AUGUSTA COUNTY SERVICE AUTHORITY

VERONA, VIRGINIA

Annual Financial Report
Years Ended June 30, 2022 and 2021

Prepared by:

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Years Ended June 30, 2022 and 2021

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AUGUSTA COUNTY SERVICE AUTHORITY

(A governmental organization established March 16, 1966
under the Water and Waste Authorities Act of 1950
of the Commonwealth of Virginia)

BOARD MEMBERS

Andrew C. Middleton, Chairman

Garry R. Gordon, Vice-Chairman

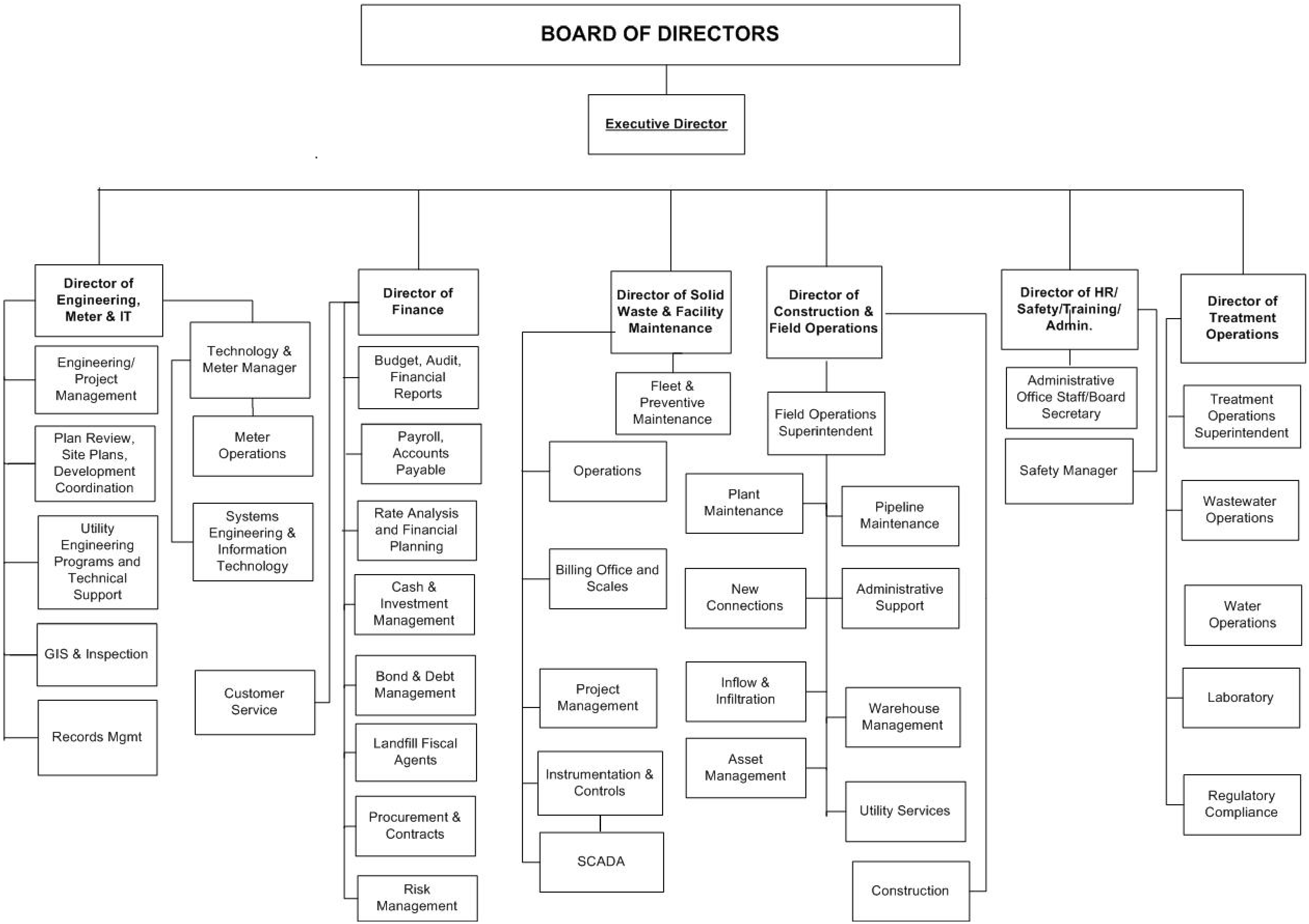
Michael L. Shull	Allen Dahl
Timothy Simmons	Matthew Egeli

Harvey Almarode

OFFICIALS

Executive Director	Phillip A. Martin
Treasurer	Brent Canterbury
Secretary	Jean Marshall

AUGUSTA COUNTY SERVICE AUTHORITY
FUNCTIONAL ORGANIZATIONAL CHART



AUGUSTA COUNTY SERVICE AUTHORITY
18 GOVERNMENT CENTER LANE, P.O. BOX 859, VERONA, VIRGINIA 24482-0859 PHONE: 540-245-5670 FAX: 540-245-5684

December 1, 2022

The Board of Directors of the
Augusta County Service Authority
And Interested Parties

The Annual Financial Report for the Augusta County Service Authority, (the Authority), is hereby submitted for the fiscal years ended June 30, 2022 and 2021. The By-Laws of the Authority, consistent with the Virginia Water and Sewer Authorities Act, requires the Authority to undergo an independent audit as soon after the close of the fiscal year as possible and as required by bond resolutions. The Authority's Master Indenture of Trust for water and sewer bonds, issued in 1994, requires a complete set of audited financial statements be delivered to the trustees, the municipal bond insurance company and subsequent bond issuers no later than 180 days after the end of each fiscal year (Article IX, Sect. 9.10). This report is published to fulfill these requirements for the fiscal year ended June 30, 2022.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

PBMares, LLP, Certified Public Accountants, have issued an unmodified "clean" opinion on the Authority's financial statements for the year ended June 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

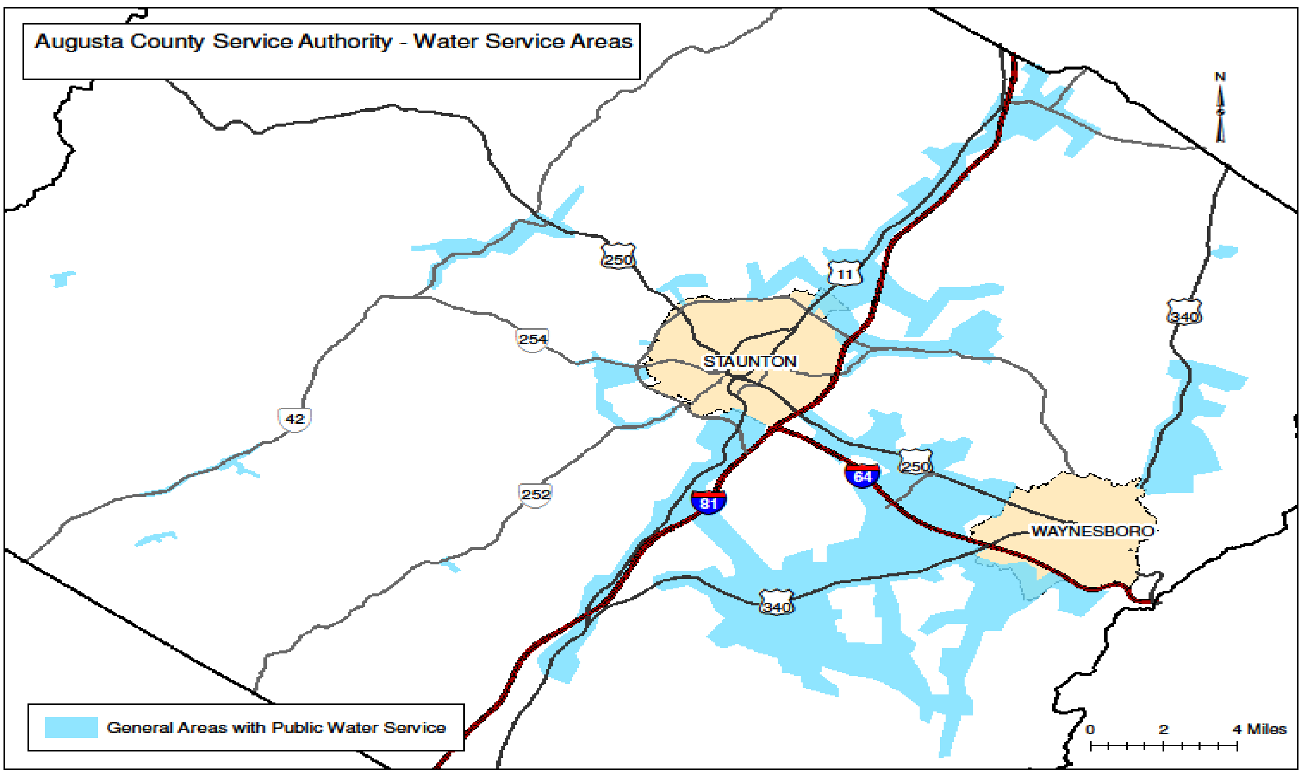
Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements over the last two years. The MD&A complements this letter of transmittal and should be read in conjunction with it.

A Board of Directors, consisting of seven members appointed by the Augusta County Board of Supervisors for staggered four-year terms, governs the Authority. One of the board appointments are currently filled by elected members of the Board of Supervisors. (See directory of Authority Officials in this introductory section). The Authority's Executive Director has overall responsibility for its operations and 112 full and part-time employees.

