating jurisdictions as follows:

Landfill disposal fees	\$ 294,171
Recycling fees	196,513
Household chemical disposal fees	183,752
Total unearned revenues	<u>\$ 674,436</u>

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 \$178 to \$10,315 under these leases. The leases do not have a stated interest rate; therefore, the Authority used a discount rate of between 1.74% and 3.85% for leases. As of June 30, 2025, the value of the lease liabilities was \$1,153,104. The value of the right-of-use assets as of the end of the current fiscal year was \$1,444,352 and had accumulated amortization of \$324,924.

	Balance July 1, 2024	Increase	Decrease	Balance June 30, 2025
Lease liability	<u>\$ 1,289,719</u>	<u>\$ 12,140</u>	<u>\$ (148,755)</u>	<u>\$ 1,153,104</u>

Year Ending	Principal	Interest	Total
2026	\$ 153,288	\$ 19,002	\$ 172,290
2027	156,955	16,219	173,174
2028	157,447	13,411	170,858
2029	160,051	10,654	170,705
2030	163,804	7,839	171,643
2031 - 2033	361,559	9,781	371,340
	<u>\$ 1,153,104</u>	<u>\$ 76,906</u>	<u>\$ 1,230,010</u>

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Note 8 – Board-Designated Equipment Reserve

During 2025, the Board designated an additional \$541,750 of unrestricted investments for use in vehicle and equipment replacement for the Authority. Interest earned on the underlying investment was \$100,280 and is included in additions to the reserve. Remaining additions are related to community payments for the Vehicle Maintenance Facility totaling \$212,610 that were deposited to the Compost Facility, 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 \$517,170. Activity in the board-designated equipment reserve fund is summarized as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
Administrative services	\$ 50,930	\$ 2,539	\$ -	\$ 53,469
Compost facility operations	498,919	313,454	-	812,373
Convenience centers operations	327,719	147,302	26,830	448,191
Transfer station operations	784,351	391,345	490,340	685,356
	<u>\$ 1,661,919</u>	<u>\$ 854,640</u>	<u>\$ 517,170</u>	<u>\$ 1,999,389</u>

Note 9 – Contingent Liability

The Virginia Department of Environmental Quality (the “Department”) has determined the Authority must comply with the requirements pursuant to the Virginia Financial Assurance Regulations for Solid Waste Disposal, Transfer, and Treatment Facilities (the “Regulation”). Under the Regulation, owners or operators of compost facilities must provide and maintain a financial mechanism or combination of mechanisms demonstrating financial assurance for the closure costs, if applicable, the post-closure care and corrective action costs associated with these facilities. The intent of the Regulation is to ensure, in the event such facilities are abandoned, the costs associated with closure, post-closure, or corrective action are borne by the operator abandoning the facility and not the Commonwealth of Virginia. The Department requires the operator to submit a detailed written cost estimate, in current dollars, of the costs of closing the facility in accordance with the requirements. At June 30, 2025, the Authority has estimated these costs to be \$49,700. Funding of these costs will come from current year operating revenues.

Note 10 – Defined Benefit Pension Plan

Plan Description

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

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The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	31
Inactive members:	
Vested	14
Nonvested	52
Active elsewhere in VRS	7
Total inactive members	104
Active members	40
Total covered employees	144

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2025, was 4.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$76,881 and \$49,930 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$13,067 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$14,071 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,430,330 for the year ended June 30, 2025.

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Net Pension Asset/Liability

The net pension asset/liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension asset/liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Scale with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Long-Term Expected Rate of Return

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

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Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	32.00%	6.70%	2.14%
Fixed income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
PIP – Private investment partnership	1.00%	8.00%	0.08%
Diversifying strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
	100.00%		7.07%
		* Expected arithmetic nominal return	7.07%

* The above allocation provides for a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

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. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, 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.

