New Horizons Regional Education Centers

FINANCIAL REPORT

JUNE 30, 2022

New Horizons Regional Education Centers

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The management of the New Horizons Regional Education Centers (NHREC) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2022.

Financial Highlights

- In the Government-wide financial statements, the primary government of NHREC's total operating revenues of $21,347,843 exceeded total operating expenses of $20,068,077 by $1,279,766.

- These financial statements include the financial information of a component unit, New Horizons Educational Foundation, Inc., because there is a financial relationship between the Center and the component unit, as well as fiscal interdependence. In the government-wide financial statements of New Horizons Educational Foundation, operating revenues of $1,190,235 exceeded operating expenses of $632,881 by $557,354.

- NHREC's net OPEB liability, net pension liability and noncurrent liabilities at June 30, 2022 were $12,405,157, which is an decrease of $7,233,814 from the prior year. The key factor was a decrease in both pension and OPEB liabilities based on actuarial calculations.

Overview of the Financial Statements

This report consists of government-wide financial statements, fund financial statements, notes to the financial statements and the required supplementary information. The first two statements present a government-wide view of NHREC and the component unit's finances. Within this view, all NHRECs' and the component unit's operations are categorized and reported as governmental activities.

Governmental activities for NHREC include the operation of the Career & Technical Education, Special Education, Governor's School, and Adult programs. Governmental activities for the component unit (New Horizons Educational Foundation) provides funding for scholarships and to NHREC for supplemental activities. These government-wide statements are designed to be more corporate-like in that asset are capitalized and depreciated, rather than expensed as in the fund statements.

(Continued)

Basic Financial Statements

- The Statement of Net Position in the government-wide financial statements focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets of NHREC and the component unit, the liabilities they owe and the net difference. The net difference is further separated into amounts the Board designated for specific purposes and unrestricted amounts. The Statement of Activities focuses on the gross and net costs of NHREC and the component unit's programs. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other revenues.

- Fund financial statements focus on the governmental funds by providing more detailed information about the major funds. The governmental fund statements do not capitalize assets, nor do they recognize notes payable. Capital assets and the payments on notes are expensed when purchased in the fund financial statements.

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding NHREC and the component unit's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

Statement of Net Position

A condensed version of the Statement of Net Position at June 30, 2022, is as follows:

	NHREC	Component Unit
Current and other assets	$ 8,662,016	$ 1,510,180
Capital assets	6,785,585	8,304,662
Total assets	15,447,601	9,814,842
Deferred outflow of resources	4,025,499	-
Total assets and deferred outflow of resources	$ 19,473,100	$ 9,814,842
Liabilities	$ 14,533,396	$ 6,981,161
Deferred inflow of resources	7,120,972	-
Total liabilities and deferred inflow of resources	21,654,368	6,981,161
Net assets:		
Invested in capital assets, net of related debt	6,785,585	2,381,633
Restricted	-	183,303
Unrestricted	(8,966,853)	268,745
Total net assets	(2,181,268)	2,833,681
Total liabilities and net assets	$ 19,473,100	$ 9,814,842

(Continued)

Primary Government - Current and other assets consist of cash in the bank, receivables due from school divisions, the Commonwealth of Virginia and others, prepaid rent and capital assets. Liabilities consist of accounts payable, accrued leave, funds held for special projects, net pension liability and OPEB obligation, and deferred inflows of resources. Unrestricted net assets are funds available to expend for operations.

Component Unit - Current assets include both the operating cash and cash reserved for the debt reserve. Liabilities consist of accounts payable, a rent deposit and the note payable. Unrestricted net assets are funds available for use as the Board directs.

Statement of Activities

A condensed version of the Statement of Activities at June 30, 2022, is as follows:

	NHREC	Foundation
Program revenues:		
Operating grants and contributions	$ 20,351,412	$ 91,737
Charges for services	794,580	-
Interest income	11,812	738
Rental income	61,081	1,027,848
Fundraisers	-	42,662
Scholarships and honorariums	-	17,750
Other income	128,958	9,500
Total program revenues	21,347,843	1,190,235
Program expenses	20,068,077	632,881
Increase in net assets	$ 1,279,766	$ 557,354

Funding Sources

The Statement of Revenues, Expenditures and Change in Fund Balance – General Fund -- shows the revenue funding sources by type and amount of funds received. Local funds, including amounts for adult education, received from the school divisions are follows:

Newport News	$ 7,246,149	38.81%
Hampton	4,786,089	25.63%
York County	3,164,417	16.94%
Williamsburg/James City County	1,814,305	9.72%
Poquoson	628,581	3.37%
Gloucester	909,201	4.87%
Isle of Wight	123,955	0.66%
Total local funds revenue	$ 18,672,697	100.00%

(Continued)

Capital Assets

At June 30, 2022, the primary government of NHREC had $21,182,153 invested in land and land improvements, building and building improvements and furniture, equipment, and vehicles (a 3.592% increase from FY 2021). The major capital asset additions included the following:

Land and land improvements:		
• Parking lots	$	479,793
Building and building improvements:		
• Heat pump	$	31,655
Furniture, equipment and vehicles:		
• Welding machines	$	63,763
• Firewall upgrade	$	98,767

At June 30, 2022, the Foundation had $10,363,147 in buildings and improvements, and furniture and equipment.

Long-Term Liabilities and Debt

At June 30, 2022, the long-term liabilities and debt of the primary government of NHREC consisted of compensated absences, net OPEB obligation, net pension liability, and a capital lease payable, as listed below

Primary government:		
Compensated absences	$	363,734
Net OPEB obligations		3,649,370
Net pension liability		8,392,053
Total	$	12,405,157

The Foundation had a note payable as listed below:

Foundation:		
Note payable	$	5,923,029

Summary

The financial report reflects resources that were directed toward serving the educational needs of the Virginia Peninsula's school divisions by preparing students educationally, technically and socially, according to each student's needs to become productive citizens.

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Superintendents
New Horizons Regional Education Centers

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, the major funds, and activity funds of New Horizons Regional Education Centers as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise New Horizons Regional Education Centers' basic financial statements, as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, the major fund, and activity funds of the New Horizons Regional Education Centers, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Horizons Regional Educations Centers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principal

As described in Note 1 to the financial statements, in the year ended June 30, 2022, New Horizons Regional Education Centers adopted new accounting guidance, GASB Statement No. 87, Leases . Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Horizons Regional Education Centers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Horizons Regional Education Centers' ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on our consideration of New Horizons Regional Education Centers' 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 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 New Horizons Regional Education Centers' internal control over financial reporting and compliance.

A. Rohn, Smith & Company

Newport News, Virginia

January 24, 2023

FINANCIAL STATEMENTS

NEW HORIZONS REGIONAL EDUCATION CENTERS

Statement of Net Position

June 30, 2022

	Primary Government	Component Unit
	Governmental Activity	
ASSETS		
Cash	$ 3,888,070	$ 468,215
Cash - debt reserve	-	1,037,465
Accounts receivable	2,215,041	4,500
Lease receivable	83,263	-
Prepaid expenses	69,049	-
Deposit on equipment	112,422	-
Prepaid rent	1,027,842	-
Right of use asset, net of accumulated amortization	1,266,329	-
Capital assets, net	6,785,585	8,304,662
Total assets	15,447,601	9,814,842
DEFERRED OUTFLOW OF RESOURCES		
Employer contributions subsequent to the measurement date	4,025,499	-
Total assets and deferred outflow of resources	$ 19,473,100	$ 9,814,842
LIABILITIES		
Accounts payable	$ 782,940	$ 30,290
Compensated absences	363,734	-
Funds held for designated projects	78,521	-
Rent deposit	-	1,027,842
Pension liability, net	8,392,053	-
OPEB obligation, net	3,649,370	-
Lease liability		
Due in one year	244,713	-
Due in more than one year	1,022,065	-
Note payable		
Due in one year	-	862,420
Due in more than one year	-	5,060,609
Total liabilities	14,533,396	6,981,161
DEFERRED INFLOW OF RESOURCES		
Net difference between projected and actual earnings on pension and OPEB investments	7,044,620	-
Lease	76,352	-
Total deferred inflow of resources	7,120,972	-
Total liabilities and deferred inflow of resources	21,654,368	6,981,161
NET POSITION		
Invested in capital assets, net of related debt	6,785,585	2,381,633
Restricted for other purposes	-	183,303
Unrestricted	(8,966,853)	268,745
Total net position	(2,181,268)	2,833,681
Total liabilities, deferred inflows of resources and net position	$ 19,473,100	$ 9,814,842

See accompanying notes.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Statement of Activities and Changes in Net Position

Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets	Component Unit
Governmental Activities						
Primary Government						
Education	$ 16,817,150	$ 794,580	$ 20,351,412	$ -	$ 4,328,842	$ -
General administration	1,622,489	-	-	-	(1,622,489)	-
Maintenance of buildings and grounds	1,628,438	-	-	-	(1,628,438)	-
Total governmental activities	$ 20,068,077	$ 794,580	$ 20,351,412	$ -	1,077,915	-
Component Unit						
Foundation	$ 632,881	$ -	$ 91,737	$ -	-	(541,144)
General Revenues:						
Scholarships and honorariums					-	17,750
Fundraisers					-	42,662
Other income					128,958	9,500
Rental income					61,081	1,027,848
Investment earnings					11,812	738
Increase in net position					1,279,766	557,354
NET POSITION						
Beginning					(3,491,075)	2,276,327
Adjustment for change in accounting principle - GASB 87					30,041	-
Ending					$ (2,181,268)	$ 2,833,681

