



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021

**NRV REGIONAL WATER AUTHORITY  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021**

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## INTRODUCTORY SECTION

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**NRV REGIONAL WATER AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**JUNE 30, 2021**

**BOARD OF DIRECTORS**

William R. Knocke, Chairman

Marc A. Verniel, Vice Chairman

Wayne O. Nelson, Secretary

F. Craig Meadows, Treasurer

Christopher H. Kiwus

**EXECUTIVE DIRECTOR**

Caleb M. Taylor, PE

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## FINANCIAL SECTION

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**Independent Auditors' Report**

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**To the Board of Directors  
NRV Regional Water Authority  
Radford, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the NRV Regional Water Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the NRV Regional Water Authority, as of June 30, 2021, 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 37-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the NRV Regional Water Authority's basic financial statements. The introductory section and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

*Supplementary and Other Information (Continued)*

The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Report on Summarized Comparative Information**

We previously audited NRV Regional Water Authority's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in their report dated October 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, on our consideration of the NRV Regional Water 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 NRV Regional Water 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 NRV Regional Water Authority's internal control over financial reporting and compliance.



Blacksburg, Virginia  
September 24, 2021



## **Basic Financial Statements**

NRV Regional Water Authority  
Statement of Net Position  
At June 30, 2021  
(With Comparative Totals at June 30, 2020)

	2021	2020
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 10,049,406	\$ 8,232,375
Accounts receivable - members	2,268,053	2,019,911
Accounts receivable - others	-	1,448
Capital contribution receivable - current portion	25,217	24,723
Prepaid expenses	33,745	88,528
Inventory	36,529	31,560
Total current assets	\$ 12,412,950	\$ 10,398,545
Noncurrent Assets:		
Restricted cash and cash equivalents	\$ 2,227,700	\$ 7,100,928
Capital contribution receivable - net of current portion	1,090,056	1,116,214
Capital assets, net of depreciation	42,718,329	27,847,219
Total noncurrent assets	\$ 46,036,085	\$ 36,064,361
<b>Total assets</b>	<b>\$ 58,449,035</b>	<b>\$ 46,462,906</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred amount on refunding	\$ 90,512	\$ 96,864
Pension related items	631,802	571,244
OPEB related items	613,994	534,337
Total deferred outflows of resources	\$ 1,336,308	\$ 1,202,445
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 216,388	\$ 227,662
Construction payables	3,427,960	2,350,638
Interest payable	197,894	150,089
Unearned revenue	-	33,892
Compensated absences - current portion	95,021	88,825
Revenue bonds - current portion	400,409	387,498
Total current liabilities	\$ 4,337,672	\$ 3,238,604
Noncurrent Liabilities:		
Compensated absences - net of current portion	\$ 285,063	\$ 266,473
Net OPEB liabilities	1,764,296	2,105,328
Net pension liability	3,127,856	2,918,997
Revenue bonds - net of current portion	21,980,475	15,015,655
Total noncurrent liabilities	\$ 27,157,690	\$ 20,306,453
<b>Total liabilities</b>	<b>\$ 31,495,362</b>	<b>\$ 23,545,057</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Pension related items	\$ 102,414	\$ 169,790
OPEB related items	460,383	14,450
Total deferred inflows of resources	\$ 562,797	\$ 184,240
<b><u>NET POSITION</u></b>		
Net investment in capital assets	\$ 19,227,697	\$ 17,291,220
Restricted	878,515	-
Unrestricted	7,620,972	6,644,834
Total net position	\$ 27,727,184	\$ 23,936,054

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

NRV Regional Water Authority  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2021  
(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
<b>Operating Revenues:</b>		
Water sales	\$ 9,212,553	\$ 9,054,340
Other	12,883	5,674
<b>Total operating revenues</b>	<b>\$ 9,225,436</b>	<b>\$ 9,060,014</b>
<b>Operating Expenses:</b>		
Salaries and employee benefits	\$ 2,399,943	\$ 2,318,530
Water systems	1,341,861	1,303,194
Management and general	69,334	55,260
Engineering, operations, and maintenance	321,138	325,361
Vehicle fuel and maintenance	33,821	24,268
Depreciation	799,601	627,465
<b>Total operating expenses</b>	<b>\$ 4,965,698</b>	<b>\$ 4,654,078</b>
<b>Net operating income (loss)</b>	<b>\$ 4,259,738</b>	<b>\$ 4,405,936</b>
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	\$ 93,172	\$ 204,260
Interest expense	(560,756)	(462,567)
Bond issuance costs	-	(135,125)
Gain (Loss) on disposal of assets	(1,024)	9,932
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (468,608)</b>	<b>\$ (383,500)</b>
<b>Change in net position</b>	<b>\$ 3,791,130</b>	<b>\$ 4,022,436</b>
Net position, beginning of year	23,936,054	19,913,618
Net position, end of year	<u>\$ 27,727,184</u>	<u>\$ 23,936,054</u>

