

Appomattox River Water Authority



Financial Report Year Ended June 30, 2024



APPOMATTOX RIVER WATER AUTHORITY

S. Chesterfield, Virginia

(A Public Body chartered November 21, 1960
Under the Water and Waste Authorities Act of 1950 of the Commonwealth of Virginia)

- Board of Directors -

Douglas E. Smith, Chairman
City of Colonial Heights

W. Kevin Massengill, Vice Chairman
Dinwiddie County

Frank Haltom, Secretary-Treasurer (alternate)
Prince George County

Dr. Joseph Casey, Member
Chesterfield County

John "March" Altman, Member
City of Petersburg

Jeffrey Stoke, Member
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- Officials -

Robert B. Wilson, P.E., Executive Director

James C. Gordon, Assistant Executive Director

USBank, Trustee

Melissa B. Wilkins, Business Manager/FOIA Officer

McGuire Woods, Counsel

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Independent Auditors' Report

**To the Honorable Members of
Appomattox River Water Authority
S. Chesterfield, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Appomattox River Water Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Appomattox River Water Authority, as of June 30, 2024, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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 Appomattox River Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Appomattox River Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Appomattox River Water Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited Appomattox River Water Authority's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2024, on our consideration of Appomattox River Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Appomattox River Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Appomattox River Water Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

October 9, 2024

**To the Honorable Board of Directors
Appomattox River Water Authority
S. Chesterfield, Virginia**

As management of Appomattox River Water Authority (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ending June 30, 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's assets, deferred outflows, deferred inflows and liabilities. Equity of the Authority is reported as net position. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, reduced by accumulated depreciation and by any outstanding debt, deferred outflows of resources and deferred inflows of resources related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. earned but unused vacation leave).

Refer to the table of contents for the basic enterprise fund financial statements.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. Refer to the table of contents for the notes to the financial statements. Required supplementary information presents the Authority's progress in funding its obligation to provide pension benefits to its employees.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$56,612,204 (net position). Of this amount \$18,946,649 is reported as unrestricted net position.
- The Authority's total net position increased by \$2,074,681.

Financial Highlights (continued)

-- The Authority's total long-term obligations (including premium amortization, compensated absences, OPEB liability and net pension liability) decreased by \$1,668,309 during the current fiscal year. Details of the change in long-term obligations can be found under the heading "Capital Asset and Debt Administration."

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,612,204 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (52 percent) reflects its net investment in capital assets. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the statement of net position.

	<u>Net Position</u>	
	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 26,060,805	\$ 25,556,325
Capital assets	<u>46,704,605</u>	<u>46,756,504</u>
Total assets	<u>\$ 72,765,410</u>	<u>\$ 72,312,829</u>
Deferred charge on refunding	\$ 66,631	\$ 74,959
OPEB related items	46,411	62,007
Pension related items	<u>10,877</u>	<u>62,672</u>
Total deferred outflows	<u>\$ 123,919</u>	<u>\$ 199,638</u>
Long-term liabilities	\$ 15,261,597	\$ 16,929,906
Other liabilities	<u>508,871</u>	<u>266,320</u>
Total liabilities	<u>\$ 15,770,468</u>	<u>\$ 17,196,226</u>
OPEB related items	\$ 56,103	\$ 95,260
Pension related items	<u>450,554</u>	<u>683,458</u>
Total deferred inflows	<u>\$ 506,657</u>	<u>\$ 778,718</u>
Net investment in capital assets	\$ 29,201,492	\$ 31,970,278
Restricted	8,464,063	8,226,317
Unrestricted	<u>18,946,649</u>	<u>14,340,928</u>
Total net position	<u>\$ 56,612,204</u>	<u>\$ 54,537,523</u>

Financial Analysis (continued)

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position.

	Change in Net Position	
	2024	2023
Revenues:		
Operating revenues	\$ 13,950,302	\$ 12,411,243
Gain (loss) on disposal of capital assets	5,500	(3,113)
Other nonoperating revenue	18,397	-
Investment income	979,012	614,649
Total revenues	<u>\$ 14,953,211</u>	<u>\$ 13,022,779</u>
Expenses:		
Operating expenses (excluding depreciation)	\$ 9,380,051	\$ 8,462,234
Depreciation expense	2,593,323	2,053,521
Reimbursement to member localities	500,070	694,023
Interest expense	405,086	446,500
Total expenses	<u>\$ 12,878,530</u>	<u>\$ 11,656,278</u>
Increase (decrease) in net position	\$ 2,074,681	\$ 1,366,501
Net position-July 1	<u>54,537,523</u>	<u>53,171,022</u>
Net position-June 30	<u>\$ 56,612,204</u>	<u>\$ 54,537,523</u>

The Authority's net position increased by \$2,074,681 during the current fiscal year. Operating revenues increased by \$1,539,059 over fiscal year 2023 totals (12.40 percent). Operating expenses (excluding depreciation) increased by \$917,817 over fiscal year 2023 totals (10.85 percent). Key elements of these changes are explained in greater detail under the Review of Operations section.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2024 amounts to \$46,704,605 (net of accumulated depreciation). Investment in capital assets decreased by approximately .11% during the year. Below is a comparison of the items that make up capital assets as of June 30, 2024 with that of June 30, 2023.

	2024	2023
Land and land rights	\$ 1,044,167	\$ 1,044,167
Water systems	100,183,108	99,933,139
Equipment	1,951,701	1,893,883
Furniture and fixtures	352,962	-
Building improvements	19,410	-
Leased equipment	21,869	21,869
Hydro costs incurred	34,873	34,873
Accumulated depreciation	(59,381,269)	(56,806,902)
Construction in progress	<u>2,477,784</u>	<u>635,475</u>
Total capital assets	<u>\$ 46,704,605</u>	<u>\$ 46,756,504</u>

More detailed information on the Authority's capital assets is presented in Note 3 of the notes to the financial statements.

Capital Asset and Debt Administration (continued)

Long-Term Debt - At the end of the current fiscal year, the Authority had \$14,903,000 in bonds outstanding versus \$16,582,000 in the prior year. The decrease represents payment of principal in accordance with the bond documents.

Other long-term obligations of the Authority include lease liabilities, net OPEB liabilities, and accrued vacation pay. More detailed information on the Authority's long-term obligations is presented in the notes to the financial statements.

Review of Operations

Operating Revenues. Operating Revenues increased by \$1,539,059 or 12.4%. All members exceeded their five-year running average consumption used to calculate the FY2023/2024 budget. The largest increase seen by a member for FY2023/2024 was 25.66% with an average increase of 13.23% for all members.

Operating Expenses. Operating Expenses (excluding depreciation) increased by \$917,817 from FY2022/2023. The majority of this increase is attributed to higher utility power costs, process chemical costs, and repair material costs.