See accompanying notes.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
June 30, 2022

	Primary Government	Component Unit
	Governmental Activities	
Total Governmental Fund Balance	$ (2,181,268)	$ 2,833,681
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activity are not financial resources and, therefore, not reported in the governmental fund -		
Capital assets	(6,785,585)	(8,304,662)
Right of use assets	(1,266,329)	-
Right of use liability	1,266,778	-
The net pension liability is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.	8,392,053	-
The OPEB liability is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.	3,649,370	-
Actual earnings on pension plan investments, differences between employer contributions and proportionate employer contributions, and contributions subsequent to the measurement date are not reported in the governmental fund.	3,019,121	-
Present value of future earnings on lease receivable	(6,911)	
Long-term liabilities, including leases payable, are not due and payable in the current period and are therefore not reported in the governmental fund.	-	5,923,029
Net position of governmental activities	$ 6,087,229	$ 452,048

See accompanying notes.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Balance Sheets - General Funds and Activity Funds

June 30, 2022

	Governmental Funds		Activity Funds	
	Primary Government	Component Unit	Butler Farm Road	Woodside Lane
ASSETS				
Cash on hand	$ 750	$ -	$ -	$ -
Cash in bank	3,887,320	1,505,680	186,639	63,491
Total cash	3,888,070	1,505,680	186,639	63,491
Accounts receivable	2,215,041	4,500	-	-
Prepaid expenses	1,096,891	-	-	-
Deposit on equipment	112,422	-	-	-
Total assets	$ 7,312,424	$ 1,510,180	$ 186,639	$ 63,491
LIABILITIES				
Accounts payable	$ 782,940	$ 30,290	$ 13,892	$ 1,369
Accrued leave	363,734	-	-	-
Funds held for designated projects	78,521	-	-	-
Rent deposit	-	1,027,842	-	-
Total liabilities	1,225,195	1,058,132	13,892	1,369
FUND BALANCES				
Unrestricted:				
Assigned	3,781,389	183,303	-	-
Unassigned	2,305,840	268,745	172,747	62,122
Total fund balances	6,087,229	452,048	172,747	62,122
Total liabilities and fund balances	$ 7,312,424	$ 1,510,180	$ 186,639	$ 63,491

See accompanying notes.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Statement of Revenues, Expenditures and Change in Fund Balance - General Fund - Primary Government

Year Ended June 30, 2022

	Original and Final Budget	Unrestricted	Over (Under) Budget
REVENUES			
Adult education tuition	$ 601,000	$ 794,580	$ 193,580
Local funds:			
Career and technical	4,846,971	4,846,971	-
Special education	12,394,864	12,394,784	(80)
Governor's School	1,151,977	1,223,991	72,014
Extended school year	229,500	191,621	(37,879)
Commonwealth of Virginia funds :			
Adult education	-	53,940	53,940
Career and technical	145,000	214,315	69,315
Governor's School	445,000	534,324	89,324
Other revenues	441,293	218,746	(222,547)
Grants and subcontracts	1,043,000	891,466	(151,534)
Total revenues	21,298,605	21,364,738	66,133
EXPENDITURES			
Adult education	601,000	616,068	15,068
Career and technical	4,302,459	4,125,376	(177,083)
Special education	10,585,437	10,650,533	65,096
Governor's School	1,545,315	1,429,587	(115,728)
Extended school year	229,500	196,052	(33,448)
Grants and subcontracts	878,000	775,811	(102,189)
Administration	1,512,186	1,402,214	(109,972)
Facilities operation and maintenance	1,644,708	1,610,263	(34,445)
Board designated capital improvements, technology and equipment purchases	-	710,790	710,790
Total expenditures	21,298,605	21,516,694	218,089
Change in fund balance	$ -	(151,956)	$ (151,956)
FUND BALANCE			
Beginning		6,239,185	
Ending		$ 6,087,229	

See accompanying notes.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Statement of Revenues, Expenditures and Change in Fund Balance - General Fund - Component Unit

Year Ended June 30, 2022

		Unrestricted
REVENUES		
Rent	$	1,027,848
Grants and contributions		91,698
Scholarships		10,750
Honorariums		7,000
Golf Classic		42,662
Other income		9,500
Interest		777
Total revenues		1,190,235
EXPENDITURES		
Facilities operations		837,039
Contributions to NHREC		37,663
Scholarships		29,250
Honorariums		20,000
Grants and incentives		13,594
Golf classic		12,347
Interest expense		190,803
Office		11,095
Total expenditures		1,151,791
Change in fund balance		38,444
FUND BALANCE		
Beginning		413,604
Ending	$	452,048

See accompanying notes.

NEW HORIZONS REGIONAL EDUCATION CENTERS
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

	Primary Government	Component Unit
	Governmental Activities	
Net changes in fund balance	$ (151,956)	$ 38,444
Amounts reported for governmental activities in the statement of net assets are different because:		
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over the estimated lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	105,941	(318,129)
The repayments of loan principal consumes the financial current financial resources of governmental funds.	-	837,039
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Lease costs	(23,579)	
Pension costs	1,426,727	-
Other post employment benefits	(77,367)	-
Changes in net position of governmental activities	$ 1,279,766	$ 557,354

See accompanying notes.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Statement of Revenues, Expenditures and
Changes in Fund Balances - Activity Funds
Year Ended June 30, 2022

	Butler Farm Road Funds	Woodside Lane Funds
REVENUES		
Vending commissions	$ 10,215	$ 5,442
General activities	81,812	94,661
Interest	46	-
Student clubs	7,418	8,193
Total revenues	99,491	108,296
EXPENDITURES		
General activities	39,621	64,828
Student activities	74,890	54,621
Student clubs	8,177	6,115
Total expenditures	122,688	125,564
Changes in fund balances	(23,197)	(17,268)
FUND BALANCES		
Beginning	195,944	79,390
Ending	$ 172,747	$ 62,122

See accompanying notes.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

New Horizons Regional Education Centers (NHREC) are a nonprofit, unincorporated association jointly operated by the School Boards of the following: City of Hampton, City of Newport News, York County, Williamsburg-James City County, City of Poquoson, Gloucester County, Virginia, and Isle of Wright County Public Schools, pursuant to Title 22.1 Code of Virginia (1950), as amended.

NHREC offers programs in the areas of career and technical special education, as well as a variety of courses in the Governor's School for Science and Technology.

The Centers financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The Centers significant accounting and reporting policies are described below.

The Financial Reporting Entity

The financial reporting entity consists of the primary government, News Horizons Regional Education Centers, and other organizations for which the nature and significance of their relationship with the Centers are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the fact that fiscal interdependency exists and a financial benefit/burden relationship exists between the Center and New Horizons Educational Foundation, Inc., management has included New Horizons Educational Foundation, Inc., an affiliated organization which provides funding to students for scholarships and to NHREC for supplemental activities, in these financial statements.

Basic of Presentation

Government-wide Financial Statements

The basic financial statements consist of the government-wide statements of the primary government, NHREC, and its component unit, the New Horizons Foundation, Inc., and the fund financial statements, which provide a more detailed level of financial information. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

The government-wide financial statements include the statement of net position and the statement of activities for NHREC and its component unit. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Interfund transfers are eliminated to avoid a "doubling up" of revenues and expenditures. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the financial condition of the governmental type activities of the Centers at year-end. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Direct expenses are those that are specifically associated with a specific function or segment. Expenses are grouped into the following categories: education, general administration and maintenance of buildings and grounds.

Fund Financial Statements

During the year, NHREC segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of the expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Both the primary government and the component unit report a governmental type (general) fund.

Governmental Fund Types

Governmental funds are those through which most governmental functions of NHREC are financed. The acquisition, use and balances of expendable financial resources and related liabilities are accounted for through governmental funds. Measurement is focused on determining changes in financial position, rather than net income. Following are the NHREC's governmental fund types:

General Fund - The general fund is the primary operating fund of NHREC, the primary government, as well as the component unit. Revenues in the primary government are primarily derived from charges for services and contributions from other governmental units. Revenues in the component unit are generated from rental income, grants, scholarships and honorariums, and fundraisers.

Activity Funds – The activity funds are used in recording receipts from student fees and fund-raising activities, vending machine commissions, travel and other advances reimbursed by the general fund, and other miscellaneous receipts. Disbursements consist primarily of purchases of materials for various student activities, travel, and other reimbursements and advances.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

New Horizons Education Foundation (NHEF), the component unit, is a nonprofit entity tax-exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation.

NHEF has adopted the provisions of FASB ASC 740-10-25, which require that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. NHRECU does not believe its financial statements include any uncertain tax positions.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, certificates of deposit and highly liquid investments with maturities of three months or less.

Accounts Receivable

Accounts receivable consist of all revenues earned at year-end and not yet received. Uncollectible amounts are recognized as a reduction in the applicable revenue through the use of an allowance account or charged off at the time information becomes available which would indicate that the particular receivable is not collectible.