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

NRV Regional Water Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2021  
(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 8,944,850	\$ 9,291,897
Payments to suppliers	(1,727,614)	(1,604,159)
Payments to employees and retirees	(2,268,988)	(2,196,880)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 4,948,248</b>	<b>\$ 5,490,858</b>
<b>Cash flows from capital and related financing activities:</b>		
Purchase and construction of capital assets	\$ (14,593,389)	\$ (8,130,009)
Principal payments on bonds	(305,000)	(155,000)
Proceeds from indebtedness	7,365,229	10,031,906
Interest expense	(589,097)	(398,881)
Bond issuance costs	-	(135,125)
Proceeds from sale of capital assets	(1,024)	9,932
Capital contributions received	25,664	23,763
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>\$ (8,097,617)</b>	<b>\$ 1,246,586</b>
<b>Cash flow from investing activities:</b>		
Interest income	\$ 93,172	\$ 204,260
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (3,056,197)</b>	<b>\$ 6,941,704</b>
Cash and cash equivalents at beginning of year (including \$7,100,928 held in restricted accounts)	15,333,303	8,391,599
Cash and cash equivalents at end of year (including \$2,227,700 held in restricted accounts)	<u>\$ 12,277,106</u>	<u>\$ 15,333,303</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Net operating income (loss)	\$ 4,259,738	\$ 4,405,936
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	799,601	627,465
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable	(246,694)	197,991
(Increase) decrease in prepaid expenses	54,783	2,185
(Increase) decrease in inventory	(4,969)	-
(Increase) decrease in deferred outflows of resources	(140,215)	(333,768)
Increase (decrease) in accounts payable and accrued liabilities	(11,274)	101,739
Increase (decrease) in unearned revenue	(33,892)	33,892
Increase (decrease) in compensated absences	24,786	8,080
Increase (decrease) in net OPEB liabilities	(341,032)	208,932
Increase (decrease) in net pension liability	208,859	281,975
Increase (decrease) in deferred inflows of resources	378,557	(43,569)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 4,948,248</b>	<b>\$ 5,490,858</b>
<b>Schedule of non-cash capital and related financing activities:</b>		
Purchase of property, plant and equipment included in construction payables	\$ 3,427,960	\$ 2,350,638

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

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2021**

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

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

**A. Financial Reporting Entity**

The NRV Regional Water Authority (the “Authority”) is the successor entity to the Blacksburg-Christiansburg-VPI Water Authority which was originally chartered in 1955 to operate and maintain a water supply system for the Towns of Blacksburg and Christiansburg and for Virginia Polytechnic Institute and State University. The County of Montgomery joined the Authority pursuant to a joinder agreement dated June 18, 2013, which called for the name of the Authority to be changed to NRV Regional Water Authority. The Authority is governed by a Board of Directors consisting of one representative appointed by each of the members. The Authority is a jointly governed organization of the four members listed herein. The participating members do have a financial interest in and responsibility to the Authority.

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

**B. Financial Statement Presentation**

The Authority follows the business-type activities requirements of current financial statement guidance, which provides that the following sections be included in the annual financial report:

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

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

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

**C. Basis of Accounting**

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

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

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

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

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

**E. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**F. Net Position**

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

NRV REGIONAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2021

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

F. Net Position (Continued)

The Authority's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the component of net position.

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

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

G. Net Position Flow Assumption

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

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

**H. Capital Assets (Continued)**

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	15-50
Plant facilities and transmission lines	20-50
Pumps, valves, and equipment	5-30
Trucks and other vehicles	5-7
Dewatering facilities and basins	15-50

**I. Use of Estimates**

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

**J. Compensated Absences**

The Authority has policies to allow the accumulation and vesting of limited amounts of vacation, sick, compensatory, and paid time off leave until termination or retirement. Amounts of such absences are accrued when incurred. The Authority has adopted a retirement health savings plan for the benefit of its employees. Under this plan, employees retiring from service will be eligible to have 60% of unused sick leave contributed by the Authority to a retirement health savings account to be used for payment of qualified medical expenses. At June 30, 2021, the liability for compensated absences totaled \$380,084, as compared to \$355,298 as of June 30, 2020.