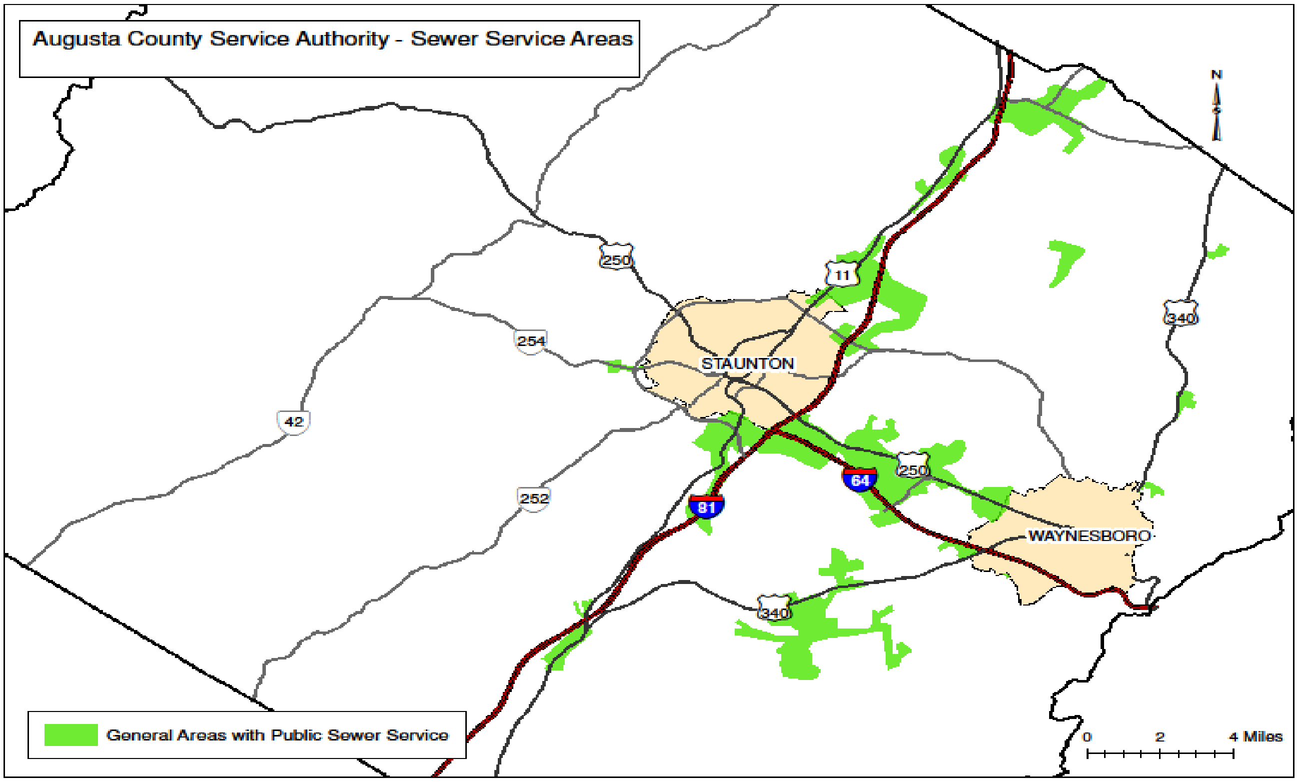
Augusta County is centrally located in the Shenandoah Valley in west-central Virginia, approximately 100 miles from the state capital of Richmond. The County is bounded on the west by the lower elevations of the Allegheny Mountains and on the east by the crest of the Blue Ridge Mountains. The County was formed in 1738 and is the second largest county in Virginia, encompassing 968 square miles of diverse terrain. The County is made up of seven magisterial districts with an overall population of 77,563 and surrounds the independent cities of Staunton and Waynesboro (with estimated populations of 25,661 and 22,550, respectively).

Prior to the creation of the Authority, sanitary districts installed wastewater collection and treatment facilities to serve the small towns that had developed along major highway corridors. Such communities also developed water systems. In 1966, when the Authority was formed, it took over these various assets and operations as well as several small developer-installed systems. Inter-jurisdictional agreements for water supply and wastewater treatment also exist with the independent political subdivisions of the cities of Staunton and Waynesboro and the Town of Craigsville. The Authority sells approximately 2.56 million gallons per day (mgd) produced from its own water facilities and 1.10 million gallons per day purchased from Staunton under a long-term contract. The Authority has an overall storage capacity of 13 million gallons. It maintains wastewater treatment facilities with a combined treatment capacity of over 15.9 mgd, of which 4.9 mgd is owned by Staunton. The Authority provides water service to 15,570 customers and sewer service to 9,505 customers. Historical trends and additional operational information can be found in Table 20 of the Statistical Section.

The largest area served by the Authority's water system is South River, which includes the U.S. 250 corridor between Staunton and Waynesboro, the U.S. 11 corridor south of Staunton, and the Sherando and Stuarts Draft areas. The second largest water service area is the combined Verona/Weyers Cave systems, which primarily serves customers along U.S. 11 north of Staunton. Smaller systems include the Augusta Springs system along Route 42, the Deerfield system in the George Washington National Forest, the Estaline Valley system along Route 601, the Rt. 250 West and Blackburn systems near Staunton, the Churchville system along Route 42 near U.S. 250, the Harriston and Vesper View systems along U.S. 340 north of Waynesboro, and the Middlebrook system near the intersection of Routes 252 and 676.



The four largest wastewater treatment systems are the Fishersville, Middle River (Verona), Stuarts Draft, and Weyers Cave systems, as shown below. Additional wastewater systems include Harriston, Mount Sidney, New Hope, Greenville and Vesper View.

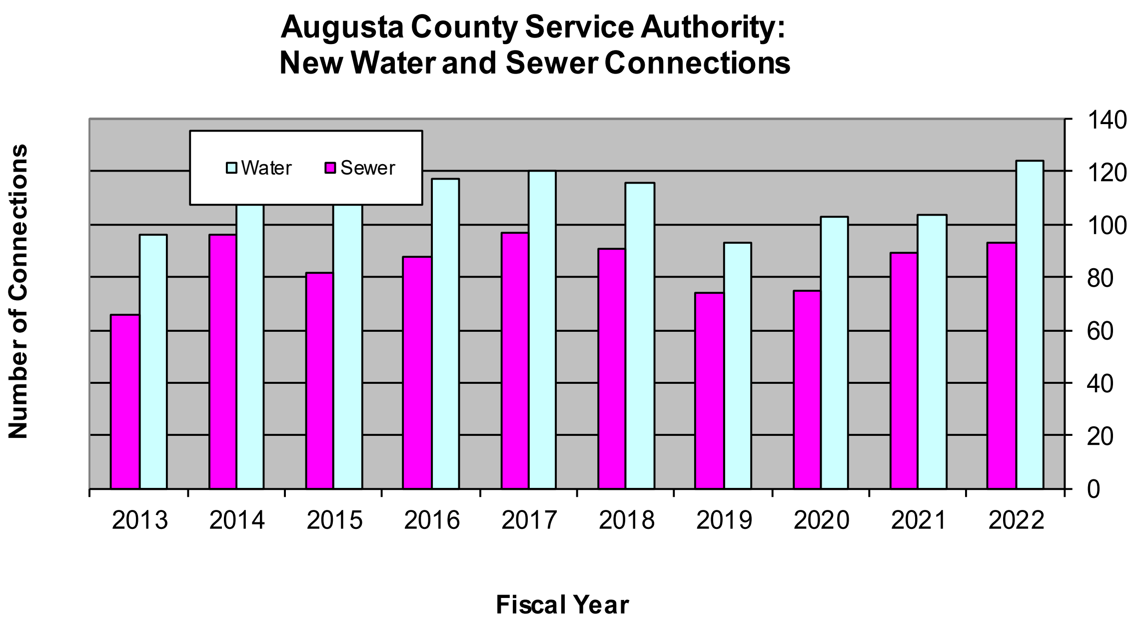


The Authority also operates and serves as fiscal agent for the Augusta Regional Landfill for the County, Cities of Staunton and Waynesboro. Thirteen of the 107 Authority employees work full-time to operate this solid-waste facility as well as part-time allocations of some Authority administrative and engineering staff. Last year the landfill received 149,000 tons of solid waste and generated operating revenues of $3.5 million. The landfill financial transactions are shown only as custodial fund statements in this report.

Both the By-Laws of the Authority and its Master Indenture of Trust require the Authority to adopt an annual operations and maintenance budget before the start of the new fiscal year. This annual budget, which is created from the input of all divisions, serves as the foundation for the Authority's financial planning and control. The executive team then uses this budget in an in-house rate-setting model to annually re-examine user rates. They determine if the rates are adequate over a four year period to cover projected operating Capital Improvement Projects (CIP) as well as a number of other parameters including the debt service coverage ratio, rate-setting recommendations, and cash flow requirements. The Board examines the prepared financial plan, approves any rate increases (after a properly advertised public comment period), and adopts the annual budget.