Long-Term Issues. The Federal Safe Drinking Water Act and regulations that derive from this Act mandate the water quality that the Authority must meet for its customers. The regulations require the Authority to constantly improve operations and treatment techniques. The Authority has met the federal and state requirements for drinking water quality in the past and will continue to do so in the future.

The Authority will be testing for six regulated PFAS compounds as the rules are promulgated. The results from this testing and corresponding treatment improvements (if necessary) could influence future treatment costs.

The Authority will be renewing the Virginia Water Protection (VWP) permit in 2028. The Department of Environmental Quality (DEQ) may require additional studies and evaluations to determine if the raw water source will need additional protection and/or augmenting.

Authority Highlights

- Successful FY2022/2023 annual audit.
- Maintenance staff replaced actuators and stems on flocculators #3 and #4.
- IT staff replaced sedimentation basin sludge PLC's.
- Completed rehabilitation of filter gallery floor.
- Replaced buss differential relays in main switch gear for plant.
- Performed preliminary engineering report to determine feasibility of adding elevated finished water storage on site.
- Contractor continued to work on liquid lime facilities to replace existing dry system.
- Completed Emergency Action Plan (EAP) for potential inundation created by lagoon dam failure. Performed Department of Recreation (DCR) EAP exercise to validate plan.
- Initiated site plan characterization for process lagoons.
- Worked with Department of Wildlife Resources (DWR) and Chesterfield County Police Department to provide additional presence and enforcement on the lake.
- Chesterfield County and Dinwiddie County updated their respective ordinances for the exclusionary zone distance and increased fines for violations of ordinances on the lake.
- Selected an engineer and began updating the Alternative Analysis to determine costs and ability to permit alternatives for future augmentation of the raw water supply.
- Renewed VPDES permit for process lagoon discharge.

Authority Highlights (continued)

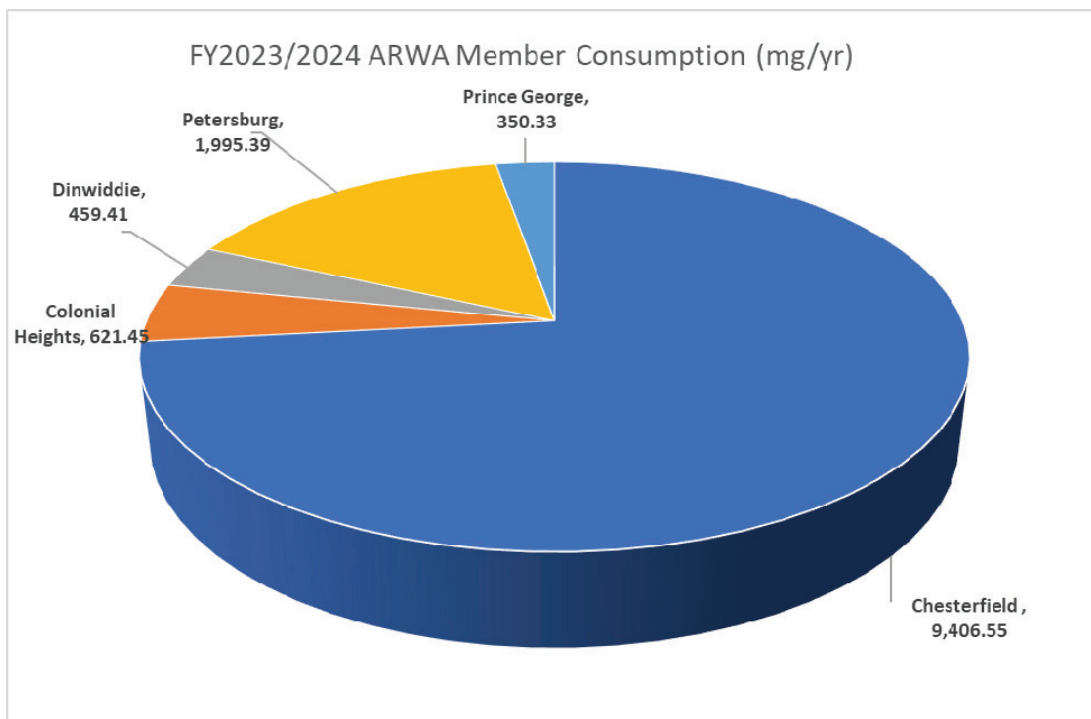
- Divers inspected underwater intakes and appurtenances for raw water pump station #1 and #2. No major deficiencies identified.
- Added 54” repair materials to inventory.
- Added additional cameras for plant surveillance and security.
- Continued to work on the upgrade/replacement of the SCADA system for process control and system oversight.
- Opted out of 3M and DuPont PFAS class action settlement per recommendation of counsel.
- Relocated fluoride pumps to new outside enclosure and reclaimed old fluoride area for new office space.
- Selected a hydrilla expert to evaluate hydrilla impact on the lake and detail hydrilla management practices. Hydrilla is currently not affecting quality or quantity of raw water.
- Calibrated field mag meters utilized for billing members.
- Updated irrigation permits and insurance certificates for lakefront residents.
- Continued to meet all monitoring, reporting, regulatory and quality requirements for finished water produced.

A flow summary for the last two years is shown below:

	<u>2023/2024</u>	<u>2022/2023</u>
Total raw water withdrawal (BG)	14.638	14.022
Average raw water daily withdrawal (mgd)	40.00	38.42