**K. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Authority reports \$1,349,185 in restricted cash and cash equivalents which are short-term investments held with SNAP with an original maturity of three months or less. These restricted cash and cash equivalents result from unspent bond proceeds restricted for ongoing construction projects. The Authority also reports \$878,515 in restricted cash and cash equivalents which are maintained in a debt reserve as required by VRA for the outstanding bonds.

**L. Investments**

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.



NRV REGIONAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2021

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

**M. Accounts Receivable**

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

**N. Inventory**

Inventory consists of pumps, valves, parts, pipes, and supplies reported at the lower of cost (first-in, first-out) or market. Inventory is generally used for construction and for operation and maintenance work and is not held for resale. Costs of inventory are charged to construction or operations when used.

**O. Prepaid Items**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**P. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

***Group Life Insurance***

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Health Insurance***

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

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

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**NOTE 2 - DEPOSITS AND INVESTMENTS:**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

**Custodial Credit Risk (Investments)**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have an investment policy for custodial credit risk. As of June 30, 2021, the Authority did not hold any investments that were subject to custodial credit risk.

**Concentration of Credit Risk**

At June 30, 2021, the Authority did not have any investments meeting the definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

**Credit Risk of Debt Securities**

The Authority has not adopted an investment policy for credit risk. The Authority’s rated debt investments as of June 30, 2021 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

<b>Authority's Rated Debt Investments' Values</b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Ratings</u></b>
	<b><u>AAAm</u></b>
SNAP	\$ 1,349,185

NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021

**NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)**

External Investment Pools

The value of the positions in the external investment pools (State Non-Arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

The Authority has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
SNAP	\$ 1,349,185	\$ 1,349,185

**NOTE 3 -RECEIVABLES AND REVENUES:**

**CAPITAL CONTRIBUTION RECEIVABLE:**

The County of Montgomery provided a capital contribution when it joined the Authority payable over forty years in annual installments of \$47,522, including interest at a rate of two percent.

The annual principal and related interest requirements are as follows:

<u>Year Ending June 30,</u>	<u>Capital Contribution</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 25,217	\$ 22,305
2023	25,721	21,801
2024	26,236	21,286
2025	26,760	20,762
2026	27,296	20,226
2027-2031	144,889	92,721
2032-2036	159,969	77,641
2037-2041	176,619	60,991
2042-2046	195,001	42,609
2047-2051	215,297	22,313
2052-2053	92,268	2,776
Totals	\$ 1,115,273	405,431

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

**NOTE 3 -RECEIVABLES AND REVENUES: (CONTINUED)**

**OPERATING RECEIVABLES AND REVENUES:**

Accounts receivable and water sales were as follows:

	<b>Accounts</b>	
	<b>Receivable</b>	<b>Revenues</b>
Town of Blacksburg	\$ 931,047	\$ 3,698,940
Town of Christiansburg	767,674	3,078,525
County of Montgomery	199,357	790,038
Virginia Tech	369,975	1,645,050
Total	<u>\$ 2,268,053</u>	<u>\$ 9,212,553</u>

**NOTE 4 - CAPITAL ASSETS:**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 640,171	\$ 7,000	\$ -	\$ 647,171
Construction in progress	13,392,264	15,632,552	(13,459,818)	15,564,998
Total capital assets, not being depreciated	<u>\$ 14,032,435</u>	<u>\$ 15,639,552</u>	<u>\$ (13,459,818)</u>	<u>\$ 16,212,169</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,376,347	\$ 2,428,482	\$ -	\$ 3,804,829
Plant facilities and transmission lines	14,296,359	11,031,336	-	25,327,695
Dewatering facilities and basins	898,913	-	-	898,913
Pumps, valves, and equipment	6,998,483	-	-	6,998,483
Trucks and other vehicles	214,308	31,159	-	245,467
Total capital assets being depreciated	<u>\$ 23,784,410</u>	<u>\$ 13,490,977</u>	<u>\$ -</u>	<u>\$ 37,275,387</u>
Accumulated depreciation:				
Buildings and improvements	\$ (206,253)	\$ (189,479)	\$ -	\$ (395,732)
Plant facilities and transmission lines	(7,863,131)	(430,240)	-	(8,293,371)
Dewatering facilities and basins	(311,049)	(17,979)	-	(329,028)
Pumps, valves, and equipment	(1,414,331)	(140,594)	-	(1,554,925)
Trucks and other vehicles	(174,862)	(21,309)	-	(196,171)
Total accumulated depreciation	<u>\$ (9,969,626)</u>	<u>\$ (799,601)</u>	<u>\$ -</u>	<u>\$ (10,769,227)</u>
Capital assets, being depreciated, net	<u>\$ 13,814,784</u>	<u>\$ 12,691,376</u>	<u>\$ -</u>	<u>\$ 26,506,160</u>
Capital assets, net	<u>\$ 27,847,219</u>	<u>\$ 28,330,928</u>	<u>\$ (13,459,818)</u>	<u>\$ 42,718,329</u>

The capital asset additions above include construction payables of \$3,427,960.