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Changes in Net Pension Asset

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at June 30, 2023	\$ 6,901,088	\$ 7,339,735	\$ (438,647)
Changes for the year:			
Service cost	151,527	-	151,527
Interest	467,117	-	467,117
Difference between expected and actual experience	160,679	-	160,679
Contributions – employer	-	49,931	(49,931)
Contributions – employee	-	86,162	(86,162)
Net investment income	-	710,216	(710,216)
Benefit payments, including refunds of employee contributions	(264,720)	(264,720)	-
Administrative expense	-	(4,685)	4,685
Other changes	-	147	(147)
Net changes	514,603	577,051	(62,448)
Balances at June 30, 2024	<u>\$ 7,415,691</u>	<u>\$ 7,916,786</u>	<u>\$ (501,095)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's net pension liability (asset)	<u>\$ 337,575</u>	<u>\$ (501,095)</u>	<u>\$ (1,212,665)</u>

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

For the year ending June 30, 2025, the Authority recognized pension expense of \$112,662. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,384	\$ -
Employer contributions made subsequent to measurement date	76,881	-
Net difference between projected and actual earnings on plan investments	-	206,191
	<u>\$ 146,265</u>	<u>\$ 206,191</u>

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The \$76,881 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	<u>Effect on Pension Expense</u>
2026	\$ (109,373)
2027	56,769
2028	(40,349)
2029	(43,854)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218 2500.

Note 11 – Other Post-Employment Benefits – Virginia Retirement System Plans

In addition to its participation in the pension plan offered through the Virginia Retirement System (VRS), the Authority also participates in a multiple-employer, cost-sharing other postemployment benefit plan, described as follows.

Plan Description

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

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Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% 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, 2025, was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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. Contribution to the GLI Program from the entity were \$361 and \$10,489 for the years ended June 30, 2025 and 2024, respectively.

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

At June 30, 2025, the Authority reported a liability of \$84,475 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2024, and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net GLI OPEB liability was based on the Authority's actuarially determined employer contributions to the GLI program for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Authority's proportion was 0.00757% as compared to 0.00755% at June 30, 2023.

For the year ended June 30, 2025, the Authority recognized GLI OPEB expense of \$843. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,324	\$ 2,063
Changes of assumptions	482	4,186
Net difference between projected and actual earnings on plan investments	-	7,120
Changes in proportionate share	3,723	4,985
Employer contribution subsequent to the measurement date	361	-
	\$ 17,890	\$ 18,354

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The \$361 reported as deferred outflows of resources related to the GLI OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction to the Net OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future periods as follows:

Year Ending	Effect on OPEB Expense
2026	\$ (4,680)
2027	823
2028	1,058
2029	627
2030	1,347

Actuarial Assumptions

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.50%
Salary increases, including inflation:	
General state employees	3.50 - 5.35%
Teachers	3.50 - 5.95%
SPORS employees	3.50 - 4.75%
VaLORS employees	3.50 - 4.75%
JRS employees	4.00%
Locality - general employees	3.50 - 5.35%
Locality - hazardous duty employees	3.50 - 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 10.

Net GLI OPEB Liability

The net OPEB liability represents the GLI program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

Total GLI OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers' Net GLI OPEB Liability	<u>\$ 1,115,922</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	73.41%

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

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Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	32.00%	6.70%	2.14%
Fixed income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
PIP – Private investment partnership	1.00%	8.00%	0.08%
Diversifying strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
	100.00%		7.07%
* Expected arithmetic nominal return			7.07%

* The above allocation provides for a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI OPEB 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 Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by the employer for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the GLI program net OPEB liability	\$ 131,370	\$ 84,475	\$ 46,590

GLI Program Fiduciary Net Position

Detailed information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218 2500.

Note 12 – 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 2025.

Note 13 – Restatement

During fiscal year 2025, the change in accounting principle for the implementation of GASB Statement No. 101 resulted in the restatement of net position as of June 30, 2024, as follows:

	Net Position
June 30, 2024, as previously reported	\$ 8,740,904
Implementation of accounting principle	(69,527)
June 30, 2024, as restated	\$ 8,671,377

This implementation has been applied retrospectively, and prior year comparative numbers have been restated accordingly.