Interfund Activity

During the course of operations, transactions occur between individual funds. Those related to goods and services, and short-term interfund loans, are classified as "accounts receivable" or "accounts payable" in the statement of net position.

Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the capitalization threshold is met.

In the government-wide financial statements, capital assets, which include land and land improvements, buildings and building improvements, furniture and equipment, are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized at the completion of construction projects. The capitalization policy stipulates a capitalization threshold of $5,000.

Estimated useful lives for depreciable assets are as follows:

	Estimated Useful Life
Land improvements	15-30 years
Building and related improvements	15-40 years
Furniture and equipment	5-10 years

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, capital assets used in governmental fund operations are recorded as capital outlay (expenditures) of the governmental fund types when purchased.

Long-Term Debt

In the government-wide financial statement, long-term debt is reported as a liability. In the fund financial statements, long-term debt for governmental funds is not reported as a liability. Instead, the debt proceeds, including bond premiums and discounts, are reported as other financing sources (uses). Payment of principal and interest, including debt issuance costs, are reported as expenditures.

Compensated Absences

GASB No. 16, *Accounting for Compensated Absences,* requires governments to accrue compensated absences if it is probable that the employer will compensate employees for benefits associated with the payment of compensated absences. Accrued leave for each employee is valued at the employee's current rate of pay.

Government-Wide Net Assets

In the government-wide financial statements, equity is displayed in the following components:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is restricted by the Centers' creditors, by grantors and/or by other contributors.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental Fund Balances

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily to the extent to which the Centers are bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in the following components:

Assigned – This classification is amounts that are designated by the primary government or component unit to be used for specific purposes, but are neither restricted nor committed. The authority for assigning the fund balance is determined by the Board of Trustees.

Unassigned – This classification represents amounts that have not yet been restricted, committed or assigned to specific purposes within the General Fund.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Trustees of New Horizons Regional Education Centers approved a policy regarding net assets as follows:

> At the end of the fiscal year, all excess revenue over expenditures shall be recorded as "Unrestricted Net Assets." The Board may commit a portion of the "Unrestricted Net Assets" to be used for Board approved construction, capital improvements or other uses.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

Use of Estimates

NHREC has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Estimates are used primarily when accounting for grant receivables (due from/to other governments), depreciation, prepaid expenses and deferred revenues.

Adoption of New Accounting Pronouncement

During the year ended June 30, 2022, New Horizons Regional Education Centers adopted GASB Statement No. 87, Leases, which increases the usefulness of the financial statements by resource's requiring recognition of certain lease assets and liabilities 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. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As a result, the balance sheet now includes a liability for the present value of payments expected to be made and right-to-use assets. The balance sheet now also includes receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 7.

NOTE 2. DEPOSITS AND INVESTMENTS

At June 30, 2022, the carrying amount of the NHREC's deposits was $3,888,070 and the bank balance was $3,925,111. The discretely presented component unit had a carrying amount of $1,505,680 in deposits and the bank balance was $1,520,113. These deposits are secured by the FDIC limit up to $250,000.

NOTE 3. ACCOUNTS RECEIVABLE

As of June 30, 2022, accounts receivable were composed of the following:

Newport News City Schools	$ 846,627
Hampton City Schools	456,993
Commonwealth of Virginia	274,705
York County Schools	178,888
Greater Peninsula Workforce Development Consortium	139,732
Tech Grants	104,000
Williamsburg Public Schools	64,887
Poquoson City Schools	51,695
Gloucester County Schools	40,841
Other	56,673
	$ 2,215,041

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

New Horizons Regional Educational Centers:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 298,274	$ -	$ -	$ 298,274
Construction in progress	4,000	9,471	-	13,471
Total capital assets not being depreciated	302,274	9,471	-	311,745
Capital assets being depreciated:				
Land improvements	145,594	479,793	-	625,387
Building and building improvements	17,570,724	62,615	-	17,633,340
Furniture, equipment and vehicles	2,429,101	182,580	-	2,611,681
Total capital assets being depreciated	20,145,420	724,988	-	20,870,408
Less accumulated depreciation for:				
Land improvements	136,142	33,237	-	169,380
Building and Building improvements	11,424,574	528,225	-	11,952,803
Furniture, equipment and vehicles	2,207,334	67,056	-	2,274,385
Total accumulated depreciation	13,768,050	628,518	-	14,396,568
Total capital assets being depreciated, net	6,377,370	96,470	-	6,473,840
Capital assets, net	$ 6,679,644	$ 105,941	$ -	$ 6,785,585

NOTE 4. CAPITAL ASSETS (Concluded)

Depreciation expense was charged to programs as follows:

General government administration	$ 94,278
Maintenance of buildings and grounds	62,852
Education	471,389
Total depreciation expense	$ 628,518

New Horizons Education Foundation:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2021
Capital assets2				
Building and building improvements	$ 9,848,797	$ -	$ -	$ 9,848,797
Land improvements	14,515	-	-	14,515
Furniture, equipment and vehicles	499,835	-	-	499,835
Total capital assets being depreciated	10,363,147	-	-	10,363,147
Less accumulated depreciation for:				
Building and building improvements	1,352,248	246,219	-	1,598,467
Land improvements	4,840	968	-	5,808
Furniture, equipment and vehicles	383,268	70,942	-	454,210
Total accumulated depreciation	1,740,356	318,129	-	2,058,485
Capital assets, net	$ 8,622,791	$ (318,129)	$	$ 8,304,662

NOTE 5. LONG-TERM LIABILITIES

A summary of changes in long-term obligations for governmental activities for the year ended June 30, 2022 follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Compensated absences	$ 370,062	$ -	$ 6,328	$ 363,734
Net OPEB obligations	3,821,796	-	172,426	3,649,370
Net pension liability	15,447,113	-	7,055,060	8,392,053
	$ 19,638,971	$ -	$ 7,233,814	$ 12,405,157

Long-term debt in the component unit consists of the following at June 30, 2022:

Note payable at PNC Bank, in monthly installments of $85,654, including interest at 2.95%, due October 2028.	$ 5,923,029

Maturities of long-term debt are as follows:

	Principal	Interest
2023	$ 862,420	$ 165,422
2024	888,203	139,640
2025	915,505	112,337
2026	943,266	84,576
2027	971,869	55,974
2028 – 2029	1,341,767	28,689
	$ 5,923,029	$ 586,638

NOTE 6. LOCAL FUNDS

Support by the participating localities during the year ended June 30, 2022, was as follows:

	Career and Technical	Special Education	Governor's School	Total
Newport News Public Schools	$1,481,146	$ 5,638,811	$ 112,852	$ 7,232,809
Hampton Public Schools	1,343,579	3,252,296	188,224	4,784,099
York County Public Schools	1,206,011	1,513,447	444,959	3,164,417
Williamsburg - James City County Public Schools	444,802	1,173,371	196,132	1,814,305
City of Poquoson Public Schools	142,153	396,270	90,158	628,581
Gloucester County Public Schools	229,280	612,210	67,711	909,201
Isle of Wight County Public Schools	-	-	123,955	123,955
	$4,846,971	$ 12,586,405	$ 1,223,991	$18,657,367

Special education revenue includes annual contributions, tuition, additional positive support payments, and extended school year payments.

NOTE 7. LEASES – FACILITIES AND EQUIPMENT

Operating Leases
NHREC has entered into operating lease agreements for equipment, and for classroom space in Newport News and York County. These agreements expire between July 2026 and June 2027. NHREC recognizes right of use assets and lease liabilities based on the present value of lease payments over the lease term at commencement date. Lease costs for the year ended June 30, 2022 was $242,360.

The table below presents a maturity analysis of lease liabilities and reconciliation of the total amount of such liabilities at June 30, 2022:

Year Ending June 30:	
2023	$ 270,624
2024	272,714
2025	273,979
2026	276,327
2027	245,602
Thereafter	-
Total lease payments	1,339,246
Less discount for net present value	72,468
Present value of lease liability	$ 1,266,778
Less current maturities of lease liabilities	244,713
Noncurrent lease liability	$ 1,022,065

NOTE 7. LEASES – FACILITIES AND EQUIPMENT (Concluded)

Other information for the operating leases:

The weighted average remaining lease term in years	4.8 years
The weighted average discount rate	2.3%

Facilities Leased to Others

NHREC leases career and technical education space in its Butler Farm location to Virginia Peninsula Community College under a lease expiring October 1, 2023. The lease agreement provides for base monthly rental payments. NHREC has recognized a lease receivable of $83,263 as of June 30, 2022.

During the year ended June 30, 2022, NHREC recognized $61,081 lease revenue and $3,487 interest income related to its lessor agreements.

The future principal and interest payment requirements related to the lease receivable at June 30, 2022 are as follows:

Year ending June 30	Principal	Interest	Total
2023	$ 66,312	$ 1,573	$ 67,885
2024	16,951	84	17,035
	$ 83,263	$ 1,657	$ 84,920

NOTE 8. FUND BALANCES

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which NHREC is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in three components as follows:

	Primary Government	Component Unit
Assigned for capital improvements - includes amounts donated by the local school systems for specific capital improvement projects	$ 1,498,752	$ -
Assigned funds set aside by the Board of Directors for various capital and other projects	2,282,637	-
Assigned for donor restricted purposes	-	183,303
Unassigned	2,305,840	268,745
	$ 6,087,229	$ 452,048

NOTE 9. RELATED PARTY TRANSACTIONS

New Opportunity L.L.C. (LLC), a single member LLC of which New Horizons Educational Foundation, Inc. is the sole member, signed an $11,000,000 promissory note with the Economic Development Authority of the City of Newport News (the Authority) in November 2013. The promissory note obligates the LLC to pay the Authority all principal and interest due under the terms of the Authority's $11,000,000 Tax-Exempt Revenue Bond, Series 2013. The Authority assigned this promissory note to PNC Bank, and all payments are therefore made to PNC Bank.