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

**NOTE 5 - LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases/</u> <u>Issuances</u>	<u>Decreases/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
Direct Borrowings:				
Revenue Bonds	\$ 14,185,000	\$ 7,365,229	\$ (305,000)	\$ 21,245,229
Bond Premiums	1,218,153	-	(82,498)	1,135,655
Compensated absences	355,298	113,611	(88,825)	380,084
Net pension liability	2,918,997	578,857	(369,998)	3,127,856
Net OPEB liabilities	2,105,328	245,741	(586,773)	1,764,296
Total	<u>\$ 20,782,776</u>	<u>\$ 8,303,438</u>	<u>\$ (1,433,094)</u>	<u>\$ 27,653,120</u>

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

Year Ending June 30,	<u>Direct Borrowings</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 320,000	\$ 573,406
2023	340,000	556,744
2024	355,000	539,509
2025	370,000	521,856
2026	390,000	502,981
2027-2031	2,275,000	2,199,897
2032-2036	2,815,000	1,644,981
2037-2041	2,535,000	1,131,341
2042-2046	2,605,000	598,459
2047-2050	1,875,000	147,130
Totals	<u>\$ 13,880,000</u>	<u>\$ 8,416,304</u>
Bond in Draw Phase:	<u>7,365,229</u>	
Adjusted Total	<u>\$ 21,245,229</u>	

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

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

**NOTE 5 - LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding</u>	<u>Amount Due Within One Year</u>
Direct Borrowings:						
Revenue Bonds:						
VBFP Series 2013B	3.8-5.1%	6/27/2013	2044	\$ 3,745,000	\$ 3,255,000	\$ 85,000
VBFP Series 2014B	4.1-4.8%	8/13/2014	2036	2,170,000	1,775,000	80,000
VBFP Series 2019C	3.8-5.1%	10/30/2019	2050	8,995,000	8,850,000	155,000
WSL-041-18E	2.5%	10/7/2020	2053	36,928,000	* 7,365,229	-
Total Revenue Bonds					\$ 21,245,229	\$ 320,000
Bond Premiums					\$ 1,135,655	\$ 80,409
Total Direct Borrowings					\$ 22,380,884	\$ 400,409
Other Obligations:						
Compensated absences					\$ 380,084	\$ 95,021
Net pension liability					3,127,856	-
Net OPEB liabilities					1,764,296	-
Total Other Obligations					\$ 5,272,236	\$ 95,021
Total Long-Term Obligations					\$ 27,653,120	\$ 495,430

*\*This bond is still in draw down phase*

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

Events of default on the above revenue bonds include failure to pay any payment of principal or interest due under the agreement, failure to fund the required reserve funds, or failing to observe any other covenant including the above net revenue requirement.

In the event of default for the revenue bonds, at the discretion of the lender, all amounts owed under the bonds at the time of default, including principal, interest, and all other fees will become immediately due and payable. In addition, the lender may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Code of Virginia, to secure payment of the principal and interest of the bonds if such payment shall not be paid when it becomes due and payable.

**NOTE 6 - PENSION PLAN:**

***Plan Description***

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

***Benefit Structures***

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

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**NOTE 6 - PENSION PLAN: (CONTINUED)**

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

***Employees Covered by Benefit Terms***

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	11
Inactive members:	
Vested inactive members	-
Non-vested inactive members	1
Long-term disability (LTD)	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>1</u>
Active members	<u>20</u>
Total covered employees	<u>32</u>



**NRV REGIONAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2021**

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**NOTE 6 - PENSION PLAN: (CONTINUED)**

***Contributions***

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2021 was 18.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$253,657 and \$240,441 for the years ended June 30, 2021 and June 30, 2020, respectively.