Required Supplementary Information

Virginia Peninsulas Public Service Authority

Schedule of Changes in Net Pension Asset and Related Ratios and Employer Contributions (Unaudited) – Virginia Retirement System

	Plan Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service cost	\$ 151,527	\$ 144,258	\$ 136,369	\$ 131,505	\$ 151,643	\$ 150,311	\$ 155,676	\$ 160,423	\$ 159,710	\$ 167,557
Interest	467,117	432,223	409,572	375,901	342,288	319,898	303,022	287,235	267,669	250,316
Changes of assumptions	-	-	-	264,555	-	143,091	-	(14,029)	-	-
Differences between expected and actual experience	160,679	193,479	29,950	(165,525)	210,496	31,651	(105,466)	(85,810)	(39,883)	(95,373)
Benefit payments, including refunds of member contributions	(264,720)	(255,848)	(240,554)	(247,407)	(165,495)	(122,485)	(101,811)	(142,760)	(73,212)	(76,000)
Net change in total pension liability	514,603	514,112	335,337	359,029	538,932	522,466	251,421	205,059	314,284	246,500
Total pension liability, beginning	6,901,088	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
Total pension liability, ending (a)	<u>\$ 7,415,691</u>	<u>\$ 6,901,088</u>	<u>\$ 6,386,976</u>	<u>\$ 6,051,639</u>	<u>\$ 5,692,610</u>	<u>\$ 5,153,678</u>	<u>\$ 4,631,212</u>	<u>\$ 4,379,791</u>	<u>\$ 4,174,732</u>	<u>\$ 3,860,448</u>
PLAN FIDUCIARY NET POSITION										
Contributions, employer	\$ 49,931	\$ 46,990	\$ 56,590	\$ 51,182	\$ 46,599	\$ 49,335	\$ 63,571	\$ 65,631	\$ 93,258	\$ 90,274
Contributions, employee	86,162	79,063	74,782	67,436	73,805	72,890	72,365	74,196	72,078	69,839
Net investment income	710,216	451,886	(7,284)	1,559,022	108,271	357,582	365,457	537,556	77,521	184,457
Benefit payments, including refunds of member contributions	(264,720)	(255,848)	(240,554)	(247,407)	(165,495)	(122,485)	(101,811)	(142,760)	(73,212)	(76,000)
Administrative expenses	(4,685)	(4,514)	(4,450)	(3,902)	(3,666)	(3,448)	(3,065)	(3,050)	(2,549)	(2,406)
Other changes	147	182	165	147	(129)	(226)	(329)	(480)	(32)	(40)
Net change in plan fiduciary net position	577,051	317,759	(120,751)	1,426,478	59,385	353,648	396,188	531,093	167,064	266,124
Plan fiduciary net position, beginning	7,339,735	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 fiduciary net position, ending (b)	<u>\$ 7,916,786</u>	<u>\$ 7,339,735</u>	<u>\$ 7,021,976</u>	<u>\$ 7,142,727</u>	<u>\$ 5,716,249</u>	<u>\$ 5,656,864</u>	<u>\$ 5,303,216</u>	<u>\$ 4,907,028</u>	<u>\$ 4,375,935</u>	<u>\$ 4,208,871</u>
Net pension asset (a-b)	<u>\$ (501,095)</u>	<u>\$ (438,647)</u>	<u>\$ (635,000)</u>	<u>\$ (1,091,088)</u>	<u>\$ (23,639)</u>	<u>\$ (503,186)</u>	<u>\$ (672,004)</u>	<u>\$ (527,237)</u>	<u>\$ (201,203)</u>	<u>\$ (348,423)</u>
Covered payroll	\$ 1,942,528	\$ 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
Net pension liability (asset) as a percentage of covered payroll	-25.8%	-24.6%	-37.8%	-73.2%	-1.5%	-31.7%	-44.2%	-36.0%	-14.2%	-25.6%