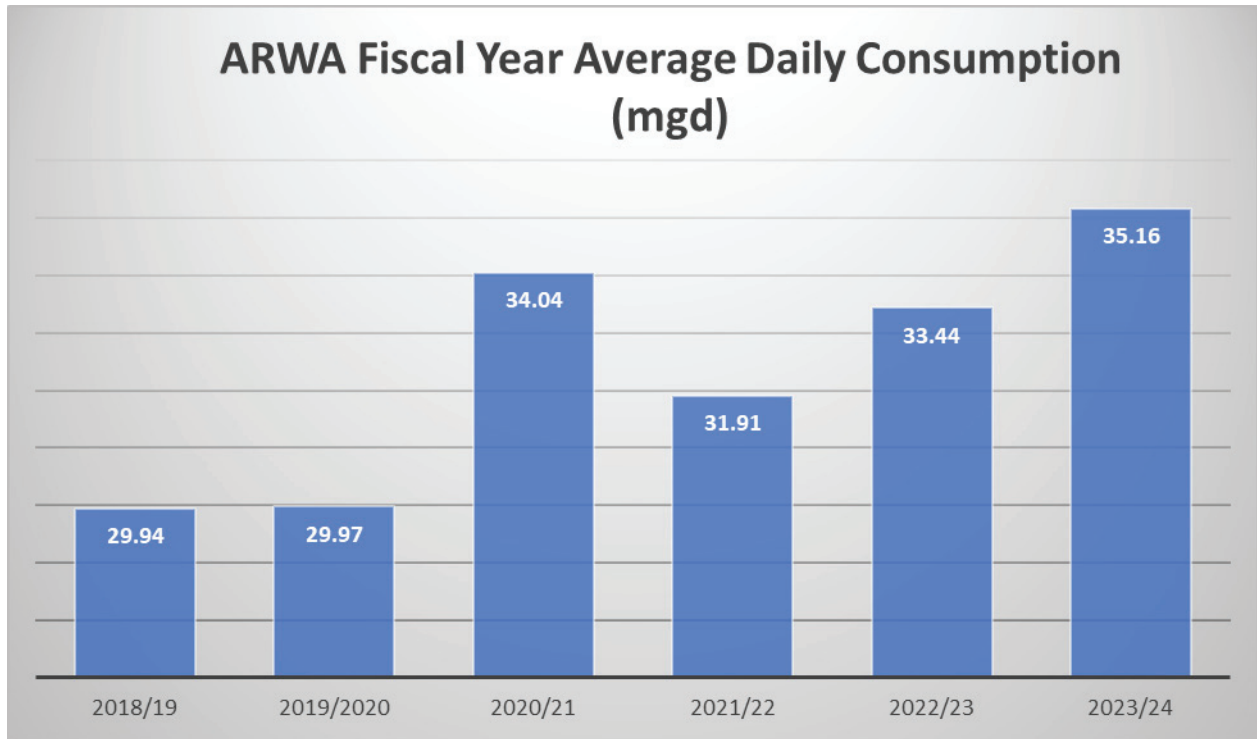
The peak month withdrawal for FY2023/2024 was June at 1.565 BG. The limitations in the Virginia Water Protection Permit, VWP #: 01-1719, is a maximum day withdrawal of 86.24 mgd, a maximum monthly withdrawal of 2.29 BG and a maximum annual withdrawal of 17.934 BG. The current VWP permit expires on October 31, 2028. Preliminary discussions have begun with the DEQ to determine the necessary studies and reports necessary for the renewal.

	<u>2023/2024</u>	<u>2022/2023</u>
Total finished water sold (BG)	12.833	12.205
Average day finished water sold (mgd)	35.16	33.44



Authority Highlights: (continued)

Consumption by the localities continues to change over time with annual variation generally based on the weather, with dry years being higher than wet years. All members increased their consumption in FY2023/2024 when compared to FY2022/2023. During FY2023/2024, the Authority did not issue any formal permit related water conservation restrictions.



Economic Conditions

The Authority continues to operate under sound effective management with total net position increasing during FY2023/2024. Overall, finances for the Authority for FY2023/2024 as viewed by management are considered sound.

Contacting the Authority

Questions concerning this financial report or requests for additional information should be directed to the Executive director, Appomattox River Water Authority, 21300 Chesdin Road, South Chesterfield, Virginia 23803, telephone (804) 590-1145.

- Financial Statements -

APPOMATTOX RIVER WATER AUTHORITY

Statement of Net Position

June 30, 2024

(With Comparative Totals for the Prior Year)

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,462,259	\$ 13,117,881
Accrued interest receivable	65,382	13,356
Accounts receivable - water service	3,853,829	3,081,483
Inventory	1,110,872	907,236
Other receivables	10,723	16,939
Prepaid expenses	<u>49,677</u>	<u>46,115</u>
Total Current Assets	\$ <u>17,552,742</u>	\$ <u>17,183,010</u>
Noncurrent Assets		
Restricted Assets:		
Cash and cash equivalents	\$ 6,510,899	\$ 6,634,713
Net pension asset	<u>1,997,164</u>	<u>1,738,602</u>
Total Restricted Assets	\$ <u>8,508,063</u>	\$ <u>8,373,315</u>
Capital Assets:		
Land and land rights	\$ 1,044,167	\$ 1,044,167
Water system	100,183,108	99,933,139
Equipment	1,951,701	1,893,883
Furniture and fixtures	352,962	-
Building improvements	19,410	-
Lease equipment	21,869	21,869
Hydro costs incurred	34,873	34,873
Accumulated depreciation	<u>(59,381,269)</u>	<u>(56,806,902)</u>
Sub-total net capital assets	\$ 44,226,821	\$ 46,121,029
Construction in progress	<u>2,477,784</u>	<u>635,475</u>
Net capital assets	\$ <u>46,704,605</u>	\$ <u>46,756,504</u>
Total Noncurrent Assets	\$ <u>55,212,668</u>	\$ <u>55,129,819</u>
Total Assets	\$ <u>72,765,410</u>	\$ <u>72,312,829</u>
Deferred Outflows of Resources		
Deferred charge on refunding	\$ 66,631	\$ 74,959
OPEB related items	46,411	62,007
Pension related items	<u>10,877</u>	<u>62,672</u>
Total Deferred Outflows of Resources	\$ <u>123,919</u>	\$ <u>199,638</u>

APPOMATTOX RIVER WATER AUTHORITY

Statement of Net Position

June 30, 2023 (continued)

(With Comparative Totals for the Prior Year)

	<u>2024</u>	<u>2023</u>
Liabilities		
Current Liabilities Payable from Current Assets		
Accounts payable	\$ 227,644	\$ 64,470
Total Current Liabilities Payable from Current Assets	<u>\$ 227,644</u>	<u>\$ 64,470</u>
Current Liabilities Payable from Restricted Assets		
Accounts payable	\$ 85,500	\$ 84,724
Retainage payable	99,160	10,161
Accrued interest payable - bonds	96,534	106,942
Accrued interest payable - leases	33	23
Bonds payable - current portion	1,723,000	1,679,000
Lease liabilities - current portion	4,265	6,010
Total Current Liabilities Payable from Restricted Assets	<u>\$ 2,008,492</u>	<u>\$ 1,886,860</u>
Total Current Liabilities	<u>\$ 2,236,136</u>	<u>\$ 1,951,330</u>
Noncurrent Liabilities		
Bonds payable - net of current portion	\$ 13,180,000	\$ 14,903,000
Lease liabilities - net of current portion	-	4,265
Net OPEB liabilities	135,777	121,693
Compensated absences	218,555	215,938
Total Noncurrent Liabilities	<u>\$ 13,534,332</u>	<u>\$ 15,244,896</u>
Total Liabilities	<u>\$ 15,770,468</u>	<u>\$ 17,196,226</u>
Deferred Inflows of Resources		
OPEB related items	\$ 56,103	\$ 95,260
Pension related items	450,554	683,458
Total Deferred Inflows of Resources	<u>\$ 506,657</u>	<u>\$ 778,718</u>
Net Position		
Net investment in capital assets	\$ 29,201,492	\$ 31,970,278
Restricted for debt service and bond covenants	6,466,899	6,487,715
Restricted for net pension asset	1,997,164	1,738,602
Unrestricted	<u>18,946,649</u>	<u>14,340,928</u>
Total Net Position	<u>\$ 56,612,204</u>	<u>\$ 54,537,523</u>