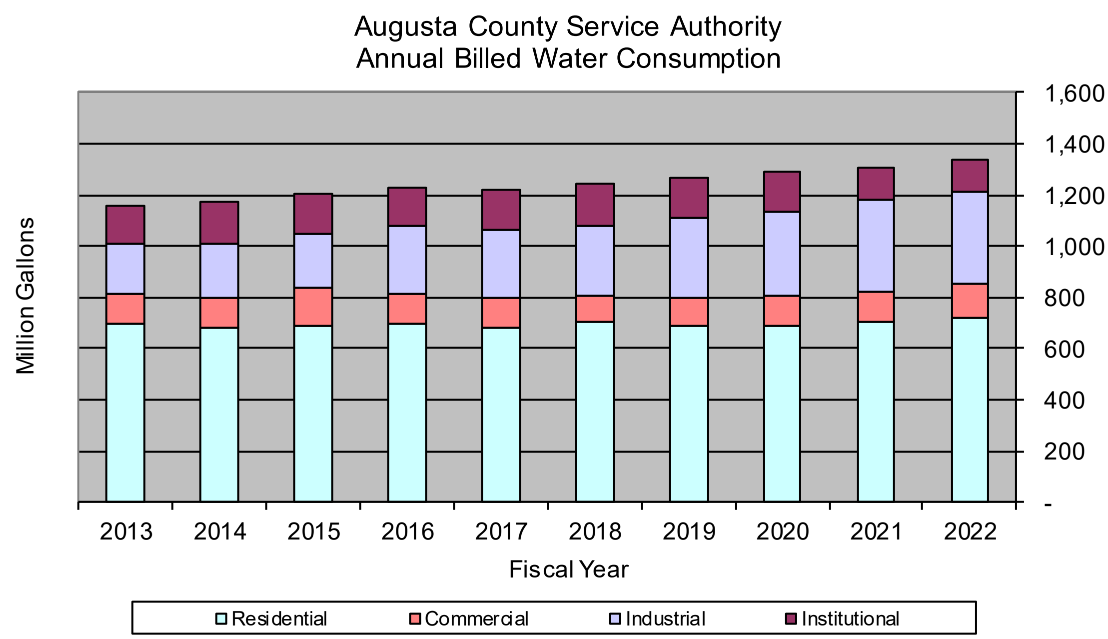
Local Economic Condition and Outlook

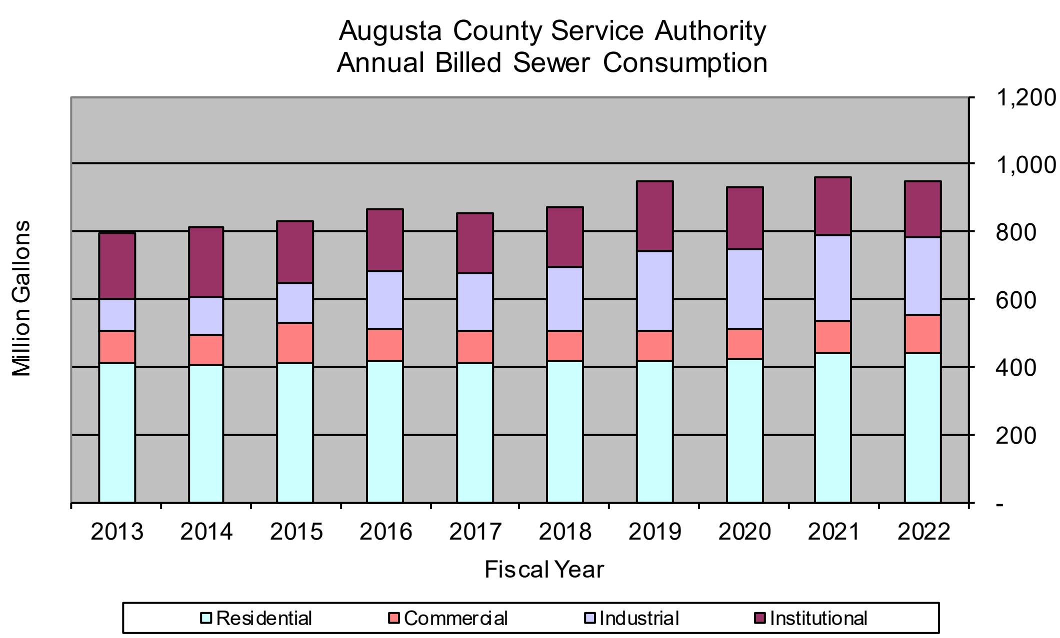
Augusta County experienced an estimated population growth of 5.3% over the period 2012 to 2021, 0.3% less than the 5.6% growth of the state. The number of new customers connecting to the Authority's public water and sewer systems reflects a slightly higher growth rate in a similar ten-year period (9% water and 10 sewer), see the graph below with details in Table 11 of the statistical section). However, the past ten years have shown a definite slowdown due to the depressed housing market. In previous years, readily available real estate and a construction boom along the two major interstate highways had led to this earlier, high customer growth rate. New citizens have been willing to commute to the nearby cities of Charlottesville and Harrisonburg or take advantage of new jobs created by the regional medical complex, shopping centers or business parks formed near the interstate exits. Single-family home permits and new home construction were unchanged in Augusta County during 2021, down from the 15.3% increase in 2020. Since new connections for the Authority are roughly correlated to new construction, the Authority is anticipating only modest revenue in the next few years from new customers.



The general economic condition for the Augusta County-Staunton-Waynesboro MSA has historically been below Virginia's average due to its rural nature. The national recession hit the area hard in 2008 and 2009 with a significant loss of manufacturing jobs. This labor segment had previously generated over 25% of the area's revenue. June 2022 reports indicate unemployment was 2.7%, a decrease from 3.7% reported in June 2021. The good news for the area is economic indicators are showing a more positive movement over the last twelve months.

The Authority's overall water consumption and sewer treatment levels increased 1.0% in fiscal year 2022 after increasing 2.0% in fiscal year 2021. The graphs below, with details in Table 12 of the statistical section, indicate that the Authority has shown increases in the gallons of water billed and sewer treated three of the last five years. Overall water consumption increased 2.4% and sewer treatment decreased 1.2% for fiscal year 2022. The water consumption increase was driven mainly by residential, commercial and institutional customers while the sewer treatment decrease was driven mainly by institutional and industrial customers. The Authority periodically reviews the consumption and revenue of its major customers to make adjustments in budget projections as needed. The top ten customers utilize 30% of the billed water and 36% of the billed sewer treatment. The percentage changes from fiscal year 2022 to 2021 shown in Tables 13 and 14 of the statistical section indicate the top ten customers generated 4% more revenue in 2022 while water consumption increased 1% and sewer treatment decreased 5%.





Major Initiatives and Long-term Financial Planning

The Authority is subject to regulatory compliance from both state and federal regulatory agencies that are issuing new guidelines in relation to the Safe Drinking Water Act, the Clean Water Act, Homeland Security, Dam Safety Regulations, and initiatives to clean up the Chesapeake Bay. These guidelines accelerate any issues in regards to aging infrastructure as well as the demand for more advanced levels of treatment for water and wastewater. The Authority's management team stays current on these pending regulations and develops their 4-year capital plan as proactively as possible. In this regard, the Authority has instituted an asset management system over the last ten years as a way of managing its infrastructure.

The cornerstone programs of the Authority's Asset Management System are:

- development and adherence to an Authority Master Plan which supports the County's Comprehensive Plan,
- completion of a comprehensive Geographical Information System (GIS) with multiple layers that can guide capital investment decisions in regards to repair and replacement as well as new construction tied into a continuously developing electronic work order system,
- careful review of site plans and inspection of constructed or dedicated infrastructure—to monitor compliance with the Authority's Design and Construction Standards,
- use of an in-house rate model that annually examines rate components to evaluate all costs for maintaining the infrastructure as well as operating the facilities,
- data gathering from extensive SCADA systems that allow real-time monitoring of remote locations so that the Authority's widespread infrastructure is protected and maintained in a timely fashion,
- consistently set aside reserves equivalent to depreciation to fund repair and replacement projects.

This year the Authority was involved in the following major projects in order to proactively manage its infrastructure:

- Residential water meter replacement was substantially completed.
- Various pump stations and booster stations were upgraded.
- Infrastructure replacement and rehabilitation projects were initiated or completed in the following areas:
    - capital equipment/vehicle purchases
    - water tank rehabilitation
    - inflow and infiltration reduction projects
    - several substandard waterline replacement projects
    - generator replacement
    - equipment replacement at wastewater treatment plants.

Relevant Financial Policies

The Board of Directors of the Authority annually reviews budget assumptions and rate-setting parameters during the budget process to ensure rates are increased equitably and in annual increments small enough that customer affordability is maintained and "rate shock" is reduced while covering all operational expenses and allowing most of the repair and replacement projects to be financed from the operating fund. (See Tables 2-4 in the statistical section for operating revenue and expenses over the past ten years as well as Tables 8 and 9 for the annual increases in user rates.) Therefore, using the annually updated rate model, four year CIP and other analysis in accordance with these Board-approved guidelines and the bond covenants, the Board approved a 3% variable water rate increase and a 3% variable sewer rate increase.

Availability fees for new connections are very conservatively budgeted due to the downturn in the housing market locally which began in 2008. These one-time revenue sources are placed in water and sewer reserves and used only for construction and partial payment of debt service on capacity-related projects in accordance with Board-approved guidelines. (See Tables 6 and 10 for historical trends on availability fee revenue and the availability fee structure.)

Staff continues to carefully evaluate the Authority's cash and investment holdings along with investment policies. The Authority's holdings continue to be diversified. $1.8 million is invested through local and regional banks in laddered Certificates of Deposit, purchased under the Virginia Security for Public Deposits Act guidelines. $9.7 million has been invested in the Virginia Local Government Investment Pool and money market accounts. Interest earnings increased 21.4% during fiscal year 2022.

Long-term Financial Planning and Future Initiatives

Changes in the County's comprehensive plan and its impact on the Authority's developing master plan, steady population growth, and increasing regulations governing water and wastewater treatment, present a number of challenges for the Authority over the next few years. The Authority has developed several strategies to assist in the financial planning for capital projects and to maintain fiscal sustainability.

- Cash reserves were built, not only to provide cushion for unpredictable regulatory mandates and unforeseen contingencies, but also to stabilize user rates, to reduce the cash flow impact of the Authority's significant semi-annual debt service payments, to protect itself against revenue shortfalls, and to enable favorable financing terms with creditors. These cash reserves increased in 2022 but are projected to drop over the next few years as the Authority implements its capital plan. While these reserves will be spent down they will be managed not to decline below the prudent guidelines established by the Board.

- Both operational and capital expenses are monitored regularly against the budget so cost-saving measures can be deployed on a timely basis. In fiscal year 2022 actual operating expenses were 5.4% below budget. In fiscal year 2021 actual operating expenses were 6.0% below budget (see Schedule 2 before the Statistical Section).