Schedule of Employer Contributions (Unaudited) – Virginia Retirement System

Year Ended June 30, 2025

Fiscal Year Ended June 30	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 76,881	\$ 49,930	\$ 47,000	\$ 56,590	\$ 51,181	\$ 46,598	\$ 49,335	\$ 63,571	\$ 65,631	\$ 93,258
Contribution in relation to contractually required contribution	76,881	49,930	47,000	56,590	51,181	46,598	49,335	63,571	65,631	93,258
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employers covered payroll	\$ 1,924,023	\$ 1,942,528	\$ 1,779,869	\$ 1,678,851	\$ 1,490,937	\$ 1,616,908	\$ 1,585,149	\$ 1,519,405	\$ 1,464,479	\$ 1,419,616
Contributions as a percentage of employer's covered payroll	4.00%	2.57%	2.64%	3.37%	3.43%	2.88%	3.11%	4.18%	4.48%	6.57%

Virginia Peninsulas Public Service Authority

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program (Unaudited) – Virginia Retirement System

Fiscal Year Ended June 30,*	2024	2023	2022	2021	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability	0.00757%	0.00755%	0.00772%	0.00772%	0.00785%	0.00796%	0.00799%	0.00824%
Employer's proportionate share of the net GLI OPEB liability	\$ 84,475	\$ 90,548	\$ 92,956	\$ 84,060	\$ 131,003	\$ 129,530	\$ 122,000	\$ 124,000
Employer's covered payroll	\$ 1,942,528	\$ 1,779,869	\$ 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	4.35%	5.09%	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	73.41%	69.30%	67.21%	52.64%	52.64%	52.00%	51.22%	48.86%

Note to Schedule:

Schedule is intended to show information for 10 years. Since the 2024 measurement date is the eighth year for this presentation, only seven additional years of data are available. However, additional years will be included as they become available. Per U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

* The measurement date is the previous fiscal year

Schedule of Employer Contributions (Unaudited) – Virginia Retirement System

June 30,	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employers Covered Payroll	Contributions as a % of Covered Payroll
2025	\$ 361	\$ 361	\$ -	\$ 1,924,023	0.02%
2024	10,489	10,489	-	1,942,528	0.54%
2023	9,611	9,611	-	1,779,869	0.54%
2022	9,066	9,066	-	1,678,851	0.54%
2021	8,051	8,051	-	1,490,937	0.54%
2020	8,408	8,400	8	1,616,908	0.52%
2019	8,243	8,100	143	1,585,149	0.51%
2018	7,901	7,900	1	1,519,405	0.52%
2017	7,900	7,900	-	1,464,479	0.54%
2016	7,043	7,043	-	1,419,616	0.50%

Virginia Peninsulas Public Service Authority

Notes to Required Supplementary Information

June 30, 2025

Note 1 – Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 - Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.



Other Supplementary Information

Virginia Peninsulas Public Service Authority

Schedule of Revenues, Expenses, and Changes in Net Position by Program/Service
Year Ended June 30, 2025