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

APPOMATTOX RIVER WATER AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2024
 (With Comparative Totals for the Prior Year)

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Water service	\$ 13,905,660	\$ 12,372,541
Other	44,642	38,702
Total Operating Revenues	\$ <u>13,950,302</u>	\$ <u>12,411,243</u>
Operating Expenses		
Operating and maintenance		
Salaries	\$ 2,118,746	\$ 1,999,455
Employee benefits	265,124	262,608
Contractual services	958,429	891,980
Materials, supplies and other costs	4,579,926	3,999,489
Other charges	1,457,826	1,308,702
Depreciation and amortization	<u>2,593,323</u>	<u>2,053,521</u>
Total Operating Expenses	\$ <u>11,973,374</u>	\$ <u>10,515,755</u>
Net Operating Income (Loss)	\$ <u>1,976,928</u>	\$ <u>1,895,488</u>
Nonoperating Revenues (Expenses)		
Income from investments	\$ 979,012	\$ 614,649
Insurance proceeds	18,397	-
Reimbursement to member localities	(500,070)	(694,023)
Gain (loss) of disposal of capital assets	5,500	(3,113)
Interest expense	<u>(405,086)</u>	<u>(446,500)</u>
Total Nonoperating Revenues (Expenses)	\$ <u>97,753</u>	\$ <u>(528,987)</u>
Change in net position	\$ 2,074,681	\$ 1,366,501
Net position, beginning of year	<u>54,537,523</u>	<u>53,171,022</u>
Net position, end of year	\$ <u><u>56,612,204</u></u>	\$ <u><u>54,537,523</u></u>

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

APPOMATTOX RIVER WATER AUTHORITY

Statement of Cash Flows

Year Ended June 30, 2024

(With Comparative Totals for the Prior Year)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 13,184,172	\$ 12,309,607
Payments to suppliers and vendors	(7,040,205)	(6,284,722)
Payments to and on behalf of employees	(2,830,401)	(2,670,828)
Net cash provided by (used for) operating activities	<u>\$ 3,313,566</u>	<u>\$ 3,354,057</u>
Cash flows from noncapital financing activities:		
Reimbursement to member localities	\$ (500,070)	\$ (694,023)
Payout of insurance proceeds	18,397	-
Net cash provided by (used for) noncapital financing activities	<u>\$ (481,673)</u>	<u>\$ (694,023)</u>
Cash flows from capital and related financing activities:		
Acquisition of utility plant in service	\$ (2,451,649)	\$ (1,650,290)
Principal paid on bonds	(1,679,000)	(1,640,000)
Interest paid on bonds	(406,953)	(447,875)
Principal paid on lease liability	(6,010)	(5,850)
Interest paid on lease liability	(203)	(363)
Sale of capital assets	5,500	7,500
Net cash provided by (used for) capital and related financing activities	<u>\$ (4,538,315)</u>	<u>\$ (3,736,878)</u>
Cash flows from investing activities:		
Interest received	\$ 926,986	\$ 607,714
Net cash provided by (used for) investing activities	<u>\$ 926,986</u>	<u>\$ 607,714</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (779,436)</u>	<u>\$ (469,130)</u>
Cash and cash equivalents at beginning of year (including \$6,634,713 and \$6,679,504 in restricted accounts)	<u>\$ 19,752,594</u>	<u>\$ 20,221,724</u>
Cash and cash equivalents at end of year (including \$6,510,899 and \$6,634,713 in restricted accounts)	<u>\$ 18,973,158</u>	<u>\$ 19,752,594</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,976,928	\$ 1,895,488
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,593,323	2,053,521
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in receivables	(766,130)	(101,636)
(Increase) decrease in inventories	(203,636)	(22,642)
(Increase) decrease in prepaid expenses	(3,562)	(27,603)
(Increase) decrease in pension deferred outflow of resources	51,795	108,115
(Increase) decrease in OPEB deferred outflow of resources	15,596	16,143
(Increase) decrease in net pension asset	(258,562)	(50,637)
Increase (decrease) in operating accounts payable	163,174	(34,306)
Increase (decrease) in compensated absences	2,617	11,656
Increase (decrease) in pension deferred inflow of resources	(232,904)	(450,653)
Increase (decrease) in OPEB deferred inflow of resources	(39,157)	46,373
Increase (decrease) in net OPEB liabilities	14,084	(89,762)
Net cash provided by (used for) operating activities	<u>\$ 3,313,566</u>	<u>\$ 3,354,057</u>

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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Entity:

The Appomattox River Water Authority (Authority) is a body politic and corporate organized under the laws of the Commonwealth of Virginia whose address is 21300 Chesdin Road, South Chesterfield, Virginia 23803. The Authority provides wholesale potable water to five participating jurisdictions: County of Chesterfield, City of Colonial Heights, County of Dinwiddie, City of Petersburg and County of Prince George. The requirements and billing structure for providing water to the five participating jurisdictions is outlined in the 1964 Service Agreement and subsequent amendments. The current plant rated capacity is 96 million gallons per day.

Summary of Significant Accounting Policies:

A. Basis of Accounting:

Appomattox River Water Authority operates as an enterprise fund, uses the flow of economic resources measurement focus and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows Governmental Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. Basic Financial Statements:

The financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's Discussion and Analysis
- Enterprise Fund Financial Statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Basic Financial Statements: (continued)

- Required Supplementary Information
 - Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
 - Schedule of Employer Contributions–Pension Plan
 - Notes to Required Supplementary Information–Pension Plan
 - Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance
 - Notes to Required Supplementary Information - Health Insurance
 - Schedule of Authority's Share of Net OPEB Liability - Group Life Insurance Plan
 - Schedule of Employer Contributions - Group Life Insurance Plan
 - Notes to Required Supplementary Information - Group Life Insurance Plan

C. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

D. Accounts Receivable:

Accounts receivable is recorded at face value. Since substantially all of the Authority's receivables are from the participating jurisdictions, no allowance for uncollectible accounts is deemed necessary.

E. Capital Assets:

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, and infrastructure assets, and are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the Authority constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the Authority are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water system	5-50
Equipment	5-15
Furniture & Fixtures	25
Building Improvements	10-30
Lease equipment	3-5
Hydro costs incurred	25

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

F. Investments:

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Premiums/Discount on Bonds Held for Investment:

The premium/discounts paid on bonds held for investment are being amortized over the life of investment using the effective interest method.

H. Budgets:

The Authority adopts annual budgets for water service revenues and Operating Fund expenditures. The budgets are prepared on the basis of expected cash receipts and disbursements rather than on the accrual basis.

I. Unamortized Deferred Charge on Refunding:

The deferred charge on refunding, resulting from the refunding of the Series 2002C and Series 2010 Revenue Bonds is being amortized using the bonds outstanding method over the life of the Series 2010 and Series 2019 Revenue Refunding Bonds, which is not materially different from the effective interest method. The current year amortization is included in interest expense.

J. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Net Position:

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/ amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

K. Net Position: (continued)

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

The current year report includes a change in calculations related to restricted cash and restricted net position. The prior year restricted amounts have been updated to reflect current year calculations.

L. Net Position Flow Assumption:

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

M. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding. A deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

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

N. Restricted Assets:

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

O. Inventories:

Inventories are reported at cost, and cost is determined on the first-in, first-out basis.

P. Prepaid Expenses:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Q. Pensions:

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

R. Other Postemployment Benefits (OPEB):

Group Life Insurance

For purposes of measuring the net GLI Plan OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Plan OPEB and the additions to/deductions from the VRS GLI 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.

S. Leases:

The Authority leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Authority recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee).

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

S. Leases: (continued)

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F-1 by Fitch Ratings, Inc., banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Authority has not implemented a formal investment policy.

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2024 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Authority's Rated Debt Investments' Values</u>	
	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	<u>Aaa</u>
Local Government Investment Pool	\$ 8,663,070	-
Money market funds	4,847,683	-
U.S. Treasury securities	-	4,488,675
Total	<u>\$ 13,510,753</u>	<u>\$ 4,488,675</u>

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Interest Rate Risk:

<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ <u>8,663,070</u>	\$ <u>8,663,070</u>

External Investment Pool

The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3 - CAPITAL ASSETS:

A summary of the Authority's capital assets and the changes therein for the year ended June 30, 2024 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land rights	\$ 1,044,167	\$ -	\$ -	\$ 1,044,167
Construction in progress	635,475	2,075,906	233,597	2,477,784
Total capital assets not being depreciated	<u>\$ 1,679,642</u>	<u>\$ 2,075,906</u>	<u>\$ 233,597</u>	<u>\$ 3,521,951</u>
Other capital assets, being depreciated:				
Water system	\$ 99,933,139	\$ 249,969	\$ -	\$ 100,183,108
Equipment	1,893,883	76,773	18,955	1,951,701
Furniture & Fixtures	-	19,410	-	19,410
Building Improvements	-	352,962	-	352,962
Lease equipment	21,869	-	-	21,869
Hydro costs incurred	34,873	-	-	34,873
Total other capital assets being depreciated	<u>\$ 101,883,764</u>	<u>\$ 699,114</u>	<u>\$ 18,955</u>	<u>\$ 102,563,923</u>
Accumulated depreciation:				
Water system	\$ (55,548,468)	\$ (2,354,820)	\$ -	\$ (57,903,288)
Equipment	(1,211,719)	(214,165)	(18,956)	(1,406,928)
Furniture & Fixtures	-	(647)	-	(647)
Building Improvements	-	(17,639)	-	(17,639)
Lease equipment	(11,842)	(6,052)	-	(17,894)
Hydro costs incurred	(34,873)	-	-	(34,873)
Total accumulated depreciation	<u>\$ (56,806,902)</u>	<u>\$ (2,593,323)</u>	<u>\$ (18,956)</u>	<u>\$ (59,381,269)</u>
Other capital assets being depreciated, net	<u>\$ 45,076,862</u>	<u>\$ (1,894,209)</u>	<u>\$ (1)</u>	<u>\$ 43,182,654</u>
Capital assets, net	<u>\$ 46,756,504</u>	<u>\$ 181,697</u>	<u>\$ 233,596</u>	<u>\$ 46,704,605</u>

Depreciation expense for the fiscal year totaled \$2,593,323.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 3 - CAPITAL ASSETS: (continued)

Contract Commitments

Contract commitments of the Authority at June 30, 2024 related to capital assets are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Liquid Lime System	\$ 1,983,204	\$ 385,038
Total	\$ <u>1,983,204</u>	\$ <u>385,038</u>

NOTE 4 - LONG-TERM OBLIGATIONS:

A. Changes in Long-Term Obligations:

The following is a summary of long-term obligations transactions for the year ended June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Direct borrowings and direct placements					
Revenue and revenue refunding bonds	\$ 16,582,000	\$ -	\$ (1,679,000)	\$ 14,903,000	\$ 1,723,000
Total direct borrowings and direct placements	\$ 16,582,000	\$ -	\$ (1,679,000)	\$ 14,903,000	\$ 1,723,000
Lease liabilities	\$ 10,275	\$ -	\$ (6,010)	\$ 4,265	\$ 4,265
Net OPEB liability	\$ 121,693	\$ 119,813	\$ (105,728)	\$ 135,778	\$ -
Compensated absences	\$ 215,938	\$ 2,617	\$ -	\$ 218,555	\$ -
Totals	\$ <u>16,929,906</u>	\$ <u>122,430</u>	\$ <u>(1,790,738)</u>	\$ <u>15,261,598</u>	\$ <u>1,727,265</u>

B. Annual Amortization of Long-Term Obligations:

The annual requirements to amortize all long-term obligations outstanding at June 30, 2024 are as follows:

<u>Year Ended June 30,</u>	<u>Direct Borrowings and Direct Placements</u>	
	<u>Revenue and Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,723,000	\$ 364,483
2026	1,770,000	320,106
2027	1,821,000	273,831
2028	1,858,000	225,855
2029	1,605,000	180,777
2030	1,644,000	138,753
2031	1,685,000	95,220
2032	1,730,000	49,950
2033	1,067,000	13,423
Total	\$ <u>14,903,000</u>	\$ <u>1,662,398</u>

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 4 - LONG-TERM OBLIGATIONS: (continued)

C. Details of Long-Term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds		
Direct Borrowings and Direct Placements:		
On December 21, 2017, the Authority issued \$13,500,000 of Water Revenue Bonds bearing interest at 2.516% payable semiannually through October 2032. Principal payments commence October 2018, payable annually, through October 2032.	\$ 8,702,000	\$ 872,000
On May 30, 2012, the Authority issued \$3,623,000 of Water Revenue Bonds bearing interest at 3.10% payable semiannually through October 2027. Principal payments commence October 2013.	1,136,000	271,000
On November 20, 2019, the Authority issued \$6,820,000 of Water Revenue Refunding Bonds, Series 2019 to provide funds to defease \$7,330,000 of Water Revenue Refunding Bonds, Series 2010. The Authority advance refunded the 2010 Series bonds to reduce its total debt service payments by \$711,115. The defeased bonds were called and retired on October 1, 2020. Bond issue costs in the amount of \$105,084 are associated with these bonds. The bonds bear interest, payable semiannually, at rates of 2.915%. Principal is payable annually on October 1, 2020 through 2031.	5,065,000	580,000
Total Revenue Bonds	\$ <u>14,903,000</u>	\$ <u>1,723,000</u>
Lease liabilities	\$ <u>4,265</u>	\$ <u>4,265</u>
Net OPEB liability	\$ <u>135,778</u>	\$ <u>-</u>
Compensated absences	\$ <u>218,555</u>	\$ <u>-</u>
Total long-term obligations	\$ <u><u>15,261,598</u></u>	\$ <u><u>1,727,265</u></u>