New Horizons Regional Education Center Association (the Association) deposited $1,027,842 in a debt service reserve account at PNC Bank that will be used to cure any debt service payment deficiencies, and if none, to ultimately pay the final year of bond debt service payments. This amount is recorded as prepaid rent in the Statement of Net Position.

Proceeds from this loan were used to finance the construction of a special education facility that is leased by the Association (also known as New Horizons Regional Education Centers). Construction of the facility began during the year ended June 30, 2015, and was completed in January 2016. The facility was built on the New Horizons Woodside Lane campus on land owned by the Association.

This land is leased to the LLC for 30 years pursuant to a ground lease. The LLC used the loan proceeds to finance construction of the facility, which along with the land and existing facilities, is being leased back to the Association for 15 years (the term of the bond debt). Lease payments made by the Association to the LLC are equal to the debt service payments due on the loan. At the expiration of the 30 year ground lease, all property, including the new building, reverts back to the Association.

New Horizons Education Foundation, Inc. also created Woodside Lane L.L.C. (Woodside LLC) to manage the financing and procurement of services for the renovation of the Woodside Lane CTE facility. Woodside LLC is a single member LLC of which New Horizons Educational Foundation, Inc. is the sole member.

NOTE 10. DEFINED BENEFIT PENSION PLANS

Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple-employer cost sharing plan. The VRS Nonprofessional Plan is a multi-employer, agent plan. 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 NHREC's Professional and Nonprofessional Retirement Plans and the additions to/deductions from NHREC's Professional and Nonprofessional net fiduciary positions 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 contribution) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent professional employees are automatically covered by the VRS Teacher Retirement Plan upon employment. This Plan is 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.

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. The specific information for each plan and the eligibility for covered groups within each plan are defined below:

<u>VRS Plan 1 Retirement Plan Provisions</u>

About Plan 1- VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Eligible Members - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Non-professional and professional members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Retirement Contributions - Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan.

Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Calculating the Benefit – The Basic Benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

Average Final Compensation - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

Normal Retirement Age - Age 65

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Earliest Unreduced Retirement Eligibility – Members are eligible for an unreduced retirement benefit at age 65 with at least 5 years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Eligibility – Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage **–** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service **-** Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

VRS Plan 2 Retirement Plan Provisions

About Plan 2 - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Eligible Members – Nonprofessional employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Professional employees are in Plan 2 if their membership dates is from July 1, 2010 to December 31, 2013, and they have not taken a refund, or they have a membership date prior to July 1, 2010, and they were not vested before January 1, 2013.

Hybrid Opt-In Election - Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Nonprofessional members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Service Credit - Same as Plan 1.

Vesting - Same as Plan 1.

Calculating the benefit - See definition under Plan 1.

Average Final Compensation - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age - Normal Social Security retirement age.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Earliest Unreduced Retirement Eligibility –VRS - Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – VRS -Age 60 with at least five years (60 months) of service credit.

Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum COLA of 3%.

Eligibility - Same as VRS Plan 1.

Exceptions to COLA Effective Dates - Same as VRS Plan 1.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service - Same as Plan 1.

Hybrid Retirement Plan Provisions

About the Hybrid Retirement Plan - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Eligible Members - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- School division employees (Professional and Nonprofessional)
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

Non-Eligible Members – Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Retirement Contributions – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit -
Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting -
Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required except as governed by law.

Calculating the Benefit -
Defined Benefit Component: See definition under Plan 1.

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation - Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier -
Defined Benefit Component: The retirement Multiplier for the defined benefit component is 1.0%. 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.

Defined Contribution Component: Not applicable.

Normal Retirement Age –
Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility –
Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 Months) of creditable service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Earliest Reduced Retirement Eligibility -
Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement -
Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Not applicable.

***Eligibility**:* Same as Plan 1 and Plan 2.

***Exceptions to COLA Effective Dates*:** Same as Plan 1 and Plan 2.

Disability Coverage – Professional employees and employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service
Defined Benefit Component: Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component: Not applicable.

Employees covered by Benefit Terms - As of the June 30, 2020 actuarial evaluation, the following nonprofessional employees were covered by the benefit terms of the pension plan:

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Nonprofessional Employees (non-teacher):	
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	2
Non-vested inactive members	7
Inactive members active elsewhere in VRS	6
Total inactive members	27
Active members	12
Total covered employees	39

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 school divisions and political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Each school division's contractually required contribution rate to the Teacher Retirement Plan (Professional) for the year ended June 30, 2022 was 16.62% 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 earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from NHREC were $1,620,027 and $1,557,627 for the years ended June 30, 2022 and 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately $61.3 million to the VRS Teacher Employee Plan. This special Payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

In addition, for the Nonprofessional (non-teacher) employees, NHREC's contractually required contribution rate for the year ended June 30, 2022 was 15.30% 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 Nonprofessional (non-teacher) pension plan from NHREC were $57,813 and $54,522 for the years ended June 30, 2022 and June 30, 2021, respectively.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability – At June 30, 2022, NHREC reported a liability of $8,118,647 for its proportionate share of the Net Pension Liability of the Teacher Retirement Plan (Professional). The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. NHREC's proportion of the Net Pension Liability was based on the actuarially determined employer contributions to the pension plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, NHREC's proportion was 0.10458% as compared to 0.10342% at June 30, 2020.

In addition, NHREC's net pension liability for Nonprofessional (non-teacher) Retirement Plan 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 net position. NHREC's 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. At June 30, 2021, NHREC reported a liability of $396,787 for the Nonprofessional (non-teacher) Retirement Plan.

Pension Expense – For the year ended June 30, 2022, NHREC recognized pension expense of $193,311 for the Teacher Retirement Plan (Professional). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

In addition, for the year ended June 30, 2022, NHREC recognized pension expense of $41,941 for the Nonprofessional (non-teacher) Retirement Plan.

Deferred Outflows/Inflows of Resources – At June 30, 2022, for the Teacher Retirement Plan (Professional), NHREC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resource
Net Difference between projected and actual earnings on pension plan investments	$ -	$ 5,116,154
Changes of assumptions	1,422,366	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	284,060	309,674
Difference between expected and actual experience	-	691,498
Employer contributions subsequent to the measurement date	1,620,027	-
Total	$ 3,326,453	$ 6,117,326

Deferred outflows of resources of $1,557,627 related to pensions resulting from NHREC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Amounts
2023	$ (983,404)
2024	(933,386)
2025	(1,075,734)
2026	(1,420,075)
2027	1,699
	$ (4,410,900)

In addition, at June 30, 2022, for the Nonprofessional (non-teacher) Retirement Plan, NHREC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resource
Net Difference between projected and actual earnings on pension plan investments	$ 24,951	$ 137,327
Change of assumptions	15,524	-
Difference between expected and actual Experience	9,572	-
Employer contributions subsequent to the measurement date	57,813	-
Total	$ 107,860	$ 137,327

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Deferred outflows of resources of $57,813 related to pensions resulting from NHREC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Amounts
2023	$ (1,155)
2024	(25,688)
2025	(26,247)
2026	(34,190)
2027	-
	$ (87,280)

Actuarial Assumptions and Methods

Professional/Teacher Retirement Plan

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

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.95%
Investment rate of return	6.75 percent, including inflation

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employees Rates projected generationally; 110% of rates for males.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Post Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

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

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

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

Nonprofessional (non-teacher) Retirement Plan

The total pension liability for Nonprofessional Retirement Plan (non-teacher) was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35%
Investment rate of return	6.75 percent, including inflation

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Mortality rates: 15% of deaths are assumed to be service related

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

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

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

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

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

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

- Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) – Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Retirement Rates – Adjusted rates to better fit experience for Plan 1; set separate rates based in experience for Plan 2/Hybrid; changed final retirement age
- Withdrawal Rates – Adjusted rates to better fit experience at each year age and service through 9 years of service.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

- Disability Rates – No change
- Salary Scale – No change
- Line of Duty Disability – No change
- Discount Rate – No change

Net Pension Liability

The Teacher Plan net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher/Professional Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	$	53,381,141
Plan Fiduciary Net Position		45,617,878
Employers' Net Pension Liability (Asset)	$	7,763,263
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		85,46%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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:

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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

- The above allocation provides a one-year rate of return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%.