	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	\$ 3,162,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,162,139
Transfer system operations	-	-	2,704,150	-	-	-	-	-	-	-	-	-	2,704,150
Landfill disposal	-	-	-	835,102	-	-	-	-	-	-	-	-	835,102
Compost facility operations	-	-	-	-	1,034,863	-	-	-	-	-	-	-	1,034,863
Material sales	-	-	141,016	-	439,799	-	-	-	-	-	-	-	580,815
Computer recycling services	-	-	-	-	-	15,950	-	-	-	-	-	-	15,950
Tire recycling services	-	-	-	-	-	5,700	-	-	-	-	-	-	5,700
Convenience centers operations	-	-	-	-	-	-	1,080,719	-	-	-	-	-	1,080,719
Household chemical services	-	-	-	-	-	-	-	377,899	-	-	-	-	377,899
Administrative services	-	-	-	-	-	-	-	-	-	-	112,500	-	112,500
Project overhead	-	-	-	-	-	-	-	-	-	-	797,834	-	797,834
Miscellaneous and other fees	-	-	-	-	-	-	-	-	-	12,558	478,259	-	490,817
Total operating revenues	3,162,139	-	2,845,166	835,102	1,474,662	21,650	1,080,719	377,899	-	12,558	1,388,593	-	11,198,488
OPERATING EXPENSES													
Advertising	-	-	2,126	-	-	675	-	2,025	-	-	-	-	4,826
Contracted services	3,157,300	-	28,938	821,250	25,889	12,831	18,406	288,100	-	-	-	-	4,352,714
Depreciation and amortization	-	-	298,139	-	268,989	-	62,817	1,179	-	5,270	164,483	-	800,877
Equipment and vehicle	-	-	236,806	-	91,844	-	7,712	404	-	-	1,178	-	337,944
Host fees	-	-	-	-	28,628	-	-	-	-	-	-	-	28,628
Insurance	-	-	24,552	-	12,431	4,706	-	936	-	-	4,941	-	47,566
Material processing	-	-	-	-	-	25,280	-	-	-	-	-	-	25,280
Miscellaneous	-	-	13,510	-	16,538	-	789	853	-	-	16,747	-	48,437
Office	-	-	13,196	-	26,120	-	941	293	-	-	19,093	-	59,643
Professional services	-	-	-	-	50	-	-	-	-	-	82,750	-	82,800
Project overhead	-	-	567	-	-	-	-	-	-	-	-	-	567
Utilities	-	-	27,899	-	7,887	-	22,136	2,580	-	-	5,452	-	65,954
Repairs and maintenance	-	-	273,731	-	151,606	-	28,456	387	-	-	1,165	-	455,345
Returned funds	-	-	12,132	-	-	-	-	-	-	-	-	-	12,132
Recycling - oil and antifreeze	-	-	429	-	-	-	482	-	-	-	-	-	911
Salaries and benefits	-	-	1,469,361	-	404,751	-	820,147	54,386	-	-	534,943	-	3,283,588
Telephone	-	-	16,199	-	5,212	-	7,956	-	-	-	9,003	-	38,370
Travel	-	-	303	-	-	-	307	-	-	-	6,923	-	7,533
Uniforms and supplies	-	-	26,000	-	36,018	-	9,741	757	-	-	2,781	-	75,297
Total operating expenses	3,157,300	-	2,443,888	821,250	1,075,963	43,492	979,890	351,900	-	5,270	849,459	-	9,728,412
Operating income (loss)	4,839	-	401,278	13,852	398,699	(21,842)	100,829	25,999	-	7,288	539,134	-	1,470,076
NONOPERATING REVENUES (EXPENSES)													
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	41,680	-	41,680
Interest income	-	-	47,985	-	-	-	17,302	-	-	60,981	18,706	-	144,974
Interest expense	-	-	-	-	-	-	-	-	-	-	(21,384)	-	(21,384)
Sales tax	-	-	-	-	-	-	-	-	-	-	101	-	101
Total nonoperating revenues	-	-	47,985	-	-	-	17,302	-	-	60,981	39,103	-	165,371
Change in net position	4,839	-	449,263	13,852	398,699	(21,842)	118,131	25,999	-	68,269	578,237	-	1,635,447
NET POSITION													
Beginning of year, as restated	27,348	226,258	987,171	(32,667)	4,016,465	46,966	1,184,632	212,756	5,285	(7,618)	2,186,132	(181,351)	8,671,377
End of year	<u>\$ 32,187</u>	<u>\$ 226,258</u>	<u>\$ 1,436,434</u>	<u>\$ (18,815)</u>	<u>\$ 4,415,164</u>	<u>\$ 25,124</u>	<u>\$ 1,302,763</u>	<u>\$ 238,755</u>	<u>\$ 5,285</u>	<u>\$ 60,651</u>	<u>\$ 2,764,369</u>	<u>\$ (181,351)</u>	<u>\$ 10,306,824</u>



Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Virginia Peninsulas Public Service Authority (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financials, and have issued our report thereon dated September 26, 2025.

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 a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 26, 2025

Virginia Peninsulas Public Service Authority

Summary of Compliance Matters

June 30, 2025

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Procurement Laws

Uniform Disposition of Unclaimed Property Act