***Net Pension Liability***

The net pension liability (NPL) 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 Authority, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

**NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021**

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**NOTE 6 - PENSION PLAN: (CONTINUED)**

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

**NOTE 6 - PENSION PLAN: (CONTINUED)**

***Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	304.00%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
<b>Total</b>	<b>100.00%</b>		<b>4.64%</b>
		<b>Inflation</b>	<b>2.50%</b>
		<b>Expected arithmetic nominal return*</b>	<b>7.14%</b>

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

***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate.

NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021

**NOTE 6 - PENSION PLAN: (CONTINUED)**

**Discount Rate: (Continued)**

For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 6,322,618	\$ 3,403,621	\$ 2,918,997
Changes for the year:			
Service cost	\$ 102,973	\$ -	\$ 102,973
Interest	414,620	-	414,620
Differences between expected and actual experience	58,996	-	58,996
Contributions - employer	-	240,441	(240,441)
Contributions - employee	-	64,989	(64,989)
Net investment income	-	64,568	(64,568)
Benefit payments, including refunds	(360,207)	(360,207)	-
Administrative expenses	-	(2,191)	2,191
Other changes	-	(77)	77
Net changes	\$ 216,382	\$ 7,523	\$ 208,859
Balances at June 30, 2020	\$ 6,539,000	\$ 3,411,144	\$ 3,127,856

NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021

**NOTE 6 - PENSION PLAN: (CONTINUED)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's			
Net Pension Liability (Asset)	\$ 4,013,770	\$ 3,127,856	\$ 2,403,805

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

For the year ended June 30, 2021, the Authority recognized pension expense of \$334,582. At June 30, 2021, 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 \$	150,220	\$ 70,725
Change in assumptions	123,507	31,689
Net difference between projected and actual earnings on pension plan investments	104,418	-
Employer contributions subsequent to the measurement date	253,657	-
Total	\$ 631,802	\$ 102,414

NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021

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**NOTE 6 - PENSION PLAN: (CONTINUED)**

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

\$253,657 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 fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	37,951
2023		57,571
2024		69,779
2025		90,042
2026		13,070
Thereafter		7,318

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN:**

***Plan Description and Benefits Provided***

For those employees who retired before July 1, 2015, after 15 years of service to the Authority, the Authority may pay up to 35% of the cost of the health insurance for the “employee only” or “employee and spouse” under the Authority’s health insurance plan, or approved insurance plan through the Authority at the time of retirement, if the spouse was covered on the health insurance at least six months prior to, and at the time of, retirement. After thirty years of service to the Authority, the Authority may pay up to 50% of those costs.

For those employees who retired after July 1, 2015, after 15 years of service to the Authority, the Authority may pay up to 35% of the cost of the health insurance for the “employee only” under the Authority’s health insurance plan, or approved insurance plan through the Authority at the time of retirement. After thirty years of service to the Authority, the Authority may pay up to 50% of those costs.

***Funding Policy and Contributions***

The Authority currently funds postemployment benefits for healthcare on a pay-as-you-go basis. The Authority does not intend to establish a trust to pre-fund this liability. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2021 was \$61,322.

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)**

***Plan Membership***

At January 1, 2021 (actuarial date), the following employees were covered by the benefit terms:

Active plan members	20
Retired plan members	10
	<hr/>
Total	30
	<hr/> <hr/>

***Total OPEB Liability***

The Authority's total OPEB liability was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, rolled forward to the measurement date of June 30, 2021.

***Actuarial Assumptions***

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Mortality rates for active employees, healthy retirees, and disabled retirees was from the VRS Non-LEOPS valuation. The discount rate was 1.92% as described in the next section below. The healthcare trend rate starts at 6.75% and declines to an ultimate rate of 4.25% for pre-65 and 4.00% always for post-65.

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

***Discount Rate***

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 1.92% as of the end of the fiscal year with the expectation that the Authority will continue paying the cost from operating funds.

***Changes in Total OPEB Liability***

	<u>Total OPEB Liability</u>
Balances at June 30, 2020	\$ 1,998,416
Changes for the year:	
Service cost	23,008
Interest	48,778
Economic/Demographic Gains/Losses	(487,912)
Changes in assumptions	134,520
Benefit payments	(61,322)
Net changes	<hr/> (342,928) <hr/>
Balances at June 30, 2021	\$ <hr/> 1,655,488 <hr/>

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)**

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

Rate		
1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
\$ 1,954,389	\$ 1,655,488	\$ 1,428,595

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (ultimate rate of 3.25/3.00%) or one percentage point higher (ultimate rate of 5.25/5.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease 3.25/3.00%	Healthcare Cost Trend 4.25/4.00%	1% Increase 5.25/5.00%
\$ 1,406,558	\$ 1,655,488	\$ 1,986,056

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

For the year ended June 30, 2021, the Authority recognized OPEB expense in the amount of \$87,387. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 223,918	\$ 450,380
Change in actuarial assumptions	356,641	6,115
Total	<u>\$ 580,559</u>	<u>\$ 456,495</u>



NRV REGIONAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2021

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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (CONTINUED)**

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

<u>Year ended June 30</u>	
2022	\$ 15,601
2023	15,601
2024	15,601
2025	15,602
2026	17,130
Thereafter	44,529

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

**NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):**

***Plan Description***

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

***Eligible Employees***

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

**NRV REGIONAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2021**

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**NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$7,646 and \$6,978 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$108,808 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00652% as compared to 0.00657% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$6,840. 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.

NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021

NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,979	\$ 978
Net difference between projected and actual earnings on GLI OPEB plan investments	3,269	-
Change in assumptions	5,442	2,272
Changes in proportion	10,099	638
Employer contributions subsequent to the measurement date	<u>7,646</u>	<u>-</u>
Total	<u>\$ 33,435</u>	<u>\$ 3,888</u>

\$7,646 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 4,329
2023	5,253
2024	6,095
2025	5,094
2026	1,096
Thereafter	34

NRV REGIONAL WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2021

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**NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation: Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021**

**NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

NRV REGIONAL WATER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 AS OF JUNE 30, 2021

**NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Asset Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.66%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

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

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

**NOTE 8 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	5.75%	6.75%	7.75%
NRV Water Authority's proportionate share of the GLI Plan Net OPEB Liability	\$ 143,036	\$ 108,808	\$ 81,011

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 9 - OPEB SUMMARY INFORMATION:**

	Authority			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
GLI Program	\$ 33,435	\$ 3,888	\$ 108,808	\$ 6,840
Standalone Local Healthcare OPEB Plan	580,559	456,495	1,655,488	87,387
Totals	\$ 613,994	\$ 460,383	\$ 1,764,296	\$ 94,227

**NOTE 10 - DEFERRED COMPENSATION PLAN:**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying hardship. The Authority makes a matching contribution up to the equivalent of \$50 per month per employee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a trust by a third-party for the exclusive benefit of participants and their beneficiaries. For 2021, the Authority's matching contributions totaled \$9,688.

**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

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**NOTE 11 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates with other localities in a public entity risk pool for its coverage of general liability, property, equipment, crime and auto insurance with the Virginia Municipal League (VML) Insurance Programs. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Risk Pool contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of the loss, deficit or depletion of all available funds, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**NOTE 12 - LITIGATION:**

As of June 30, 2021, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES:**

At June 30, 2021, the Authority had the below outstanding construction commitment:

Project	Amount of Contract	Amount of Contract Outstanding	Accounts Payable	Retainage Payable
2020 Waterworks Improvements Phase II	\$ 43,298,340	32,723,216	2,167,394	375,154
Plum Creek - Contract 3	2,243,187	-	94,619	-
Total	<u>\$ 45,541,527</u>	<u>\$ 32,723,216</u>	<u>\$ 2,262,013</u>	<u>\$ 375,154</u>

**NOTE 14 - SUBSEQUENT EVENTS:**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2022.

**NOTE 15 - UPCOMING PRONOUNCEMENTS:**

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.



**NRV REGIONAL WATER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF JUNE 30, 2021**

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**NOTE 15 - UPCOMING PRONOUNCEMENTS: (CONTINUED)**

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, Omnibus 2020, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

## **Required Supplementary Information**

**NRV Regional Water Authority**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Pension Plan**  
**For the Measurement Dates of June 30, 2014 through June 30, 2020**