- The Authority uses its rate model to project the financial consequences of various "what-if" scenarios throughout the year. This is done in order to anticipate any major changes in the short or long-term financial plans and to remain in compliance with our financial guidelines.

- The Authority continues to request the County and/or developers assist with the capital expense for projects that are driven primarily by economic development or new County fire flow regulations.

Total outstanding long-term debt and other obligations for the Authority exceeded $17.5 million as of June 30, 2022. Although the Authority is obligated to pay $3.5 million next year in debt service payments, the Authority has been able to take advantage of the low interest rate environment over the past few years to fund major portions of its capital improvement plan. Furthermore, these low cost or interest-free loans (see Note 6 in the Notes to the Financial Statements section for loan and refunding details) are often coupled with grant funds and capital contributions from other entities or developers to reduce the long-term burden on the rate payer for a high level of capital improvements.

Table 15 in the statistical section shows the debt per connection and as a percentage of median household income has been steadily decreasing from 2013 levels (the completion of the three major mandated wastewater treatment plant upgrades). Table 16 shows that the debt coverage ratio has remained over 1.30 even with the decline in the local, state and national economies and the additional debt service payments as a result of the three major mandated wastewater treatment plant upgrades.

An actuarial firm conducted a study as of June 30, 2020 to determine the net pension liability of the Authority under GASB Statement 68 for this period. Note 10 describes the Authority's current plans with the Virginia Retirement System and the net pension asset of $725,985 this year.

An actuarial firm conducted a study as of July 1, 2021 to determine other post-employment benefits (OPEB) liability under GASB Statement 75 for this period. Note 8 describes the Authority's current pay-as-you-go OPEB Health Care policy and the net OPEB obligation of $881,746 this year.

An actuarial firm conducted a study as of June 30, 2020 to determine the other post-employment benefits (OPEB) liability under GASB Statement 75 for this period. Note 8 describes the Authority's current Group Life Insurance Program with the Virginia Retirement System and the net OPEB obligation of $280,738 this year.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Augusta County Service Authority for its annual financial report for the fiscal year ended June 30, 2021. This was the twentieth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, an authority must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. In particular, the Authority would like to express its appreciation to Kristen Desper, Accounting Supervisor; and Jessica Griffin, Payroll and Accounts Payable Clerk, who each played an important role in the preparation of this report. Credit also must be given to the Board members and Senior Management staff for their unfailing support for maintaining the highest standards of professionalism in the fiscal management of the Augusta County Service Authority.

Sincerely,

Phillip A. Martin

Brent Canterbury

Phillip A. Martin, P.E.,L.S.
Executive Director
Augusta County Service Authority

Brent N. Canterbury, CPA
Director of Finance/CS/Billing/Treasurer
Augusta County Service Authority

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Augusta County Service Authority
Virginia

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors
Augusta County Service Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the fiduciary activity of the Augusta County Service Authority (Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022 and 2021, and respective changes in financial position and its cash flows for the years 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 (GAAS); 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 and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4-9 and the required supplementary information on pages 53-60 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedules listed in the table of contents as supplementary schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
December 1, 2022

As management of the Augusta County Service 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 years ended June 30, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

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 in business-type activities, its basic financial statements are comprised of two components: 1) enterprise fund financial statements and 2) notes to the financial statements. The Authority also operates and is the fiscal agent for the Augusta Regional Landfill (Landfill) by contractual agreement with the Cities of Staunton and Waynesboro and the County of Augusta and, therefore, includes an custodial fund statement of fiduciary position. This report contains 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. They can be found on pages 10 through 13 of this report.

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

  The S*tatements of Revenues, Expenses and Changes in Net Position* present information showing how the Authority's net position changed during the fiscal years. 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).

  The S*tatements of Cash Flows* disclose net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

- **Fiduciary fund financial statement.** The fiduciary fund financial statement provides information about the financial relationship with the Landfill in which the Authority acts solely as an agent for the benefit of the participating localities, to whom the resources belong.

- **Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 52 of this report.

- **Other information.** In addition to the basic financial statements and accompanying notes, there are other sections of the report that present certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and other post-employment benefits to its employees (pages 54-61). Also presented are budget and actual schedules for fiscal year 2022 income and expenses (pages 48 through 50) and changes in assets and liabilities for the Landfill (page 51). The statistical section following the financial section contains tables with a variety of trends in financial, economic, and operational information.

Financial Highlights

The Authority's overall financial position has remained steady as described below:

- Total Net Position increased by $4.1 million or 3.0% compared to last year. Total 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, growing to $139.3 million. Of this amount, $22.7 million (unrestricted net position), may be used to meet the Authority's ongoing obligations to customers and creditors.

- Cash flows from operations were a positive $9.5 million, an increase from last year's $9.2 million.

- Cash and cash equivalents (including restricted funds) increased overall by $1.8 million this year, compared to last year's increase of $2.0 million.

Statement of Net Position

The following table is a condensed summary of the Statements of Net Position as of June 30, 2022, 2021, and 2020.

Summary of Net Position
As of June 30,

	2022	2021	2020
Current and other assets	$ 31,166,534	$ 28,646,273	$ 25,717,322
Capital assets, net	131,519,276	133,546,646	134,572,652
Total assets	162,685,810	162,192,919	160,289,974
Deferred outflows of resources	1,603,589	2,097,871	1,109,263
Total assets and deferred outflows of resources	164,289,399	164,290,790	161,399,237
Current and Other Liabilities	4,591,843	7,242,684	4,867,715
Long-term debt outstanding	17,515,117	21,190,150	24,913,586
Total liabilities	22,106,960	28,432,834	29,781,301
Deferred inflows of resources	2,845,239	600,104	931,975
Total liabilities and deferred inflows of resources	24,952,199	29,032,938	30,713,276
Net investment in capital assets	113,818,762	111,854,003	109,681,528
Restricted for debt service and bond covenants	2,861,648	2,782,631	2,704,234
Unrestricted	22,656,790	20,621,218	18,300,199
Total net position	$ 139,337,200	$ 135,257,852	$ 130,685,961

Net position increased 3.0% from last year and increased 6.6% from two years ago. The largest portion of the Authority's net position reflects its net investment in capital assets, less any related outstanding liabilities used to acquire those assets. This significant investment reflects the nature of a public utility and is currently 81.7% (capital asset investments to net position). 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 investment in its capital assets is reported net of related debt, it should be noted 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 Authority's net position also consists of restricted and unrestricted net position. Restricted net position includes cash and investments restricted by bond covenant agreements as explained in more detail in Note 1, item E. The majority of these restricted assets are equal to two months of budgeted operating expenses, causing a 2.8% increase from last year due to higher budgeted operating costs for 2022. The unrestricted net position includes all other assets not restricted by an external organization or invested in capital assets. However, almost 53% (down from 58% two years ago) of these unrestricted net assets have been internally reserved as part of a rate stabilization policy to provide a cushion against unforeseen contingencies, debt service and provide funding for capital projects. This policy has allowed the Authority to adopt moderate user rate increases over the past ten years as can be seen in detail in Table 8 in the statistical section.

The increase in Current and other assets is mainly attributable to higher cash and cash equivalents and pension asset at year end compared to 2021. The decrease in Other liabilities is mainly attributable to the decrease in the pension obligation. The increase in deferred inflows of resources and the decrease in deferred outflows of resources were the result of actuarial changes.

Long-term Debt Activity

The Authority's total long-term debt decreased by approximately $3.7 million during the current year and last year. The debt coverage ratio for the year is 2.59 (see Table 16 for more information) and continues to remain above the Master Trust Indenture requirement of 1.10.

The Authority has 12 bonds issued by the Virginia Resources Authority (VRA). The Authority also has one refunding bond issue based on a 1994 public bond issue - a public issue in September 2015. The City of Staunton had $12.5 million in bonds issued in 2008 and 2009 for the upgrade of the Middle River Regional WWTP, of which the Authority is contractually obligated to repay 27.9% based on allocated capacity and ownership of the jointly owned facility (and therefore records 27.9% of the grant revenue, drawdown on the debt and Construction in Progress assets). Other long-term obligations of the Authority include two other agreements with Staunton to pay for previous improvements at the Middle River Regional WWTP. More detailed information on the Authority's long-term liabilities and the advance refundings is presented in Note 6 starting on page 31.

Revenues, Expenses and Changes in Net Position

The results of the Authority's operations are reported in the Statements of Revenues, Expenses and Changes in Net Position. The following table presents a summary of this information for the years ended June 30, 2022, 2021 and 2020.

	Changes in Net Position		
	2022	**2021**	**2020**
Revenues:			
Operating revenues:			
Water revenues	$ 9,856,318	$ 9,420,157	$ 9,140,740
Sewer revenues	12,443,829	12,134,434	11,875,193
Other revenues	538,967	362,731	425,083
Total operating revenues	22,839,114	21,917,322	21,441,016
Nonoperating revenues:			
Interest earned	67,243	55,400	220,989
Loss on disposal of assets	52,360	51,348	23,273
Capital contributions	1,127,662	1,730,529	1,752,572
Total nonoperating revenues, net	1,247,265	1,837,277	1,996,834
Total revenues	24,086,379	23,754,599	23,437,850
Expenses:			
Operating expenses:			
Water	3,708,807	3,469,363	3,810,921
Sewer	5,314,345	4,872,229	4,618,612
Admin/general	4,158,485	4,089,978	4,193,096
Depreciation and amortization	6,356,018	6,171,330	5,873,713
Total operating expenses	19,537,655	18,602,900	18,496,342
Nonoperating expenses: interest & other	469,376	579,808	681,402
Total expenses	20,007,031	19,182,708	19,177,744
Increase in net position	4,079,348	4,571,891	4,260,106
Net Position – beginning of year	135,257,852	130,685,961	126,425,855
Net Position – end of year	$ 139,337,200	$ 135,257,852	$ 130,685,961

In fiscal year 2022 the Authority's net position increased by $4.1 million, which was a decrease from last year's $4.6 million increase and the $4.3 million increase in 2020. Key elements of this change are due primarily to higher operating revenues whose ten-year trend can be seen in Table 3 (page 67):

- Capital contributions, in the form of "availability fees" from newly connected residential and business customers decreased to $1,024,394 after reaching $1,348,522 last year, a decrease of 24%. Funds from availability fees are set aside in special reserves and are used to pay for a portion of the debt service and construction on capacity-related capital projects.
- Contributions of dedicated infrastructure from developers decreased to $103,268 in fiscal year 2022 from a fiscal year 2021 level of $382,007.