Pledge of Revenues and Funds

The Authority pledges and assigns to the trustee all revenues derived from the ownership or operation of the System and all monies in the Construction Account, the Revenue Account, the Operating Account, the Bond Account, the Debt Service Reserve Accounts and the Replacement Account for the payment of the principal of interest on the bonds, subject only to the right of the Authority to make application thereof to other purposes as provided in the Trust Agreement.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 5 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 5 - PENSION PLAN: (continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	20
Inactive members:	
Vested inactive members	3
Non-vested inactive members	5
Inactive members active elsewhere in VRS	7
Total inactive members	15
Active members	26
Total covered employees	61

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 5 - PENSION PLAN: (continued)

Contributions

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

The Authority’s contractually required employer contribution rate for the year ended June 30, 2024 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$0 and \$0 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Authority, the net pension liability (asset) was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality Rates:

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

Pre-Retirement:

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

Post-Retirement:

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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 5 - PENSION PLAN: (continued)

Actuarial Assumptions – General Employees (continued)

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

The actuarial assumptions used in the June 30, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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
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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 5 - PENSION PLAN: (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	2.50%
		Expected arithmetic nominal return**	<u>8.25%</u>

* The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, 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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on,

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 5 - PENSION PLAN: (continued)

Discount Rate (continued)

participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 5,563,971	\$ 7,302,573	\$ (1,738,602)
Changes for the year:			
Service cost	\$ 162,496	\$ -	\$ 162,496
Interest	376,703	-	376,703
Changes of assumptions	-	-	-
Differences between expected and actual experience	(253,433)	-	(253,433)
Contributions - employer	-	-	-
Contributions - employee	-	82,043	(82,043)
Net investment income	-	467,015	(467,015)
Benefit payments, including refunds of employee contributions	(291,351)	(291,351)	-
Administrative expenses	-	(4,712)	4,712
Other changes	-	(18)	18
Net changes	\$ (5,585)	\$ 252,977	\$ (258,562)
Balances at June 30, 2023	\$ 5,558,386	\$ 7,555,550	\$ (1,997,164)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1 % Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Appomattox River Water Authority's Net Pension Liability (Asset)	\$ (1,341,433)	\$ (1,997,164)	\$ (2,585,581)

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 5 - PENSION PLAN: (continued)

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

For the year ended June 30, 2024, the Authority recognized pension expense of (\$439,672). At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 333,564
Change of assumptions	10,877	-
Net difference between projected and actual earnings on pension plan investments	-	116,990
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 10,877</u>	<u>\$ 450,554</u>

\$0 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2025	\$ (338,507)
2026	(209,669)
2027	104,763
2028	3,736
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 6 - COMPENSATED ABSENCES:

Accumulated unpaid vacation, vested sick leave and other compensatory leave amounts are accrued when incurred. At June 30, 2024 and 2023 liabilities were as follows:

	<u>2024</u>	<u>2023</u>
Accumulated and compensatory leave	\$ <u>218,555</u>	\$ <u>215,938</u>

Sick leave is vested and payable upon eligible retirement from the Authority and accordingly recorded as a liability in the financial statements.

NOTE 7 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the State to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers compensation coverage and other liability insurance. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums. The Authority also participates in the VaRisk2, a group liability self insurance plan, administered by the Commonwealth of Virginia, Department of General Services, Division of Risk Management. The Authority pays an annual premium for its public officials general liability insurance to the public entity risk pool currently operating as a common risk management and insurance program for participating governments. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

The Authority continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS:

Health Insurance:

Plan Description

In addition to the pension benefits described in Note 5, the Authority administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Participants who are eligible to retire from the VRS pension plan are allowed access to the plan until they reach age 65. Retirees pay the blended (employees and retirees) published rate, however as they are older than the typical employee (and thus more expensive) there is a cost to this right to purchase insurance at the blended rate.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS:

Health Insurance: (continued)

Benefits Provided (continued)

VRS retirement eligibility is age 50 with 10 years of service or age 55 with 5 years of service for employees hired prior to July 1, 2010 who were vested in the plan prior to July 1, 2013. VRS retirement eligibility is the earlier of age 60 with 5 years of service or 90 combined age and service points for other employees.

Plan Membership

At June 30, 2023 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	51
Total retirees with coverage	<u>2</u>
Total	<u><u>53</u></u>

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. The amount paid by the Authority for OPEB during the year ended June 30, 2023 was \$0.

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2022 and June 30, 2023
Discount Rate	3.69% for accounting and funding disclosures as of June 30, 2022
	3.86% for accounting and funding disclosures as of June 30, 2023

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 3.69% as of June 30, 2022 and 3.86% as of June 30, 2023.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Health Insurance: (continued)

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances at June 30, 2022	\$	37,888
Changes for the year:		
Service cost		5,503
Interest		1,377
Difference between expected and actual experience		(1,164)
Changes in assumptions		(1,493)
Benefit payments		-
Net changes	\$	<u>4,223</u>
Balances at June 30, 2023	\$	<u><u>42,111</u></u>

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current discount rate:

			<u>Rate</u>		
<u>1% Decrease</u>		<u>Current Discount</u>		<u>1% Increase</u>	
<u>(2.86%)</u>		<u>Rate (3.86%)</u>		<u>(4.86%)</u>	
\$	44,007	\$	42,111	\$	40,328

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current healthcare cost trend rates:

			<u>Healthcare Cost</u>		
<u>1% Decrease</u>		<u>Trend Rates</u>		<u>1% Increase</u>	
<u>(2.94%)</u>		<u>(3.94%)</u>		<u>(4.94%)</u>	
\$	38,085	\$	42,111	\$	46,713

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

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

For the year ended June 30, 2024, the Authority recognized OPEB expense in the amount of (\$15,242). At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,848	\$ 28,456
Changes in assumptions	1,772	7,958
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 14,620</u>	<u>\$ 36,414</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025.

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

<u>Year Ended June 30</u>	
2025	\$ (22,876)
2026	1,082
2027	-
2028	-
2029	-
Thereafter	-

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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Group Life Insurance (GLI) Plan (OPEB PLAN):

Plan Description

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

In addition to the Basic 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 GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Group Life Insurance (GLI) Plan (OPEB PLAN): (continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$10,577 and \$9,939 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately 10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the financial statements.