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 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. Through the fiscal year ending June 30, 2021, the rate contributed by the School Division for the VRS Professional/Teacher Retirement Plan 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. For the Nonprofessional (non-teacher) Plan, consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

From July 1, 2021 on, school divisions and participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plans' fiduciary net positions were 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents NHREC's proportionate share of the net pension liability for the Professional/Teacher Retirement Plan using the discount rate of 6.75%, as well as what NHREC's proportionate share of the 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:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
NHREC's Proportionate share Of the net pension liability For the VRS Teacher Retirement Plan	$ 15,668,549	$ 8,118,647	$ 1,907,844

In addition, the following presents the net pension liability of the Nonprofessional (non-teacher) Retirement Plan using the discount rate of 6.75%, as well as what the 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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
NHREC's Proportionate share of the net pension liability for the VRS Nonprofessional Retirement Plan	$ 415,252	$ 273,406	$ 153,395

NOTE 10. DEFINED BENEFIT PENSION PLAN (Concluded)

Changes in Net Pension Liability – Nonprofessional (non-teacher) Retirement Plan

Asset Class (Strategy)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance – July 1	$ 1,221,981	$ 825,194	$ 396,787
Changes for the fiscal year:			
Service cost	37,485	-	37,485
Interest	80,050	-	80,050
Changes of assumptions	32,583	-	32,583
Difference between expected And actual experience	20,091	-	20,091
Contribution – employer	-	51,141	(51,141)
Contribution – employee	-	16,490	(16,490
Refunds of contributions	(1,217)	(1,217)	-
Net investment income	-	226,490	(226,490)
Benefit payments	(70,899)	(70,899)	-
Administrative expenses	-	(552)	552
Other changes	-	21	21
Balance – June 30	$ 1,320,074	$ 1,046,668	$ 273,406

Pension Plan Data

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position or the VRS Nonprofessional Employee Retirement Plan is available in the separately issued VRS 2021 Comprehensive Annual Financial Report (CAFR). A copy of the 2021 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

Payables to the VRS Professional and Nonprofessional Plans

At June 30, 2022, $188,610 was payable to the VRS Professional Plan and $5,628 was payable to the Nonprofessional Plan.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

VRS Plans

NHREC participates in a cost-sharing multiple employer Group Life Insurance Program, a Teacher Employee Health Insurance Credit Program, a Political Subdivision Health Insurance Credit Plan, a Political Subdivision Employee Virginia Disability Program, and a Teacher Employee Virginia Local Disability Program offered by Virginia Retirement System ("VRS").

VRS issues a publicly available 2021 Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org, or by writing to VRS' Chief Financial Office at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions and long term expected rate of return are the same for the VRS OPEB programs. As such, the presentation of the actuarial assumptions and long term expected rate of return are combined below. Specific information for the OPEB plans will be presented after this section.

Actuarial Assumptions
The VRS 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	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, including inflation

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Mortality rates – Teachers – All VRS Postemployment Benefit Plans

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; 110% of rates for males and females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rated projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2 Hybrid; changed final retirement age from 75 to 80 for all

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Discount Range – no change

Mortality rates – Non-Largest Ten Locality Employers - General Employees (Nonprofessional Employees) Group Life Insurance Program and Virginia Local Disability Program

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB210 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Discount Rate – No change

Mortality rates – Non-Largest Ten Locality Employers - General Employees (Nonprofessional Employees) Political Subdivision Health Insurance Credit Program

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rated projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Discount Rate – No change

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

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Virginia Retirement System – Group Life Insurance Program

Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to Section 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. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, Group Life Insurance Program expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to / deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

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

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Seatbelt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program 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.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit 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 COLA was $8,722 as of June 30, 2022.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from NHREC for the nonprofessional employees were $2,043 and $1,933 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions for the professional employees were $52,839 and $50,665 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the NHREC reported a liability of $20,259 for its proportionate share of the Net GLI OPEB Liability for nonprofessional employees and $529,045 for its proportionate share of the Net GLI OPEB Liability for professional employees. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of July 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. The participating employer's proportion was 0.00174% and 0.00171% at June 30, 2022 and June 30, 2021, respectively, for nonprofessional employees.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2022, NHREC's proportion was 0.04544% as compared to 0.04443% at June 30, 2021 for professional employees.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $1,896 for nonprofessional employees and $26,077 for professional employees. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,311	$ 154
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,835
Change in assumptions	1,117	2,772
Changes in proportion	2,893	-
Employer contributions subsequent to the measurement date	2,043	-
Total	$ 8,364	$ 7,761

$2,043 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023 for nonprofessional employees.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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:

Year ended June 30		
FY 2023	$	68
FY 2024		293
FY 2025		(271)
FY 2026		(1,341)
FY 2027		(189)
Thereafter		-
	$	(1,440)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 60,339	$ 4,031
Net difference between projected and actual earnings on GLI OPEB program investments	-	126,272
Change in assumptions	29,166	72,385
Changes in proportion	24,518	16,444
Employer contributions subsequent to the measurement date	52,973	-
Total	$ 166,996	$ 219,132

$52,973 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023 for professional employees.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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:

Year ended June 30

FY 2023	$	(21,660)
FY 2024		(17,519)
FY 2025		(20,634)
FY 2026		(39,751)
FY 2027		(5,545)
Thereafter		-
	$	(105,109)

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$3,577,346
Plan Fiduciary Net Position	2,413,074
Employers' Net GLI OPEB Liability (Asset)	$1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability for nonprofessional employees 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:

	1.00% Decrease (5.75%)	Current Discount Rate 6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$29,599	$20,259	$12,716

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following presents the employer's proportionate share of the net GLI OPEB liability for professional employees 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	$772,954	$529,045	$332,077

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2022, $399 was payable to the VRS Group Life Insurance OPEB Plan for the nonprofessional plan and $12,527 was payable for the professional plan.

Virginia Retirement System – Teacher Employee Health Insurance Credit Program and Political Subdivision Health Insurance Credit Program

Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan, and the Political Subdivision Health Insurance Credit Program is a multi-employer, agent defined benefit plan. Both Programs were established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. Both Programs are defined benefit plans that provide a credit toward the cost of health insurance coverage for retired teachers and retired political subdivision employees of participating employers.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability or the net Political Subdivision Health Insurance Credit OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB and the Political Subdivision Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program and Political Subdivision Health Insurance Credit Program OPEB expenses, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program and the Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's and Political Subdivision Health Insurance Credit Program's net fiduciary positions have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teacher Employee Health Insurance Credit Program and Political Subdivision Health Insurance Credit Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

New Horizons Regional Education Centers began participating in the Political Subdivision Health Insurance Credit Programs on July 1, 2020.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The specific information for the Teacher Health Insurance Credit Program OPEB and the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE AND PLITICAL SUBDIVISIONS HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees - Teacher Employer Plan The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS. **Eligible Employees – Political Subdivision Plan** The Political Subdivision Retiree Health Insurance Credit Program was established on July 1, 1993, for retired political subdivision employees who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
  - $4.00 per month, multiplied by twice the amount of service credit, or
  - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

The Political Subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
- **Disability Retirement** – For employees who retire on disability or go on long-term-disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Health Insurance Credit Program Notes:

- For both Plans, the monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- For both Plans, employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Political Subdivision Plan – No Health Insurance Credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.

Political Subdivision Employees Covered by Benefit Terms

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

Nonprofessional Employees (non-teacher):	
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
Inactive members active elsewhere in VRS	0
Total inactive members	3
Active members	12
Total covered employees	15

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. For the Political Subdivision Health Insurance Credit Plan, NHREC's contractually required employer contribution rate for the year ended June 30, 2022 was 0.56% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Health Insurance Credit Program were $117,199 and $113,316 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from NHREC to the Political Subdivision Health Insurance Credit Program were $2,119 and $2,002 for the years ended June 30, 2022 and 2021.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2022, NHREC reported a liability of $1,359,171 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. NHREC's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.10589% as compared to 0.10385% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $114,630. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 23,717
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	17,904
Change in assumptions	36,741	5,462
Changes in proportionate share	53,571	37,937
Employer contributions subsequent to the measurement date	117,999	-
Total	$ 208,311	$ 85,020

$117,999 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2023.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

FY 2023	$	2,273
FY 2024		2,070
FY 2025		1,607
FY 2026		(2,754)
FY 2027		(918)
Thereafter		3,014
	$	5,292

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$ 1,477,874
Plan Fiduciary Net Position	194,305
Teacher Employee net HIC OPEB Liability (Asset)	$ 1,283,569
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	13.15%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC 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.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Net Political Subdivision HIC OPEB Liability

The NHREC net Political Subdivision Health Insurance Credit OPEB Liability was measured as of June 30, 2021. The total Health Insurance OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB and the Political Subdivision HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program 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. The rate contributed by NHREC for the Political Subdivision HIC OPEB was also 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies and employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's and the Political Subdivision HIC OPEB Plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees in each plan. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability and the total Political Subdivision HIC OPEB Plan.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability and the Political Subdivision HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 1,530,050	$ 1,359,171	$ 1,214,567

The following represents NHREC's proportionate share of the VRS Political Subdivision Health Insurance Credit Program net OPEB liability using the discount rate of 6.75%, as well as what NHREC's proportionate share would be if it were calculated suing a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Political Subdivision HIC OPEB Plan Net HIC OPEB Liability	$ 22,965	$ 20,640	$ 18,641

Political Subdivision Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2022, NHREC recognized Political Subdivision Health Insurance Credit Program OPEB expense of $1,816. At June 30, 2022, NHREC reported deferred outflows and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program from the following sources:

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1
Net difference between projected and actual earnings on Political HIC OPEB plan investments	-	169
Change in assumptions	317	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	2,119	-
Total	$ 2,436	$ 170