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 102,973	\$ 87,341	\$ 72,861	\$ 74,071	\$ 62,085	\$ 66,261	\$ 49,647
Interest	414,620	400,798	404,209	403,790	380,080	377,314	374,917
Difference between expected and actual experience	58,996	117,436	(140,748)	19,755	278,627	39,178	-
Changes in assumptions	-	183,901	-	(109,937)	-	-	-
Benefit payments	(360,207)	(385,092)	(385,011)	(378,356)	(385,812)	(500,665)	(279,985)
Net change in pension liability	\$ 216,382	\$ 404,384	\$ (48,689)	\$ 9,323	\$ 334,980	\$ (17,912)	\$ 144,579
Total pension liability - beginning	6,322,618	5,918,234	5,966,923	5,957,600	5,622,620	5,640,532	5,495,953
Total pension liability - ending (a)	\$ 6,539,000	\$ 6,322,618	\$ 5,918,234	\$ 5,966,923	\$ 5,957,600	\$ 5,622,620	\$ 5,640,532
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 240,441	\$ 232,398	\$ 285,938	\$ 242,825	\$ 232,647	\$ 220,438	\$ 143,505
Contributions - employee	64,989	62,820	57,338	48,839	46,797	44,669	43,329
Net investment income	64,568	214,574	226,659	340,147	47,822	136,169	415,535
Benefit payments	(360,207)	(385,092)	(385,011)	(378,356)	(385,812)	(500,665)	(279,985)
Administrator charges	(2,191)	(2,155)	(1,941)	(2,001)	(1,824)	(2,052)	(2,295)
Other	(77)	(136)	(204)	(303)	(21)	(29)	22
Net change in plan fiduciary net position	\$ 7,523	\$ 122,409	\$ 182,779	\$ 251,151	\$ (60,391)	\$ (101,470)	\$ 320,111
Plan Fiduciary Net Position - beginning	3,403,621	3,281,212	3,098,433	2,847,282	2,907,673	3,009,143	2,689,032
Plan Fiduciary Net Position - ending (b)	\$ 3,411,144	\$ 3,403,621	\$ 3,281,212	\$ 3,098,433	\$ 2,847,282	\$ 2,907,673	\$ 3,009,143
Authority's net pension liability (asset) - ending (a) - (b)	\$ 3,127,856	\$ 2,918,997	\$ 2,637,022	\$ 2,868,490	\$ 3,110,318	\$ 2,714,947	\$ 2,631,389
Plan fiduciary net position as a percentage of the total pension liability	52.17%	53.83%	55.44%	51.93%	47.79%	51.71%	53.35%
Covered payroll	\$ 1,342,024	\$ 1,330,467	\$ 1,170,775	\$ 985,817	\$ 949,183	\$ 904,029	\$ 914,061
Authority's net pension liability (asset) as a percentage of covered payroll	233.07%	219.40%	225.24%	290.98%	327.68%	300.32%	287.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

**NRV Regional Water Authority**  
**Schedule of Employer Contributions**  
**Pension Plan**  
**For the Years Ended June 30, 2015 through June 30, 2021**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess) (1) - (2)	Employer's Covered Payroll	Contributions as a % of Covered Payroll (2)/(4)
	(1)	(2)	(3)	(4)	(5)
2021	\$ 253,657	\$ 253,657	\$ -	\$ 1,415,847	17.92%
2020	240,441	240,441	-	1,342,024	17.92%
2019	235,672	235,672	-	1,330,467	17.71%
2018	285,398	285,398	-	1,170,775	24.38%
2017	242,825	242,825	-	985,817	24.63%
2016	233,309	233,309	-	949,183	24.58%
2015	222,211	222,211	-	904,029	24.58%

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation only seven years of data are available. Additional years will be included as they become available.

NRV Regional Water Authority  
Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2021

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**NRV Regional Water Authority**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Health Insurance**  
**For the Measurement Dates of June 30, 2018 through June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 23,008	\$ 22,338	\$ 18,288	\$ 14,187
Interest	48,778	56,264	59,755	48,604
Differences between expected and actual experience	(487,912)	-	291,094	-
Changes in assumptions	134,520	172,183	112,807	(12,231)
Benefit payments	(61,322)	(54,765)	(59,768)	(42,483)
<b>Net change in total OPEB liability</b>	<b>\$ (342,928)</b>	<b>\$ 196,020</b>	<b>\$ 422,176</b>	<b>\$ 8,077</b>
<b>Total OPEB liability - beginning</b>	<b>1,998,416</b>	<b>1,802,396</b>	<b>1,380,220</b>	<b>1,372,143</b>
<b>Total OPEB liability - ending</b>	<b>\$ <u>1,655,488</u></b>	<b>\$ <u>1,998,416</u></b>	<b>\$ <u>1,802,396</u></b>	<b>\$ <u>1,380,220</u></b>
<b>Covered-employee payroll</b>	<b>\$ 1,405,430</b>	<b>\$ 1,385,470</b>	<b>\$ 1,478,456</b>	<b>\$ 1,196,905</b>
<b>Authority's total OPEB liability (asset) as a percentage of covered payroll</b>	<b>117.79%</b>	<b>144.24%</b>	<b>121.91%</b>	<b>115.32%</b>

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

**NRV Regional Water Authority**  
**Notes to Required Supplementary Information**  
**Health Insurance**  
**For the Year Ended June 30, 2021**

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Valuation Date: 1/1/2021  
Measurement Date: 6/30/2021

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of payroll
Discount Rate	1.92% as of June 30, 2021
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.75% and gradually declines to 4.25% for pre-65, and 4.00% always for post-65
Retirement Age	The average age at retirement is 66
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the VRS Non-LEOPS valuation

**NRV Regional Water Authority**  
**Schedule of Authority's Share of Net OPEB Liability**  
**Group Life Insurance (GLI) Plan**  
**For the Measurement Dates of June 30, 2017 through June 30, 2020**

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Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.00652%	\$ 108,808	\$ 1,342,024	8.11%	52.64%
2019	0.00657%	106,912	1,330,467	8.04%	52.00%
2018	0.00616%	94,000	1,170,775	8.03%	51.22%
2017	0.00550%	83,000	1,013,881	8.19%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.