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

At June 30, 2024, the entity reported a liability of \$93,666 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 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, 2022 and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .00781% as compared to .00696% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$3,961. 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.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Group Life Insurance (GLI) Plan (OPEB PLAN): (continued)

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

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,355	\$ 2,843
Net difference between projected and actual earnings on GLI OPEB plan investments	-	3,764
Change in assumptions	2,002	6,490
Changes in proportionate share	9,857	6,592
Employer contributions subsequent to the measurement date	<u>10,577</u>	<u>-</u>
Total	<u>\$ 31,791</u>	<u>\$ 19,689</u>

\$10,577 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2025	\$ (716)
2026	(4,246)
2027	1,826
2028	1,966
2029	2,695
Thereafter	-

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Group Life Insurance (GLI) Plan (OPEB PLAN): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Group Life Insurance (GLI) Plan (OPEB PLAN): (continued)

Actuarial Assumptions: (continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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
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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,907,052
Plan Fiduciary Net Position		2,707,739
GLI Net OPEB Liability (Asset)	\$	<u>1,199,313</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		69.30%

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.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Group Life Insurance (GLI) Plan (OPEB PLAN): (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.20%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>8.25%</u>

*The above allocation provides a one-year return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS: (continued)

Group Life Insurance (GLI) Plan (OPEB PLAN): (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 employer contributions will be made in accordance with the VRS funding policy and 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, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed 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 follow presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 138,843	\$ 93,666	\$ 57,141

Group Life Insurance (GLI) Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Plan’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

OPEB Aggregate Totals

	Appomattox River Water Authority			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS Group Life Insurance Plan (Note 8):	\$ 31,791	\$ 19,689	\$ 93,666	\$ 3,961
Authority's Stand-Alone Plan (Note 8)	14,620	36,414	42,111	(15,242)
Totals	<u>\$ 46,411</u>	<u>\$ 56,103</u>	<u>\$ 135,777</u>	<u>\$ (11,281)</u>

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 9 - DEFERRED COMPENSATION PLAN:

Eligible employees of the Authority may participate in a deferred compensation plan in accordance with Internal Revenue Code section 457. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, death or an unforeseen emergency. The Authority has no fiduciary responsibility for the plan, has no liability for losses incurred under the plan as the plan is administered by the U.S. Conference of Mayors and the plan is not accessible by the Authority's creditors; therefore, any related assets and liabilities are not reflected in the financial statements.

NOTE 10 - RELATED PARTY TRANSACTIONS:

The Authority is governed by a common Board of Directors with the South Central Wastewater Authority ("SCWWA"). The Authority has an agreement with SCWWA to share several key positions utilized by both the Authority and SCWWA. Accordingly, the two Authorities share personnel costs necessary to fund the positions. During the current fiscal year the Authority received reimbursement in the amount of \$193,915 from SCWWA for reimbursement of salary and benefits paid to Authority employees that allocate time and duties with SCWWA. Similarly, the Authority pays a reimbursement to SCWWA for salary and benefits for SCWWA employees that allocate time and duties with the Authority. The Authority reported expenses of \$193,049 as reimbursement.

NOTE 11 - FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 11 - FAIR VALUE MEASUREMENTS: (continued)

The Authority is providing the following information related to its investments:

	Fair Value Measurements at Reporting Date Using			
	Total June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 4,847,683	\$ 4,847,683	\$ -	\$ -
U.S. Treasury securities	4,488,675	4,488,675		
Total investments measured at fair value	<u>\$ 9,336,358</u>	<u>\$ 9,336,358</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 12 - LEASES

The Authority has obtained copiers through long-term leases. The terms and conditions for these leases vary. The leases have fixed, periodic payments over the lease term. Individual lease information for long-term leases held as of June 30, 2024 is presented below.

Lease Description	Initial Term	Installments	Discount Rate
Copier - Konica Minolta	45 months	\$ 168 per month	3.00%
Copiers - Konica Minolta	44 months	350 per month	3.00%

The future principal and interest payments as of June 30, 2024 were as follows:

Year	Copiers		
	Principal	Interest	Total
2025	\$ 4,265	\$ 45	\$ 4,310
	<u>\$ 4,265</u>	<u>\$ 45</u>	<u>\$ 4,310</u>

APPOMATTOX RIVER WATER AUTHORITY

Notes to Financial Statements
June 30, 2024 (continued)

NOTE 13 - UPCOMING PRONOUNCEMENTS:

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Statement No. 102, Certain Risk Disclosures, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, Financial Reporting Model Improvements, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

- Required Supplementary Information -

APPOMATTOX RIVER WATER AUTHORITY

Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability					
Service cost	\$ 162,496	\$ 148,230	\$ 152,973	\$ 151,219	\$ 133,704
Interest	376,703	391,936	376,480	377,352	392,689
Differences between expected and actual experience	(253,433)	-	(311,683)	(141,255)	(336,850)
Changes of assumptions	-	(496,550)	166,264	-	145,432
Benefit payments	(291,351)	(275,763)	(330,800)	(469,669)	(239,153)
Net change in total pension liability	\$ (5,585)	\$ (232,147)	\$ 53,234	\$ (82,353)	\$ 95,822
Total pension liability - beginning	5,563,971	5,796,118	5,742,884	5,825,237	5,729,415
Total pension liability - ending (a)	<u>\$ 5,558,386</u>	<u>\$ 5,563,971</u>	<u>\$ 5,796,118</u>	<u>\$ 5,742,884</u>	<u>\$ 5,825,237</u>
Plan fiduciary net position					
Contributions - employer	\$ -	\$ 35,969	\$ 35,708	\$ 61,655	\$ 63,920
Contributions - employee	82,043	68,689	66,965	72,432	73,543
Net investment income	467,015	(5,889)	1,639,148	115,538	399,703
Benefit payments	(291,351)	(275,763)	(330,800)	(469,669)	(239,153)
Administrator charges	(4,712)	(4,688)	(4,186)	(4,312)	(3,967)
Other	(18)	172	(758)	(137)	(252)
Net change in plan fiduciary net position	\$ 252,977	\$ (181,510)	\$ 1,406,077	\$ (224,493)	\$ 293,794
Plan fiduciary net position - beginning	7,302,573	7,484,083	6,078,006	6,302,499	6,008,705
Plan fiduciary net position - ending (b)	<u>\$ 7,555,550</u>	<u>\$ 7,302,573</u>	<u>\$ 7,484,083</u>	<u>\$ 6,078,006</u>	<u>\$ 6,302,499</u>
Authority's net pension (asset) liability - ending (a) - (b)	\$ (1,997,164)	\$ (1,738,602)	\$ (1,687,965)	\$ (335,122)	\$ (477,262)
Plan fiduciary net position as a percentage of the total pension liability	135.93%	131.25%	129.12%	105.84%	108.19%
Covered payroll	\$ 1,840,606	\$ 1,513,855	\$ 1,444,682	\$ 1,550,601	\$ 1,557,186
Authority's net pension (asset) liability as a percentage of covered payroll	(108.51%)	(114.85%)	(116.84%)	(21.61%)	(30.65%)

APPOMATTOX RIVER WATER AUTHORITY

Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
Pension Plan (Continued)
For the Measurement Dates of June 30, 2014 through June 30, 2023