Operating revenues increased 4.2% this past year while consumption increased 0.1%. Increased water consumption by residential and commercial customers along with a rate increase were the main drivers for the increase (see Table 9 and Table 12 for more information). Operating revenues increased 2.2% in fiscal year 2021 due to rate increases and increased consumption of 2.0%. Increased consumption by industrial and residential customers was the main drivers for the increase. The Authority has budgeted at the current levels of consumption through fiscal year 2023.

Operating expenses increased 5.0% from fiscal year 2021. The increase was mainly attributed to higher salaries and benefits, depreciation, chemicals, fuel and purchased water. Fiscal year 2021 increased 0.5% from fiscal year 2020. The increase was mainly attributed to higher pension costs and salaries and benefits.

Schedules 1 and 2 show greater detail for fiscal year 2022 on the actual revenue and expenses versus budget comparison and Table 7 shows a full allocation of revenue and expenses between water and sewer activity for fiscal year 2022.

Interest income increased to $67,243, a 21.4% increase from fiscal year 2021. Interest income decreased to $55,400 in fiscal year 2021, a 74.9% decrease from fiscal year 2020. The increase in fiscal year 2022 was due to the slight increase in interest rates. Gain on disposal of assets of $51,348 was mainly attributable to the sale of fleet vehicles and used equipment. Interest expense decreased 19.1% during fiscal year 2022 and decreased 14.9% during fiscal year 2021 due to the lower principal balances on outstanding debt.

Capital Asset Activity

The Authority's capital assets decreased 1.5% in fiscal year 2022 compared to a 0.8% decrease in fiscal year 2021.

The following major capital asset projects were completed during the current fiscal year and were funded as indicated:

Completed Capital Projects/Dedications	FY2022 Capital Expense	Total Project Amount
Water Projects:		
Waterline Replacement	$ 126,059	1,610,939
Meter & Vault Replacement	296,822	$ 296,822
Water connections	62,835	62,835
Sewer Projects:		
Inflow & Infiltration	584,387	897,313
WWTP Equipment Replacement	345,863	457,998
Generators	977	41,365
Pump Station Upgrades	234,548	508,275
Sewer connections	44,612	44,612
Other Projects:		
Server Replacement	754,098	754,098
Total	$ 2,450,201	$ 4,674,257

Contacting Authority Management

This financial report is designed to provide the water and wastewater consumers and other citizens of Augusta County, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, Augusta County Service Authority, 18 Government Center Lane, P.O. Box 859, Verona, Virginia 24482 or visit the website at www.acsawater.com.

AUGUSTA COUNTY SERVICE AUTHORITY **Exhibit 1**
Page 1

STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	$ 23,054,654	$ 21,284,995
Accounts receivable	944,342	1,016,237
Unbilled accounts receivable	1,899,826	1,911,133
Intergovernmental receivable	741,518	1,100,960
Inventory	395,439	365,949
Prepaid expenses	243,716	137,435
Interest and other receivables	48,024	46,933
Leases receivable	27,737	-
Total current assets	27,355,256	25,863,642
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	2,861,648	2,782,631
Total restricted assets	2,861,648	2,782,631
Capital Assets:		
Capital assets not being depreciated:		
Land and easements	1,963,404	1,727,224
Construction in progress	3,626,347	4,540,028
Capital assets being depreciated and amortized:		
Right-to-use copiers	54,562	-
Right-to-use leased tower	21,567	-
Utility infrastructure and other capital assets	232,652,147	227,787,687
Less allowance for depreciation and amortization	(106,798,751)	(100,508,293)
Total capital assets, net	131,519,276	133,546,646
Pension Asset	725,985	-
Leases receivable	223,645	-
Total noncurrent assets	135,330,554	136,329,277
Total assets	162,685,810	162,192,919
Deferred Outflows of Resources		
Deferred loss on refunding of debt	18,032	35,872
Pension	1,059,997	1,620,065
Other postemployment benefits-health insurance	444,620	352,321
Other postemployment benefits-GLI	80,940	89,613
Total deferred outflows of resources	1,603,589	2,097,871
Total assets and deferred outflows of resurces	$ 164,289,399	$ 164,290,790

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

STATEMENTS OF NET POSITION (Continued)
June 30, 2022 and 2021

	2022	2021
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities:		
Current liabilities:		
Accounts payable and accrued operating expenses	$ 1,751,014	$ 1,947,822
Intergovernmental payables	246,123	247,684
Accounts payable-capital	146,355	538,365
Accrued interest	119,164	148,854
Bonds payable-current portion	2,902,528	3,505,136
Other obligations-current portion	175,979	167,107
Compensated absences	273,982	336,514
Leases payable	17,246	-
Total current liabilities	5,632,391	6,891,482
Noncurrent liabilities:		
Customers' deposits	250,885	246,690
Unearned connection fees	49,440	49,440
Bonds payable	13,116,585	16,019,114
Other obligations	1,320,025	1,498,793
Other postemployment benefits obligation - health insurance	881,746	847,209
Other postemployment benefits obligation - GLI	280,738	401,113
Pension obligation	-	2,173,131
Compensated absences	535,322	305,862
Leases payable	39,828	-
Total noncurrent liabilities	16,474,569	21,541,352
Total liabilities	22,106,960	28,432,834
Deferred Inflows of Resources		
Pension	2,276,732	306,472
Other postemployment benefits-health insurance	207,116	270,344
Other Postemployment Benefits-GLI	117,367	23,288
Leased Assets	244,024	-
Total deferred inflows of resources	2,845,239	600,104
Total liabilities and deferred inflows of resources	24,952,199	29,032,938
Net Position:		
Net investment in capital assets	113,818,762	111,854,003
Restricted for debt service and bond covenants	2,861,648	2,782,631
Unrestricted	22,656,790	20,621,218
Total Net Position	$ 139,337,200	$ 135,257,852

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues:		
Water revenues	$ 9,856,318	$ 9,420,157
Sewer revenues	12,443,829	12,134,434
Other revenues	538,967	362,731
Total operating revenues	22,839,114	21,917,322
Operating Expenses:		
Water expenses	3,708,807	3,469,363
Sewer expenses	5,314,345	4,872,229
Administration and general expenses	4,158,485	4,089,978
Depreciation and amortization	6,356,018	6,171,330
Total operating expenses	19,537,655	18,602,900
Operating income	3,301,459	3,314,422
Nonoperating Revenues (Expenses):		
Interest earned	67,243	55,400
Gain on disposal of assets	52,360	51,348
Interest expense	(469,376)	(579,808)
Total nonoperating expenses, net	(349,773)	(473,060)
Income before capital contributions	2,951,686	2,841,362
Capital contributions:		
Availability fees from customers and developers	1,024,394	1,348,522
Contributions of dedicated infrastructure	103,268	382,007
Total capital contributions	1,127,662	1,730,529
Change in net position	4,079,348	4,571,891
Net Position, beginning of year	135,257,852	130,685,961
Net Position, end of year	$ 139,337,200	$ 135,257,852

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

		2022		2021
Operating activities:				
Receipts from customers and users	$	23,034,571	$	21,080,631
Payments to suppliers		(7,100,182)		(5,537,750)
Payments to employees		(6,494,799)		(6,336,898)
Net cash provided by operating activities		9,439,590		9,205,983
Capital and related financing activities:				
Payments for capital assets		(4,627,389)		(4,261,956)
Proceeds from the sale of assets		62,360		51,348
Principal payments on bonds		(3,505,137)		(3,492,889)
Principal payments on lease and other obligations		(130,068)		(230,547)
Contributions in aid of construction		1,024,394		1,348,522
Interest payments		(481,226)		(582,879)
Net cash used in capital and related financing activities		(7,657,066)		(7,168,401)
Investing activities:				
Interest received		66,152		48,418
Net cash provided by investing activities		66,152		48,418
Increase in cash and cash equivalents		1,848,676		2,086,000
Cash and cash equivalents at beginning of year		24,067,626		21,981,626
Cash and cash equivalents at end of year	$	25,916,302	$	24,067,626
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	3,301,459	$	3,314,422
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		6,356,018		6,171,330
Pension expense		(51,623)		547,854
OPEB Expense - health ins		64,719		35,760
OPEB Expense - GLI		11,346		15,362
Changes in operating assets, deferred inflows & outflows and liabilities:				
(Increase) decrease in:				
Accounts receivable		442,644		(826,648)
Inventory		(29,490)		(70,865)
Prepaid expenses		(106,281)		61,544
Leases receivable		(251,382)		-
Pension costs		(317,165)		(298,932)
OPEB Expense - health ins		(185,709)		(222,105)
OPEB-GLI costs		(28,969)		(27,222)
Increase (decrease) in:				
Customer deposits		4,195		(10,043)
Payables and accrued expenses--operating		229,828		515,526
Net cash provided by operating activities	$	9,439,590	$	9,205,983
Significant noncash investing, capital and financing activities:				
Contributions of capital assets	$	103,268	$	382,007
Capital assets acquired through accounts payable	$	146,355	$	538,365