$2,119 reported as deferred outflows of resources related to the HIC OPEB resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision HIC OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

FY 2023	$ 38
FY 2024	38
FY 2025	38
FY 2026	33
FY 2027	-
Thereafter	-
	$ 147

Payables to the Teacher Employee Health Insurance Credit Program OPEB Plan and the Political Subdivision Health Insurance Credit Program OPEN Plan

At June 30, 2022, $11,247 was payable to the Teachers Employee Health Insurance Credit Program OPEB Plan and $167 was payable to the Political Subdivision Health Insurance Credit Program OPEB Plan.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Virginia Retirement System – Political Subdivision Virginia Local Disability Program

Summary of Significant Accounting Policies

Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Political Subdivision Employee Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description *(Continued)*

This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
Eligible Employees The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
Benefit Amounts The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees: **<u>Short-Term Disability</u>** – • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Long-Term Disability – • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
Virginia Local Disability Program Notes: • Members approved for short-term or long-term disability at age 60 or older wil be eligible for a benefit, provided they remain medically eligible. • VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2022 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from NHREC to the VRS Political Subdivision Employee Virginia Local Disability Program were $1,272 and $1,170 for the years ended June 30, 2022 and June 30, 2021, respectively.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2022, NHREC reported a liability of $(355) for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2021 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.03509% as compared to 0.03630% at June 30, 2020.

For the year ended June 30, 2022, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of $966. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 211	$ 532
Net difference between projected and actual earnings on VLDP OPEB plan investments	-	198
Change in assumptions	12	96
Changes in proportion and differences between Employer contributions and proportionate share of contributions	33	32
Employer contributions subsequent to the measurement date	1,272	-
Total	$ 1,528	$ 858

$1,272 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Year ended June 30		
FY 2023	$	(89)
FY 2024		(88)
FY 2025		(90)
FY 2026		(163)
FY 2027		(53)
Thereafter		(119)
	$	(602)

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 5,156
Plan Fiduciary Net Position	6,166
Political Subdivision net VLDP OPEB Liability (Asset)	$ (1,010)
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	119.59%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP 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.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB 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 Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's proportionate share of the VRS Political Subdivision VLDP OPEB Plan Net VLDP OPEB Liability	$ (190)	$ (355)	$ (498)

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Payables to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan

At June 30, 2022, the amounts payable to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan was $91.

Virginia Retirement System – Teacher Employee Virginia Local Disability Program

Summary of Significant Accounting Policies

Teacher Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Teacher Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Virginia Local Disability Program OPEB, and the Teacher Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Teacher Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teacher Employee Virginia Local Disability Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
Eligible Employees The Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees: **Short-Term Disability** – • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels **Long-Term Disability** – • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older wil be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 0.47% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Virginia Local Disability Program were $20,564 and $18,414 for the years ended June 30, 2022 and June 30, 2021, respectively.

Teacher Employee Virginia Local Disability Program OPEB Liabilities, Teacher Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Virginia Local Disability Program OPEB

At June 30, 2022, the school division reported a liability of ($4,099) for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was 0.58223% as compared to 0.54694% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of $13,787. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,050	$ 2,278
Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments	-	3,261
Change in assumptions	2,225	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	290	327
Employer contributions subsequent to the measurement date	20,564	-
Total	$ 25,129	$ 5,866

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

$20,564 of deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2023	$	(662)
FY 2024		(666)
FY 2025		(660)
FY 2026		(786)
FY 2027		122
Thereafter		1,351
	$	(1,301)

Net Teacher Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Teacher Employee VLDP OPEB Plan
Total Teacher Employee VLDP OPEB Liability	$ 4,884
Plan Fiduciary Net Position	5,590
Teacher Employee net VLDP OPEB Liability (Asset)	$ (706)
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	114.46%

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The total Teacher Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee VLDP 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.

Discount Rate

The discount rate used to measure the total Teacher Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB 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 Teacher Employee VLDP OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net VLDP 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee VLDP OPEB Plan Net VLDP OPEB Liability	$ (616)	$ (4,099)	$ (7,162)

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Payables to the Teacher Employee Virginia Local Disability Program OPEB Plan

At June 30, 2022, the amount payable to the Teacher Employee Virginia Local Disability Program OPEB Plan was $1,976.

NHREC OPEB Liability – Medical Benefits

Plan Description

NHREC provides post-retirement health care benefits, as a single-employer plan, in accordance with organization policy, to all employees who retire from NHREC who had health coverage as an active employee, are eligible to retire under the Virginia Retirement System, and meet the following requirements:

- Age 55 with 5 Years of Vested Service with VRS
- Age 50 with 10 Years of Vested Service with VRS
- A minimum of 24 months of participation in the health care plan prior to retirement.

Retirees have the option of receiving payment of $30.00 per day (up to 200 days) for unused sick leave accumulated **OR** if their hire date is prior to July 1, 2015, use accumulated sick leave to purchase group health insurance that is offered through NHREC until the employee is eligible for Medicare. NHREC will pay the allowable percentage of its contribution until the retiree is eligible for Medicare. The retiree is required to pay the employee cost plus the unsubsidized percentage as well as any additional cost relating to having spouses or dependents covered in the plan. The following table describes the employer subsidy percentage based on sick days accrued:

Number of Sick Leave Days Earned at NHREC	Amount NHREC Pays of Single Employee's Coverage Only
1 – 49	0%
50 – 99	50%
100 – 149	65%
150 – 199	80%
200 or more	100%

Funding Policy

NHREC has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For fiscal year 2021-2022, retirees received post-employment health benefits. NHREC provided required contributions of $6,597 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses, net of retiree contributions totaling $500. Required contributions are based on projected pay-as-you-go financing.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Net OPEB Liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2020, rolled forward to June 30, 2022.

For the year ended June 30, 2022, the NHREC recognized OPEB expense of $127,672. OPEB expense was calculated as follows:

Service cost	$ 171,810
Interest	31,997
Projected earnings on OPEB trust	-
Changes in benefit terms	-
Differences between expected and actual earnings	
In current fiscal year recognized in current year	-
From past years recognized in current year	-
Differences between expected and actual experience	
In current fiscal year recognized in current year	-
From past years recognized in current year	(93,728)
Changes in assumptions	
In current fiscal year recognized in current year	(17,570)
From past years recognized in current year	35,163
Total OPEB Expense	$ 127,672

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

	Deferred Outflows of Resources	Deferred Inflows of Resource
Net Difference between projected and actual experience	$ -	$ 342,121
Change of assumptions	178,422	129,039
Difference between expected and actual Earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	$ 178,422	$ 471,160

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Amounts
2023	$ (76,135)
2024	(76,135)
2025	(76,135)
2026	(16,338)
2027	(15,212)
Thereafter	(32,783)
	$ (292,738)

The components of the net OPEB liability for the year ended June 30, 2022 were as follows:

Total OPEB liability	$ 1,724,709
Plan fiduciary net position	-
Net OPEB liability	$ 1,724,709
Fiduciary net position as a percent of total OPEB liability	0.00%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between employer and plan members to that point.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2022 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.69% rate of return (discount rate) as required by GASB 75 and an annual healthcare cost trend rate of 3.9%.

Discount Rate – the discount rate used to determine the liabilities was 3.69% and 1.92% at June 30, 2022 and 2021, respectively.

Changes in Net OPEB Liability – NHREC Plan

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance – June 30, 2021	$ 1,671,622	$ -	$ 1,671,622
Changes for the fiscal year:			
Service cost	171,810	-	171,810
Interest	31,997	-	31,997
Changes of benefit terms	-		-
Experience losses	-		-
Employer trust contribution	-	10,160	(10,160)
Net investment income	-	-	-
Changes of assumptions	(140,560)	-	(140,560)
Benefit payments	(10,160)	(10,160)	-
Administrative expenses	-	-	-
Net changes	53,087	-	53,087
Balance – June 30, 2022	$ 1,724,709	$ -	$ 1,724,709
Funded status		0.00%	

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Sensitivity of the OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of NHREC, calculated using the discount rate of 3.69%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is 1 percentage point higher 4.69% or 1 percentage point lower 2.69% than the current rate:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Net OPEB liability	$ 1,868,232	$ 1,724,709	$ 1,590,647

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of NHREC, as well as what the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower 2.90% or 1 percentage point higher 4.90% than the current healthcare cost trend rates:

	1% Decrease (2.90%)	Current Discount Rate (3.90%)	1% Increase (4.90%)
Net OPEB liability	$ 1,479,263	$ 1,724,709	$ 2,023,750

NOTE 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 24, 2023, the date on which the financial statements were available to be issued, and determined that no additional events have occurred since the balance sheet date that would have a material impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Employer's Share of Net Pension Liability - Nonprofessional Employees