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 133,770	\$ 141,274	\$ 134,438	\$ 128,956	\$ 115,714
Interest	382,392	377,709	361,682	323,274	304,237
Differences between expected and actual experience	(114,977)	(8,307)	(28,955)	280,591	-
Changes of assumptions	-	(181,571)	-	-	-
Benefit payments	(269,025)	(255,396)	(221,000)	(147,277)	(148,713)
Net change in total pension liability	\$ 132,160	\$ 73,709	\$ 246,165	\$ 585,544	\$ 271,238
Total pension liability - beginning	5,597,255	5,523,546	5,277,381	4,691,837	4,420,599
Total pension liability - ending (a)	<u>\$ 5,729,415</u>	<u>\$ 5,597,255</u>	<u>\$ 5,523,546</u>	<u>\$ 5,277,381</u>	<u>\$ 4,691,837</u>
Plan fiduciary net position					
Contributions - employer	\$ 74,997	\$ 77,470	\$ 90,504	\$ 84,275	\$ 84,546
Contributions - employee	70,080	70,147	71,510	66,467	62,807
Net investment income	421,113	630,091	90,092	227,824	674,742
Benefit payments	(269,025)	(255,396)	(221,000)	(147,277)	(148,713)
Administrator charges	(3,668)	(3,675)	(3,223)	(3,066)	(3,607)
Other	(373)	(559)	(38)	(48)	35
Net change in plan fiduciary net position	\$ 293,124	\$ 518,078	\$ 27,845	\$ 228,175	\$ 669,810
Plan fiduciary net position - beginning	5,715,581	5,197,503	5,169,658	4,941,483	4,271,673
Plan fiduciary net position - ending (b)	<u>\$ 6,008,705</u>	<u>\$ 5,715,581</u>	<u>\$ 5,197,503</u>	<u>\$ 5,169,658</u>	<u>\$ 4,941,483</u>
Authority's net pension (asset) liability - ending (a) - (b)	\$ (279,290)	\$ (118,326)	\$ 326,043	\$ 107,723	\$ (249,646)
Plan fiduciary net position as a percentage of the total pension liability	104.87%	102.11%	94.10%	97.96%	105.32%
Covered payroll	\$ 1,475,042	\$ 1,462,461	\$ 1,467,991	\$ 1,339,006	\$ 1,256,141
Authority's net pension (asset) liability as a percentage of covered payroll	(18.93%)	(8.09%)	22.21%	8.04%	(19.87%)

APPOMATTOX RIVER WATER AUTHORITY

Schedule of Employer Contributions
Pension Plan
Years Ended June 30, 2015 through June 30, 2024

Fiscal Year	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ -	\$ -	\$ -	\$ 1,958,677	0.00%
2023	-	-	-	1,840,606	0.00%
2022	36,260	36,260	-	1,513,855	2.40%
2021	35,851	35,851	-	1,444,682	2.48%
2020	61,836	61,836	-	1,550,601	3.99%
2019	63,920	63,920	-	1,557,186	4.10%
2018	74,997	74,997	-	1,475,042	5.08%
2017	77,470	77,470	-	1,462,461	5.30%
2016	90,504	90,504	-	1,467,991	6.17%
2015	87,660	87,660	-	1,339,006	6.55%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

APPOMATTOX RIVER WATER AUTHORITY

Notes to Required Supplementary Information
Pension Plan
Year Ended June 30, 2024

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, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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
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

APPOMATTOX RIVER WATER AUTHORITY

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance
Years Ended June 30, 2018 through 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 5,503	\$ 9,442	\$ 8,535	\$ 5,405	\$ 4,870	\$ 7,039	\$ 7,411
Interest	1,377	2,415	2,933	2,347	2,655	3,760	3,037
Changes in assumptions	(1,493)	(83,038)	4,129	609	2,310	(782)	(3,882)
Differences between expected and actual experience	(1,164)	(20,887)	5,702	52,830	1,449	(29,964)	-
Benefit payments	-	-	(16,439)	(15,174)	(9,648)	(9,648)	(12,200)
Net change in total OPEB liability	\$ 4,223	\$ (92,068)	\$ 4,860	\$ 46,017	\$ 1,636	\$ (29,595)	\$ (5,634)
Total OPEB liability – beginning	<u>37,888</u>	<u>129,956</u>	<u>125,096</u>	<u>79,079</u>	<u>77,443</u>	<u>107,038</u>	<u>112,672</u>
Total OPEB liability – ending	<u>\$ 42,111</u>	<u>\$ 37,888</u>	<u>\$ 129,956</u>	<u>\$ 125,096</u>	<u>\$ 79,079</u>	<u>\$ 77,443</u>	<u>\$ 107,038</u>
Covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Authority's total OPEB liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Required Supplementary Information - Health Insurance
Years Ended June 30, 2018 through 2024

Valuation Date: January 1, 2023
Measurement Date: June 30, 2023

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal cost method
Discount Rate	3.69% as of June 30, 2022; 3.86% as of June 30, 2023
Inflation	2.50% per year as of June 30, 2022; 2.50% per year as of June 30, 2023
Healthcare Trend Rate	Healthcare trend rate of 3.94%. Rates are selected based on an economic model developed by a healthcare economist for the Society of Actuaries.
Demographic Assumptions	Assumed that 50% of employees with medical coverage would elect to retain the coverage at retirement.

APPOMATTOX RIVER WATER AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2023

Date (1)	Employer's Proportion of of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.00781% \$	93,666 \$	1,840,606	5.09%	69.30%
2022	0.00696%	83,805	1,513,855	5.54%	67.21%
2021	0.00700%	81,499	1,444,682	5.64%	67.45%
2020	0.00753%	125,664	1,550,601	8.10%	52.64%
2019	0.00795%	129,368	1,557,186	8.31%	52.00%
2018	0.00776%	118,000	1,475,042	8.00%	51.22%
2017	0.00793%	119,000	1,462,461	8.14%	48.86%

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

APPOMATTOX RIVER WATER AUTHORITY

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Years Ended June 30, 2017 through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 10,577	\$ 10,577	\$ -	\$ 1,958,677	0.54%
2023	9,939	9,939	-	1,840,606	0.54%
2022	8,175	8,175	-	1,513,855	0.54%
2021	7,801	7,801	-	1,444,682	0.54%
2020	8,063	8,063	-	1,550,601	0.52%
2019	8,106	8,106	-	1,557,186	0.52%
2018	7,729	7,729	-	1,475,042	0.52%
2017	7,608	7,608	-	1,462,461	0.52%

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

APPOMATTOX RIVER WATER AUTHORITY

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
Year Ended June 30, 2024

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, 2022 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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
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

- Compliance -



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

**To the Honorable Members of
Appomattox River Water Authority
S. Chesterfield, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Appomattox River Water Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Appomattox River Water Authority's basic financial statements and have issued our report thereon dated October 9, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

October 9, 2024