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

STATEMENTS OF FIDUCIARY NET POSITION – CUSTODIAL FUND (AUGUSTA REGIONAL LANDFILL)
Years Ended June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 11,562,826	$ 11,079,940
Accounts Receivable	338,597	315,339
Prepaid expenses	18,459	-
Total current assets	11,919,882	11,395,279
Total assets	11,919,882	11,395,279
LIABILITIES		
Accounts payable	213,939	199,123
Due to other governments	381,221	418,969
Compensated absences	123,032	127,099
Amounts due from participating localities	(209,156)	(194,601)
Total liabilities	509,036	550,590
NET POSITION		
Restricted for:		
Other governments	$ 11,410,846	$ 10,844,689

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUND (AUGUSTA REGIONAL LANDFILL)
Years Ended June 30, 2022 and 2021

	2022	2021
ADDITIONS		
Contributions		
Tipping fees	$ 3,227,210	$ 3,099,090
Other income	255,118	235,195
Capital contributions	450,000	600,000
Total contributions	3,932,328	3,934,285
Investment earnings:		
Interest	28,612	23,139
Total investment earnings	28,612	23,139
Total additions	3,960,940	3,957,424
DEDUCTIONS		
Operating costs	3,394,783	3,345,376
Net increase in fiduciary net position	566,157	612,048
Net position - beginning	10,844,689	10,232,641
Net position - ending	$ 11,410,846	$ 10,844,689

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

Note 1–Significant Accounting Policies:

The Board of Supervisors of Augusta County, Virginia (the County) established the Augusta County Service Authority (the Authority) on March 16, 1966 and the State Corporation Commission chartered the Authority in March 1966 in order to provide a centralized source for the provision of water and sewer service to County residents. The Authority originally existed for a term of 50 years from its date of incorporation, to the year 2016, or until its obligations had been discharged or assumed (whichever was later), and for such further periods as the County Board of Supervisors provided by resolution. On July 24, 2002, the Board of Supervisors approved the extension of the corporate life of the Authority to the year 2052.

The Enabling Act authorizes the Authority, among other things, (a) to acquire, construct, improve, extend, operate and maintain any water, sewer, sewage disposal or garbage/refuse collection and disposal system, (b) to issue revenue bonds of the Authority, payable solely from revenues, to pay all or any part of the cost of such systems, (c) to fix, revise, charge and collect rates, fees and charges for the use of and for the services furnished or to be furnished by any system operated by the Authority, and (d) to enter into contracts with the Commonwealth of Virginia (Virginia), or with any municipality, county, corporation, individual or any public authority, relating to the furnishing of services and facilities of any such system of the Authority. The Enabling Act provides the Authority is subject in all respects to the jurisdiction of the Department of Environmental Quality - Water Division (DEQ), formerly the State Water Control Board of Virginia, under the provisions of the State Water Control Law.

The Authority also serves as the operator and fiscal agent for the Augusta Regional Landfill (Landfill), a hybrid joint-venture and undivided interest between the Cities of Waynesboro and Staunton and the County of Augusta. This relationship was first formalized with a Contract for Sanitary Landfill Operation on December 11, 1970 with the City of Staunton (Staunton) and the County. Two additional agreements were signed in 1990 and 1999 as the Landfill expanded and the City of Waynesboro joined as an owner. On May 6, 2006 a Landfill Management Agreement was signed by the owner localities and reaffirmed on December 31, 2015 to formalize the continuing utilization of the Authority as both operators and fiscal agents for the Landfill. Financial transactions of the Landfill are not included in these financial statements except as an agency fund.

A. <u>Determination of the Reporting Entity</u>

Augusta County has determined the Authority is a related organization but not a component unit of the County in accordance with Governmental Accounting Standards Board (GASB) Statements 14 and 61. The Authority is a legally separate organization whose Board members are appointed by the County Board of Supervisors. During the year ended June 30, 2022, one member of the Board of Supervisors was also a member of the seven-member Authority Board. The County considered the following in their determination: Under GASB Statement No. 14 the Authority was included in the financial statements as a blended component unit when the governing boards of the two entities were substantially the same. GASB Statement No. 61 requires the governing boards be substantially the same and a financial benefit and/or burden relationship must be present or the management staff of the primary government and the component unit be substantially the same. The relationship between the County and the Authority does not create a financial benefit and/or burden on the County, and the management staffs of the two organizations are separate from one another.

Note 1–Significant Accounting Policies: (Continued)

B. Basic Financial Statements

Since the Authority is engaged in business-type activities, it is required to present the financial statements required for enterprise funds. Fiduciary (agency) fund statements are also required for the Landfill since these funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Therefore, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
  - Statements of Net Position
  - Statements of Revenues, Expenses and Changes in Net Position
  - Statements of Cash Flows
- Statement of Fiduciary Net Position
- Notes to Financial Statements
- Required Supplementary Information

C. Basis of Accounting

The Authority operates as an enterprise activity. The Authority's enterprise (proprietary) fund financial statements are reported using the economic resources measurement focus. Proprietary and fiduciary fund financial statements are reported using 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. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include availability fees (fees assessed new customers or developers for the cost of water or wastewater system capacity), grants, and donations. Revenue from availability fees, grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows all applicable 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. The Authority also recognizes as operating revenue the portion of new connection charges intended to recover the cost of connecting new customers to the system (hook-up fees). Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits and certificates of deposit.

Note 1–Significant Accounting Policies: (Continued)

E. Restricted Assets

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for repayment, are classified as restricted assets on the Statements of Net Position and are limited by applicable bond covenants.

Master Trust Indenture Title	Description	June 30, 2022	June 30, 2021
Revenue bond general operating revenue	Used to report resources set aside to subsidize potential deficiencies from the Authority's operation that could adversely affect debt service payments. Required minimum level of 1/6 of annual operating expense budget (less depreciation).	$ 2,361,648	$ 2,282,631
Repair and replacement reserve	Used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.	500,000	500,000
		$ 2,861,648	$ 2,782,631

F. Intergovernmental Receivables and Payables

The details of the intergovernmental receivables and payable are shown below:

Asset or Liability Item and Description	June 30, 2022	June 30, 2021
Intergovernmental receivable		
- Due from the Landfill for accrued payables	$ 301,266	$ 353,867
- Due from state agencies for nutrient credits and operational costs	3,641	3,990
- Due from Staunton for operational and minor capital costs at the Middle River Regional WWTP and Staunton wholesale sewer consumption	347,019	708,569
- Due from Augusta County for fuel charges, Greenville Sewer reimbursement, Mill Place water tank and other projects	85,584	33,279
- Due from City of Waynesboro for wholesale water	1,983	-
- Due from other governments for shared operations or wholesale consumption	2,025	1,255
	$ 741,518	$ 1,100,960
Intergovernmental payable		
- Due to Augusta County for Greenville Sewer reimbursement and operational costs	$ 34,195	$ 43,632
- Due to Staunton for wholesale water consumption, laboratory charges and nutrient credits	161,504	153,679
- Due to City of Waynesboro for wholesale water	49,883	49,372
- Due to the Landfill for accrued payables	541	1,001
	$ 246,123	$ 247,684

Note 1–Significant Accounting Policies: (Continued)

G. Capital Assets

Capital assets, which include intangibles, property, plant, equipment, and infrastructure assets (e.g., sewer lines and water tanks), 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to the implementation of GASB Statement 89, interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, by Authority policy, with an anticipated project minimum threshold of $1 million constructed over more than one year.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Utility infrastructure	50 to 66
Buildings	66
Equipment	5 to 30
Intangible assets – software	5
Vehicles and transportation equipment	5
Office furniture and fixtures	10

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2022.

H. Leases

Lessee: For new or modified contracts, the Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), The Authority records a lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not readily determinable, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments.

Note 1–Significant Accounting Policies: (Continued)

H. Leases (Continued)

Lessee (continued):The Authority is a lessee for non-cancellable leases of copiers and towers. The Authority recognizes a lease liability and right to use lease asset on the Statement of Net Position. Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term. At the commencement of a lease, the Authority measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight- line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Lessor: For new or modified contracts, the Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Authority records a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not clear, the Authority may apply the guidance for imputation of interest as a means of determining the interest rate.

The Authority will not recognize a lease receivable and a deferred inflow of resources for leases with a non-cancellable term of less than 12 months, and income is recognized as incurred.

At the commencement of a lease, the Authority measures the lease receivable as the present value of payments expected to be received during the lease term and reduces the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

I. Compensated Absences

Landfill employees earn vacation and sick leave each month at a scheduled rate in accordance with the years of service. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. Sick leave vests at twenty-five percent of the value with a cap of 1,040 hours. The vested amount is recorded as a liability in the financial statements.

J. Other Significant Accounting Policies

- Accounts receivable are recorded when billed. The Authority utilizes the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

- Unbilled Accounts Receivable: The Authority uses the cycle method of billing customers for services. Under this method, customer billings are made by specified cycles established for the service area and each cycle billed during a specific week every other month. For financial statement purposes, actual billings made in July and August are prorated for services provided for the months of May and June and included as an unbilled receivable.

Note 1–Significant Accounting Policies: (Continued)

J. Other Significant Accounting Policies (Continued)

- Investments are stated at fair value. Investments in the Local Government Investment Pool are reported in the accompanying financial statements as cash equivalents since their average maturity may not exceed 90 days.

- Inventories of materials and supplies are stated at cost using the first-in, first-out method of valuation.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The Authority currently has several items that qualify for reporting in the category. The first item relates to a deferred loss on refinancing. The remaining items relate to the pension plan and group life insurance program (GLI) other postemployment benefits (OPEB) plan. See Notes 8, 9 and 10 for details regarding these items.

In addition to liabilities the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has several items that qualify for reporting in this category. See Notes 5,8,9 and 10 for details regarding these items.

L. Other Post-Employment Benefits-Health Insurance

The Health Care Plan is a single-employer plan. Differences between expected and actual experience and actuarial assumptions are amortized over the average of the expected remaining service lives of all employees that covered through this plan, which is 6.82 years. Plan amendments are recognized immediately.

M. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1–Significant Accounting Policies: (Continued)

N. Pensions

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

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets, net of related liabilities excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

P. Use of Estimates

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

Q. Subsequent Events

The Authority has evaluated subsequent events through December 1, 2022, which was the date the financial statements were available to be issued.

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 methods 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.

Custodial Credit Risk (Deposits)

This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to the Authority. The Authority requires all deposits to comply with the Virginia Security for Public Deposits Act. At year end, none of the Authority's deposits were exposed to custodial credit risk.

Note 2–Deposits and Investments: (Continued)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Authority has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. Investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The fair value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of $1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year. Investments in LGIP are reflected in the accompanying financial statements as cash equivalents.

Custodial Credit Risk (Investments)

The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority Treasurer or by the Treasurer's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third-party, not a counterpart (buyer or seller) to the transaction. At June 30, 2022 all of the Authority's investments were held in accordance with this policy.

Credit Risk (Investments)

The Authority's investment policy for credit risk is consistent with the investments allowed by state statute as detailed above.

The Authority's rated debt investments as of June 30, 2022 were rated by Standard and Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Investments' Values

		Fair Quality Ratings
		AAAm
LGIP	$	5,270,911
LGIP--Custodial fund		7,000,921
Money Market Mutual Fund		4,432,308
Total	$	16,704,140

Note 2–Deposits and Investments: (Continued)

Concentration of Credit Risk

The Authority's investment policy limits the investment in bankers' acceptances to 40% of total funds available for investment. Not more than 35% of the Authority's total investments may be in commercial paper and not more than 5% in the obligations of any one issuer in commercial paper. At June 30, 2022 all of the Authority's investments were held in accordance with this policy.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from increasing interest rates and to comply with the laws of the Commonwealth, the Authority's policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase. Interest rate risk does not apply to LGIP since it is an external investment pool classified in accordance with GASB Statement No. 79.

	Fair Value	Less Than 1 Year
LGIP	$ 5,270,911	$ 5,270,911
LGIP-Custodial Fund	7,000,921	7,000,921
Certificates of deposit	1,787,577	1,787,577
Wells Fargo Money Market	4,432,308	4,432,308

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2022:

- Certificates of deposit in the amount of $1,787,577 are valued using quoted market prices (Level 1 inputs).

- Money market in the amount of $4,432,308 are valued using quoted market prices (Level 1 inputs).

Note 3–Capital Assets and Depreciation/Amortization:

Effective July 1, 1968, the Authority adopted an accounting system to facilitate financial reporting on a basis generally used by municipally owned facilities. The previous accounting system which was prescribed by the Auditor of Public Accounts, Commonwealth of Virginia, for use in the counties of Virginia did not provide for the reporting of utility plant in service. Thus, it became necessary for the Authority to reconstruct its "capital outlay" expenditures for prior years and to place a value on property contributions from the County in order to fairly record and present the capital asset in service.

Note 3–Capital Assets and Depreciation/Amortization: (Continued)

The following method was used to value the property contributed by the County at July 1, 1966 and July 1, 1978. Actual costs of these facilities were obtained from the audited financial reports of the County. Replacement cost less depreciation was determined by appreciating actual costs at the rate of 5% per year and depreciating actual costs at the rate of 2% per year. Subdivisions dedicated to the County or Authority were computed on a basis of pipe size, footage and estimated costs of fittings to arrive at a value at the date of acquisition.

Under this method of valuation, a total adjusted value of over $5.3 million was obtained by the Authority by lease-purchase in consideration of the Authority's assumption of Sanitary District bonded debt in the amount of approximately $1.1 million. The difference of $4.2 million was recorded as a contribution in aid of construction.

Both the $1.7 million cost of assets acquired by the Authority from the date of its inception to June 30, 1968 and the value of aforementioned assets contributed by the County have been distributed to the various capital asset accounts at the discretion of management. Since July 1, 1968, all additions to plant have been recorded in capital asset accounts.

Note 3–Capital Assets and Depreciation/Amortization: (Continued)

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

	Balance July 1, 2021 *	Additions	Disposals	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land and easements	$ 1,727,224	$ 90,293	$ (10,000)	$ 155,887	$ 1,963,404
Construction in progress	4,540,028	3,420,203	-	(4,333,884)	3,626,347
Total capital assets not being depreciated	6,267,252	3,510,496	(10,000)	(4,177,997)	5,589,751
Capital assets being depreciated and amortized:					
Right-to-use leased copiers	54,562	-	-	-	54,562
Right-to-use leased towers	21,567	-	-	-	21,567
Utility infrastructure	154,962,973	103,268	-	3,142,747	158,208,988
Buildings	6,460,277	-	-	-	6,460,277
Equipment and software	62,696,891	265,647	(7,381)	935,250	63,890,407
Vehicles and transportation equipment	3,597,239	383,108	(58,179)	100,000	4,022,168
Office furniture and fixtures	70,307	-	-	-	70,307
Total capital assets being depreciated/amortized	227,863,816	752,023	(65,560)	4,177,997	232,728,276
Less: accumulated depreciation and amortization for:					
Right-to-use leased copiers	-	(15,896)	-	-	(15,896)
Right-to-use leased towers	-	(4,096)	-	-	(4,096)
Utility infrastructure	(58,983,334)	(2,963,275)	-	-	(61,946,609)
Buildings	(1,980,154)	(96,870)	-	-	(2,077,024)
Equipment and software	(37,160,679)	(2,921,334)	7,381	-	(40,074,632)
Vehicles and transportation equipment	(2,316,046)	(353,990)	58,179	-	(2,611,857)
Office furniture and fixtures	(68,080)	(557)	-	-	(68,637)
Total accumulated depreciation/amortization	(100,508,293)	(6,356,018)	65,560	-	(106,798,751)
Total capital assets being depreciated/amortized, net	127,355,523	(5,603,995)	-	4,177,997	125,929,525
Total capital assets, net	$ 133,622,775	$ (2,093,499)	$ (10,000)	$ -	$ 131,519,276

* The beginning balance was restated for the implementation of GASB 87. Lease assets at June 30, 2022 consist of seven copier leases and two tower leases in the amount of $54,562 and $21,567 respectively. It was deemed not practicable to restate the earliest period which was July 1, 2020. See Note 5 for further details.

Note 3–Capital Assets and Depreciation/Amortization: (Continued)

	Balance July 1, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land and easements	$ 1,727,224	$ -	$ -	$ -	$ 1,727,224
Construction in progress	3,424,260	4,269,287	-	(3,153,519)	4,540,028
Total capital assets not being depreciated	5,151,484	4,269,287	-	(3,153,519)	6,267,252
Capital assets being depreciated and amortized:					
Utility infrastructure	153,884,053	382,007	-	696,913	154,962,973
Buildings	6,460,277	-	-	-	6,460,277
Equipment and software	60,210,680	143,012	(113,407)	2,456,606	62,696,891
Vehicles and transportation equipment	3,371,350	351,018	(125,129)	-	3,597,239
Office furniture and fixtures	70,307	-	-	-	70,307
Total capital assets being depreciated/amortized	223,996,667	876,037	(238,536)	3,153,519	227,787,687
Less: accumulated depreciation and amortization for:					
Utility infrastructure	(55,965,750)	(3,017,584)	-	-	(58,983,334)
Buildings	(1,883,284)	(96,870)	-	-	(1,980,154)
Equipment and software	(34,502,954)	(2,771,132)	113,407	-	(37,160,679)
Vehicles and transportation equipment	(2,157,388)	(283,787)	125,129	-	(2,316,046)
Office furniture and fixtures	(66,123)	(1,957)	-	-	(68,080)
Total accumulated depreciation/amortization	(94,575,499)	(6,171,330)	238,536	-	(100,508,293)
Total capital assets being depreciated/amortized, net	129,421,168	(5,295,293)	-	3,153,519	127,279,394
Total capital assets, net	$ 134,572,652	$ (1,026,006)	$ -	$ -	$ 133,546,646

Note 4–Construction in Progress:

The Authority has a number of uncompleted construction projects shown as an asset, Construction in Progress, at June 30, 2022 and 2021. Presented below are tables of the major categories of projects showing the expenses, transfers of completed projects to asset or expense accounts if the project is written-off and the ending balances of each project at year end for the current and prior year:

Description	Balance July 1, 2021	Additions	Disposals/ Transfers	Balance June 30, 2022
Water Projects	$ 2,749,054	$ 2,081,283	$ (2,238,803)	$ 2,591,534
Sewer Projects	1,648,703	1,228,333	(1,995,081)	881,955
Other Projects	142,271	110,587	(100,000)	152,858
Total	$ 4,540,028	$ 3,420,203	$ (4,333,884)	$ 3,626,347

Description	Balance July 1, 2020	Additions	Disposals/ Transfers	Balance June 30, 2021
Water Projects	$ 2,048,148	$ 2,493,931	$ (1,793,025)	$ 2,749,054
Sewer Projects	1,284,763	1,260,545	(896,605)	1,648,703
Other Projects	91,349	514,811	(463,889)	142,271
Total	$ 3,424,260	$ 4,269,287	$ (3,153,519)	$ 4,540,028

Note 5–Leases:

The Authority is a lessee for leases of copiers and towers. Most leases have terms that range from 3 to 7 years. The exercise of lease renewal options is at the Authority's discretion. The Authority monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability.