Eight Years Ended June 30, 2022

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 37,485	$ 34,262	$ 35,981	$ 32,607	$ 30,882	$ 26,804	$ 31,074	$ 37,362
Interest	80,050	77,065	73,962	71,090	71,163	64,899	62,521	59,628
Difference between expected and actual experience	20,091	3,066	19,142	8,860	(60,733)	65,464	4,055	-
Changes of assumptions	32,583	-	30,162	-	20,415	-	-	-
Benefit payments	(70,899)	(68,236)	(64,008)	(63,031)	(62,246)	(62,184)	(53,921)	(56,835)
Refunds of contributions	(1,217)	-	(16,027)	-	(253)	(10,703)	(546)	-
Net change in total pension liability	98,093	46,157	79,212	49,526	(772)	84,280	43,183	40,155
Total pension liability - beginning	1,221,981	1,175,824	1,096,612	1,047,086	1,047,858	963,578	920,395	880,240
Total pension liability - ending	$ 1,320,074	$ 1,221,981	$ 1,175,824	$ 1,096,612	$ 1,047,086	$ 1,047,858	$ 963,578	$ 920,395
Plan Fiduciary Net Position								
Contributions - employer	$ 51,141	$ 48,900	$ 46,736	$ 52,460	$ 39,896	$ 31,928	$ 32,407	$ 33,557
Contributions - employee	16,490	16,259	15,440	15,572	11,978	11,606	11,871	12,738
Net investment income	226,490	15,087	51,222	53,562	79,350	10,980	29,976	89,920
Benefit payments	(70,899)	(68,236)	(64,008)	(63,031)	(62,246)	(62,184)	(53,921)	(56,835)
Refunds of contributions	(1,217)	-	(16,027)	-	(253)	(10,703)	(546)	-
Administrative expenses	(552)	(519)	(515)	(449)	(459)	(425)	(414)	(488)
Other	21	(19)	(32)	(48)	(71)	(5)	(6)	5
Net change in plan fiduciary net position	221,474	11,472	32,816	58,066	68,195	(18,803)	19,367	78,897
Plan fiduciary net position - beginning	825,194	813,722	780,906	722,840	654,645	673,448	654,081	575,184
Plan fiduciary net position - ending	$ 1,046,668	$ 825,194	$ 813,722	$ 780,906	$ 722,840	$ 654,645	$ 673,448	$ 654,081
Net pension liability (asset)	$ 273,406	$ 396,787	$ 362,102	$ 315,706	$ 324,246	$ 393,213	$ 293,551	$ 266,314
Plan fiduciary net position as a percentage of total pension liability	79.29%	67.53%	69.20%	71.21%	69.03%	62.47%	69.89%	71.07%
Covered-employee payroll	$ 378,418	$ 357,991	$ 352,216	$ 328,868	$ 319,353	$ 297,238	$ 293,551	$ 255,252
Net pension liability as a percentage of covered employee payroll	72.25%	110.84%	102.81%	96.00%	101.53%	132.29%	100.00%	104.33%

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

The amounts presented have a measurement date of the previous fiscal year end.

NEW HORIZONS REGIONAL EDUCTION CENTERS

Schedule of Employer's Share of Net Pension Liability - Professional Employees

Seven Years Ended June 30, 2022

Date	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the NPL as a % of its Covered Employee Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2022	0.10458%	$ 8,118,647	$ 9,751,948	83.25%	85.46%
June 30, 2021	0.10342%	$ 15,050,326	$ 9,364,932	160.71%	71.47%
June 30, 2020	0.10593%	$ 13,940,990	$ 9,103,883	153.13%	73.51%
June 30, 2019	0.10781%	$ 12,678,000	$ 8,925,753	142.04%	74.81%
June 30, 2018	0.10401%	$ 12,791,000	$ 8,768,515	145.87%	72.92%
June 30, 2017	0.10272%	$ 14,395,000	$ 8,738,928	164.72%	68.28%
June 30, 2016	0.10166%	$ 12,795,000	$ 8,212,166	155.81%	70.68%
June 30, 2015	0.10270%	$ 12,411,000	$ 6,917,047	179.43%	70.88%

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

The amounts presented have a measurement date of the previous fiscal year end.

NEW HORIZONS REGIONAL EDUCTION CENTERS

Schedule of Employer Contributions - Professional Employees

Eight Years Ended June 30, 2022

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a Percentage of Covered Employee Payroll (b)/(d)
June 30, 2022	$ 1,620,774	$ 1,620,027	$ 747	$ 9,751,948	16.61%
June 30, 2021	$ 1,556,452	$ 1,556,452	$ (0)	$ 9,364,932	16.62%
June 30, 2020	$ 1,427,489	$ 1,427,489	$ (0)	$ 9,103,883	15.68%
June 30, 2019	$ 1,399,558	$ 1,399,558	$ 0	$ 8,925,753	15.68%
June 30, 2018	$ 1,431,022	$ 1,431,576	$ (554)	$ 8,768,515	16.33%
June 30, 2017	$ 1,267,145	$ 1,202,687	$ 64,458	$ 8,738,928	13.76%
June 30, 2016	$ 1,190,764	$ 1,124,629	$ 66,135	$ 8,212,166	13.69%
June 30, 2015	$ 1,002,972	$ 1,096,229	$ (93,257)	$ 6,917,047	15.85%

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

Changes of benefit terms -- There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions -- The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

* Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) - Update to a more current mortality table - RP-2014 projected to 2021
* 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 - Adjusted rates to better match experience
* Salary Scale - No change
* Discount Rate - Decrease rate from 7.00% to 6.75%

NEW HORIZONS REGIONAL EDUCTION CENTERS

Schedule of Employer Contributions - Nonprofessional Employees

Seven Years Ended June 30, 2022

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a Percentage of Covered Employee Payroll (b)/(d)
June 30, 2022	$ 57,898	$ 57,813	$ 85	$ 378,418	15.28%
June 30, 2021	$ 54,773	$ 54,773	$ (0)	$ 357,991	15.30%
June 30, 2020	$ 52,339	$ 52,339	$ 0	$ 352,216	14.86%
June 30, 2019	$ 48,870	$ 48,870	$ (0)	$ 328,868	14.86%
June 30, 2018	$ 52,438	$ 51,138	$ 1,300	$ 319,353	16.01%
June 30, 2017	$ 34,297	$ 47,028	$ (12,731)	$ 252,185	18.65%
June 30, 2016	$ 32,137	$ 32,453	$ (316)	$ 236,304	13.73%
June 30, 2015	$ 33,013	$ 31,831	$ 1,182	$ 242,740	13.11%

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

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, 2018, 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 BRS 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 10 Largest - Non-Hazardous Duty:

* Mortality Rates - Update to a more current mortality table - RP-2014 projected to 2021
* Retirement Rates - Lowered rates at older ages and changed final retirement age from 70 to 75
* Withdrawal Rates - Adjusted rates to better fit experience at each year age and service through 9 years of service
* Disability Rates - Lowered rates
* Salary Scale - No change
* Line of Duty Disability - Increase rate from 14% to 15%
* Discount Rate - Decrease rate from 7.00% to 6.75%

NEW HORIZONS REGIONAL EDUCATION CENTERS
Schedule of Employer's Share of OPEB Liability
Group Life Insurance Program - Nonprofessional Employees
Five Years Ended June 30, 2022

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2022	0.00174%	$ 20,259	$ 378,418	5.35%	67.45%
June 30, 2021	0.00171%	$ 28,537	$ 357,991	7.97%	52.64%
June 30, 2020	0.00168%	$ 27,338	$ 352,216	7.76%	52.00%
June 30, 2019	0.00168%	$ 25,000	$ 328,868	7.60%	51.22%
June 30, 2018	0.00137%	$ 20,000	$ 252,185	7.93%	48.86%

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

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Employer's Share of Net OPEB Liability

Group Life Insurance Program - Professional Employees

Five Years Ended June 30, 2022

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2022	0.04544%	$ 529,045	$ 9,809,773	5.39%	67.45%
June 30, 2021	0.04443%	$ 741,464	$ 9,382,318	7.90%	52.64%
June 30, 2020	0.04566%	$ 743,010	$ 9,143,794	8.13%	52.00%
June 30, 2019	0.04611%	$ 701,000	$ 8,951,651	7.83%	51.22%
June 30, 2018	0.04492%	$ 676,000	$ 8,768,515	7.71%	48.86%

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

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of GLI OPEB Contributions

Ten Years Ended June 30, 2022

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a Percentage of Covered Payroll (b) / (d)
Nonprofessional					
June 30, 2022	$ 2,043	$ 2,043	$ -	$ 378,418	0.54%
June 30, 2021	1,933	1,933	-	357,991	0.54%
June 30, 2020	1,832	1,832	-	352,216	0.52%
June 30, 2019	1,710	1,710	-	328,868	0.52%
June 30, 2018	1,661	1,661	-	319,353	0.52%
June 30, 2017	1,311	1,311	-	252,185	0.52%
June 30, 2016	1,252	1,134	118	236,304	0.48%
June 30, 2015	1,287	1,165	122	242,740	0.48%
June 30, 2014	1,357	1,229	128	256,073	0.48%
June 30, 2013	1,511	1,369	142	285,142	0.48%
Professional					
June 30, 2022	$ 52,973	$ 52,973	$ -	$ 9,809,773	0.54%
June 30, 2021	50,665	50,665	-	9,382,318	0.54%
June 30, 2020	47,548	47,548	-	9,143,794	0.52%
June 30, 2019	46,549	46,549	-	8,951,651	0.52%
June 30, 2018	45,596	45,596	-	8,768,515	0.52%
June 30, 2017	43,090	43,090	-	8,286,621	0.52%
June 30, 2016	41,699	37,765	3,934	7,867,782	0.48%
June 30, 2015	40,112	36,328	3,784	7,568,344	0.48%
June 30, 2014	40,158	36,369	3,789	7,576,902	0.48%
June 30, 2013	39,731	35,983	3,748	7,496,494	0.48%