**NRV Regional Water Authority**  
**Schedule of Employer Contributions**  
**Group Life Insurance (GLI) Plan**  
**For the Years Ended June 30, 2015 through June 30, 2021**

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (1) - (2) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (2)/(4) (5)
2021	\$ 7,646	\$ 7,646	\$ -	\$ 1,415,847	0.54%
2020	6,978	6,978	-	1,342,024	0.52%
2019	6,700	6,700	-	1,330,467	0.50%
2018	6,088	6,088	-	1,170,775	0.52%
2017	5,272	5,272	-	1,013,881	0.52%
2016	4,603	4,603	-	959,011	0.48%
2015	4,309	4,309	-	897,694	0.48%

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation only seven years of data are available. Additional years will be included as they become available.

**NRV Regional Water Authority**  
**Notes to Required Supplementary Information**  
**Group Life Insurance (GLI) Plan**  
**For the Year Ended June 30, 2021**

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

## **Other Statistical Information**

Table 1

**NRV Regional Water Authority**  
**Schedule of Debt Coverage**  
**For the Years Ended June 30, 2014 through June 30, 2021**

Fiscal Year	Gross Revenues	Less Operating Expenses*	Net Revenues Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2021	\$ 9,318,608	\$ 4,166,097	\$ 5,152,511	\$ 305,000	\$ 589,097	576.28%
2020	9,264,274	4,026,613	5,237,661	155,000	398,881	945.63%
2019	9,341,049	4,002,923	5,338,126	150,000	243,714	1355.84%
2018	7,583,040	3,587,537	3,995,503	140,000	250,475	1023.24%
2017	5,684,611	3,414,717	2,269,894	130,000	256,737	586.93%
2016	5,328,341	3,407,115	1,921,226	135,000	262,332	483.53%
2015	5,109,760	3,369,393	1,740,367	150,000	291,840	393.89%
2014	4,434,365	3,342,820	1,091,545	65,000	227,838	372.75%

\*excluding depreciation

Note 1: The revenue covenant is 100% of all debt service.

Note 2: The Authority issued debt in fiscal year 2014. Therefore, only eight years of data are presented. Ten years of data will be presented when available.

**Source:** Unless otherwise noted, the information in this Table is derived from the financial reports for the relevant year.

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## COMPLIANCE SECTION

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

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**To the Board of Directors  
NRV Regional Water Authority  
Radford, 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 NRV Regional Water Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise NRV Regional Water Authority's basic financial statements and have issued our report thereon dated September 24, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NRV Regional Water 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 NRV Regional Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of NRV Regional Water Authority's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Robinson, James, Cox Associates". The signature is written in a cursive, flowing style.

Blacksburg, Virginia  
September 24, 2021



**Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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**To the Board of Directors  
NRV Regional Water Authority  
Radford, Virginia**

**Report on Compliance for Each Major Federal Program**

We have audited NRV Regional Water Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2021. NRV Regional Water Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of NRV Regional Water Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NRV Regional Water Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, NRV Regional Water Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



## Report on Internal Control over Compliance

Management of NRV Regional Water Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NRV Regional Water Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Blacksburg, Virginia  
September 24, 2021

NRV Regional Water Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency:			
Pass-through payments:			
Virginia Resource Authority:			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WSL-041-18E	\$ 7,365,229
Total Environmental Protection Agency			\$ 7,365,229
Total Expenditures of Federal Awards			\$ 7,365,229

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of NRV Regional Water Authority under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 -- Subrecipients

No awards were passed through to subrecipients.

Note 4 -- De Minimis Cost Rate

The Authority did not elect to use the 10 percent de minimis indirect cost rate as it typically only requests direct costs for reimbursement.

Note 5 -- Relationship to the Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Authority's basic financial statements as follows:

Loans	\$ 7,365,229
Total federal expenditures per financial statements	\$ 7,365,229

**NRV Regional Water Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings or questioned costs to report.

**NRV Regional Water Authority  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021**

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There were no findings reported for the year ended June 30, 2020.