NEW HORIZONS REGIONAL EDUCATION CENTERS
Schedule of Employer's Share of OPEB Liability
Teacher Employee Health Insurance Credit Program
Five Years Ended June 30, 2022

Date	Employer's Proportion of the Net HIC OPEB Liability	Employer's Proportionate Share of the Net HIC OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2022	0.10589%	$ 1,359,171	$ 9,751,948	13.94%	9.95%
June 30, 2021	0.10385%	$ 1,354,741	$ 9,364,932	14.47%	9.95%
June 30, 2020	0.10641%	$ 1,393,011	$ 9,103,883	15.30%	8.97%
June 30, 2019	0.10819%	$ 1,373,000	$ 8,925,753	15.38%	8.08%
June 30, 2018	0.10443%	$ 1,325,000	$ 8,738,928	15.16%	7.04%

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

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Employer Teacher HIC OPEB Contributions

Ten Years Ended June 30, 2022

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a Percentage of Covered Payroll (b) / (d)
June 30, 2022	$ 117,999	$ 117,999	$ -	$ 9,751,948	1.21%
June 30, 2021	113,316	113,316	-	9,364,932	1.21%
June 30, 2020	109,247	109,247	-	9,103,883	1.20%
June 30, 2019	107,109	107,109	-	8,925,753	1.20%
June 30, 2018	107,622	107,622	-	8,749,778	1.23%
June 30, 2017	101,369	91,479	9,890	8,241,362	1.11%
June 30, 2016	92,417	83,019	9,398	7,831,978	1.06%
June 30, 2015	89,191	80,121	9,070	7,568,344	1.06%
June 30, 2014	87,871	83,364	4,507	7,510,305	1.11%
June 30, 2013	87,636	83,142	4,494	7,490,248	1.11%

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability and Related Ratios

Year Ended June 30, 2022

	2021	2020
Total Pension Liability		
Service cost	$ 440	$ -
Interest	1,396	-
Changes in benefit terms	-	20,682
Difference between actual and expected experience	(1)	-
Changes in assumptions	397	-
Benefit payments	-	-
Net change in total HIC OPEB liability	2,232	20,682
Total HIC OPEB liability - beginning	20,682	-
Total HIC OPEB liability - ending	$ 22,914	$ 20,682
Plan Fiduciary Net Position		
Contributions - employer	$ 2,005	$ -
Net investment income	278	-
Benefit payments	-	-
Administrative expense	(9)	-
Net change in plan fiduciary net position	2,274	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	$ 2,274	$ -
Political subdivision's net HIC OPEB liability - ending	$ 20,640	$ 20,682
Plan fiduciary net position as a percentage of total pension liability	9.92%	N/A
Covered-employee payroll	$ 378,418	$ 357,991
Net pension liability as a percentage of covered employee payroll	5.45%	5.78%

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

The amounts presented have a measurement date of the previous fiscal year end.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Employer Political Subdivision HIC OPEB Contributions

Two Years Ended June 30, 2022

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a Percentage of Covered Payroll (b) / (d)
June 30, 2022	$ 2,119	$ 2,119	$ -	$ 378,418	0.56%
June 30, 2021	$ 2,005	$ 2,002	$ 3	$ 357,991	0.56%

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

The amounts presented have a measurement date of the previous fiscal year end.

NEW HORIZONS REGIONAL EDUCATION CENTERS
Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program - Nonprofessional Employees
Five Years Ended June 30, 2022

Date	Employer's Proportion of the Net VLDP OPEB Liability	Employer's Proportionate Share of the Net VLDP OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net VLDP OPEB Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2022	0.03509%	$ (355)	$ 153,274	-0.23%	119.59%
June 30, 2021	0.03630%	$ 362	$ 141,015	0.26%	76.88%
June 30, 2020	0.03250%	$ 658	$ 135,240	0.49%	49.19%
June 30, 2019	0.03688%	$ 1,000	$ 100,368	1.00%	51.39%
June 30, 2018	0.01463%	$ -	$ 89,547	0.00%	38.40%

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

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Employer's Share of Net OPEB Liability

Virginia Local Disability Program - Professional Employees

Five Years Ended June 30, 2022

Date	Employer's Proportion of the Net VLDP OPEB Liability	Employer's Proportionate Share of the Net VLDP OPEB Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net VLDP OPEB Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2022	0.58223%	$ (4,099)	$ 4,375,307	-0.09%	114.46%
June 30, 2021	0.54694%	$ 4,388	$ 3,917,873	0.11%	78.28%
June 30, 2020	0.50659%	$ 2,945	$ 3,235,106	0.09%	74.12%
June 30, 2019	0.56710%	$ 4,000	$ 2,429,365	0.16%	46.18%
June 30, 2018	0.60740%	$ 3,000	$ 1,714,088	0.18%	31.96%

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

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Employer Virginia Local Disability Program (VLDP)

Nine Years Ended June 30, 2022

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a Percentage of Covered Payroll (b) / (d)
Nonprofessional					
June 30, 2022	$ 1,272	$ 1,272	$ -	$ 153,274	0.83%
June 30, 2021	1,170	1,170	-	141,015	0.83%
June 30, 2020	974	974	-	135,240	0.72%
June 30, 2019	622	622	-	100,368	0.62%
June 30, 2018	537	537	-	89,547	0.60%
June 30, 2017	161	161	-	26,867	0.60%
June 30, 2016	125	125	-	20,880	0.60%
June 30, 2015	41	41	-	6,817	0.60%
June 30, 2014	40	40	-	6,612	0.60%
Professional					
June 30, 2022	$ 20,564	$ 20,564	$ -	$ 4,375,307	0.47%
June 30, 2021	18,414	18,414	-	3,917,873	0.47%
June 30, 2020	13,264	13,264	-	3,235,106	0.41%
June 30, 2019	9,960	9,960	-	2,429,365	0.41%
June 30, 2018	6,555	6,555	-	2,114,532	0.31%
June 30, 2017	5,314	5,314	-	1,714,088	0.31%
June 30, 2016	3,313	3,313	-	1,142,329	0.29%
June 30, 2015	1,078	1,078	-	371,600	0.29%
June 30, 2014	53	53	-	18,144	0.29%

NEW HORIZONS REGIONAL EDUCATION CENTERS

Schedule of Changes in the Total Liability and Related Ratios - NHREC OPEB

Five Years Ended June 30, 2022

Disclosure for fiscal year ending: **Measurement Date:**	**2022** **6/30/2022**	**2021** **6/30/2021**	**2020** **6/30/2020**	**2019** **6/30/2019**	**2018** **6/30/2018**
Total OPEB liability					
Service cost	$ 171,810	$ 166,220	$ 156,792	$ 127,668	$ 123,523
Interest cost	31,997	36,000	40,418	56,023	50,992
Changes in benefit terms	-	-	-	-	-
Experience losses/(gains)	-	(162,499)	-	-	-
Differences between expected and actual experience	-	-	-	(513,910)	-
Changes of assumptions	(140,560)	181,362	(7,900)	98,936	(4,096)
Benefit payments	(10,160)	(18,863)	(22,449)	(51,203)	(19,505)
Net change in total OPEB liability	53,087	202,220	166,861	(282,486)	150,914
Total OPEB liability, beginning of year	1,671,622	1,469,402	1,302,541	1,585,027	1,434,113
Total OPEB liability, end of year	1,724,709	1,671,622	1,469,402	1,302,541	1,585,027

Information for FYE 2017 and earlier is not available

Disclosure for fiscal year ending: **Measurement Date:**	**2021** **6/30/2021**	**2021** **6/30/2021**	**2020** **6/30/2020**	**2019** **6/30/2019**	**2018** **6/30/2018**
Contributions - Employer	$ 10,160	$ 18,863	$ 22,449	$ 51,203	$ 19,505
Net investment income	-	-	-	-	-
Benefit payments (net of retiree contributions)	(10,160)	(18,863)	(22,449)	(51,203)	(19,505)
Administrative expense	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-
Fiduciary net position - beginning of year	-	-	-	-	-
Fiduciary net position - end of year	-	-	-	-	-
Net OPEB liability	1,724,709	1,671,622	1,469,402	1,302,541	1,585,027
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a % of payroll	N/A	N/A	N/A	N/A	N/A
Expected average remaining service years of all participants	8	8	7	7	8

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Information for FYE 2017 and earlier is not available

Notes to Schedule:

Benefit changes: None

Changes of assumption: the discount rate was changed as follows:

Discount Rate:

6/30/18 - 3.62%
6/30/19 - 3.13%
6/30/20 - 2.45%
6/30/21 - 1.92%
6/30/22 - 3.69%

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
New Horizons Regional Education Centers

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activity, the component unit, the major funds, and the activity funds of New Horizons Regional Education Centers, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise New Horizons Regional Education Centers' basic financial statements, and have issued our report thereon dated January 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Horizons Regional Education Centers' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Horizons Regional Education Centers' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Horizons Regional Education Centers' 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 organization'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A. Rohn, Smith & Company

Newport News, Virginia

January 24, 2023