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

Note 5–Leases: (Continued)

Details of leases in which the Authority is the lessee are as follows:

		Remaining Principal
Lease obligation for a copier. The Authority is required to make monthly principal and interest payments of $187 through July 2026. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $10,383 during the current fiscal year. The copier has an estimated useful life of forty-nine months. The value of the right-to-use leased asset as of the end of the current fiscal year was $8,480 and had accumulated amortization of $1,903.	$	8,594
Lease obligation for a copier. The Authority is required to make monthly principal and interest payments of $176 through August 2026. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $9,776 during the current fiscal year. The copier has an estimated useful life of fifty months. The value of the right-to-use leased asset as of the end of the current fiscal year was $8,147 and had accumulated amortization of $1,629.		8,247
Lease obligation for a copier. The Authority is required to make monthly principal and interest payments of $509 through November 2022. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $8,455 during the current fiscal year. The copier has an estimated remaining useful life of five months. The value of the right-to-use leased asset as of the end of the current fiscal year was $2,487 and had accumulated amortization of $5,968.		2,524
Lease obligation for a copier. The Authority is required to make monthly principal and interest payments of $125 through December 2026. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $6,980 during the current fiscal year. The copier has an estimated useful life of fifty-four months. The value of the right-to-use leased asset as of the end of the current fiscal year was $6,282 and had accumulated amortization of $698.		6,328
Lease obligation for a copier. The Authority is required to make monthly principal and interest payments of $163 through February 2025. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $6,797 during the current fiscal year. The copier has an estimated useful life of thirty-two months. The value of the right-to-use leased asset as of the end of the current fiscal year was $4,943 and had accumulated amortization of $1,854.		5,017
Lease obligation for a copier. The Authority is required to make monthly principal and interest payments of $192 through August 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $6,934 during the current fiscal year. The copier has an estimated useful life of twenty-six months. The value of the right-to-use leased asset as of the end of the current fiscal year was $4,744 and had accumulated amortization of $2,190.		4,815
Lease obligation for a copier. The Authority is required to make monthly principal and interest payments of $145 through February 2025. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $5,237 during the current fiscal year. The copier has an estimated useful life of twenty-six months. The value of the right-to-use leased asset as of the end of the current fiscal year was $3,583 and had accumulated amortization of $1,654.		3,637

Note 5–Leases: (Continued)

		Remaining Principal
Lease obligation for a tower lease. The Authority is required to make monthly principal and interest payments ranging from $1,815 to $2,156 through July 2027. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $12,096 during the current fiscal year. The copier has an estimated useful life of six years. The value of the right-to-use leased asset as of the end of the current fiscal year was $10,368 and had accumulated amortization of $1,728.	$	10,705
Lease obligation for a tower lease. The Authority is required to make monthly principal and interest payments of $2,548 through December 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $9,471 during the current fiscal year. The copier has an estimated useful life of three years. The value of the right-to-use leased asset as of the end of the current fiscal year was $7,103 and had accumulated amortization of $2,368.		7,207
Total Leases	$	57,074

The following table summarizes the total minimum lease payments due:

Year(s) Ending June 30,		Principal		Interest
2023	$	17,246	$	1,506
2024		15,231		1,041
2025		11,703		620
2026		7,556		309
2027		3,244		130
Thereafter		2,094		63
Total minimum lease receipts	$	57,074	$	3,669

The Authority is a lessor for a lease related to a communication tower. The lease term is for 20 years. The exercise of lease renewal options is at the Authority's discretion. The Authority monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. The Authority will receive monthly payments ranging from $2,852 to $3,507 through October 2029. An initial lease receivable was recorded in the amount of $277,300.

The Authority has a deferred inflow of resources associated with its lease that will be recognized as revenue over the term of the lease. As of June 30, 2022, the balance of the deferred inflow was $244,024. Lease revenue for the year ended June 30, 2022 was $33,276 and lease interest income for the same year was $7,968.

Note 5–Leases: (Continued)

Future minimum lease amounts as of June 30, 2022 are as follows:

Year(s) Ending June 30,	Principal	Interest
2023	$ 33,276	$ 7,166
2024	33,276	6,308
2025	33,276	5,391
2026	33,276	4,413
2027	33,276	3,372
2028 - 2030	77,644	3,435
Total minimum lease payments	$ 244,024	$ 30,085

Note 6–Long-Term Debt:

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

	Bonds		**Other Obligations**		**Total Annual**
Year(s) Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**	**Debt Service**
2023	$ 2,902,528	$ 360,332	$ 175,979	$ 24,992	$ 3,463,831
2024	2,970,120	291,204	179,020	21,951	3,462,295
2025	1,760,377	230,348	182,115	18,857	2,191,697
2026	1,597,659	188,226	185,262	15,709	1,986,856
2027	1,627,910	148,881	188,464	12,507	1,977,762
2028-2032	4,996,723	213,409	585,164	17,749	5,813,045
2033-2037	163,796	218	-	-	164,014
Total per Financing Agreements	$ 16,019,113	$ 1,432,618	$ 1,496,004	$ 111,765	$ 19,059,500

Note 6–Long-Term Debt: (Continued)

Changes in long-term indebtedness for the current and previous years are as follows:

	Balance July 1, 2021*	Additions	Reductions	Balance June 30, 2022	Due within one year
Revenue Bonds	$ 19,524,250	$ -	$ (3,505,137)	$ 16,019,113	$ 2,902,528
Leases payable	48,990	27,139	(19,055)	57,074	17,246
Other obligations	1,665,900	-	(169,896)	1,496,004	175,979
Total long term debt	21,239,140	27,139	(3,694,088)	17,572,191	3,095,753
Compensated absences	642,376	440,910	(273,982)	809,304	273,982
Total long term liabilities	$ 21,881,516	$ 468,049	$ (3,968,070)	$ 18,381,495	$ 3,369,735

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Revenue Bonds	$ 23,017,139	$ -	$ (3,492,889)	$ 19,524,250
Other obligations	1,896,447	-	(230,547)	1,665,900
Total long term debt	24,913,586	-	(3,723,436)	21,190,150
Compensated absences	591,090	387,800	(336,514)	642,376
Total long term liabilities	$ 25,504,676	$ 387,800	$ (4,059,950)	$ 21,832,526

* The beginning balance was restated for the implementation of GASB 87.

Details of long-term indebtedness:

Revenue Bonds:	**Remaining Principal**	**Principal Amount Due Within One Year**
$127,500 Water and Sewer Revenue Bond (Augusta Springs Filtration Project), Series 2000, issued through the Virginia Resources Authority, principal payable semi-annually beginning June 1, 2001 through December 1, 2030. No interest.	$ 36,125	$ 4,250
$965,165 Water and Sewer Revenue Bond (Augusta Springs Tank Project), Series 2002, dated October 11, 2002 issued through the Virginia Resources Authority, principal payable semi-annually beginning November 1, 2003 through May 1, 2033. No interest.	353,894	32,172
$5,500,000 Water and Sewer System Revenue Bond (Fishersville WWTP Project), Series 2003, dated April 25, 2003 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning May 1, 2005 through November 1, 2024; interest rate 3.5%.	929,381	362,108

Note 6–Long-Term Debt: (Continued)

$140,500 Water and Sewer System Revenue Bond (Deerfield Project) issued through the Virginia Resources Authority, principal payable semi-annually through August 1, 2032. No interest.	$ 49,175	$ 4,683
$264,650 Water and Sewer System Revenue Bond (Hodge Street Project) Series 2005, dated February 25, 2005 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning September 1, 2006 through September 1, 2025; interest rate 3.1%.	59,883	16,457
$8,011,000 Water and Sewer System Revenue Refunding Bonds, Series 2015, dated September 30, 2005, principal and interest payable semi-annually beginning May 1, 2016 through November 1, 2023; interest rate 1.85%.	2,112,000	1,047,000
$544,580 Water and Sewer System Revenue Bond (3 Membrane Filtration Projects), Series 2007A, dated May 9, 2007, issued through the Virginia Resources Authority, principal payable semi-annually beginning November 1, 2007 through May 1, 2037. No interest.	266,174	17,745
$816,690 Water and Sewer System Revenue Bond (Harriston Tank Replacement) Series 2007B, dated June 19, 2007 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning November 1, 2008 through May 1, 2033; interest rate 0.5%.	379,059	33,606
$17,028,808 Water and Sewer System Revenue Bond (Fishersville WWTP ENR Upgrade Project), Series 2007C, dated October 11, 2007 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning March 1, 2010 through September 1, 2029; interest rate 2.77%.	7,457,106	915,242
$926,913 Water and Sewer System Revenue Bond (Churchville Filtration), Series 2009A, dated June 4, 2009 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning November 1, 2009 through May 1, 2029; interest rate 2.86%. Build America Bond (Direct Payment) election, 35% federal interest credit.	382,821	52,132
$1,348,598 Water and Sewer System Revenue Bond (Berry Farm Filtration), Series 2009B, dated June 4, 2009 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning November 1, 2009 through May 1, 2029; interest rate 3.05%. Build America Bond (Direct Payment) election, 35% federal interest credit.	553,086	75,425
$8,000,000 Water and Sewer System Revenue Bond (Stuarts Draft WWTP ENR Upgrade Project), Series 2009C, dated December 14, 2009 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning September 1, 2011 through March 1, 2031; interest rate 3.35%.	3,353,129	334,558
$189,301 Water and Sewer System Revenue Bond (Dooms Water Energy and Efficiency Improvements), Series 2011, dated January 13, 2011 issued through the Virginia Resources Authority, principal and interest payable semi-annually beginning March 1, 2013 through March 1, 2033; interest rate 3%.	87,280	7,150
Total Revenue Bonds	16,019,113	2,902,528

Note 6–Long-Term Debt: (Continued)

Agreement for $3,235,798 of City of Staunton's bond issues for Middle River Sewage Treatment Plant, due in semi-annual installments of $110,194 including principal and interest through March 1, 2030, interest computed at 3%.	$ 1,496,004	$ 175,979
Total Other Obligations	1,496,004	175,979
Total Long-Term Indebtedness	$ 17,515,117	$ 3,078,507

Note 7–Compliance with Terms of Bond Resolution (2015 Refunding Issue):

Debt Service Coverage

Revenues for the fiscal year ended June 30, 2022 were adequate for the payment of operating expenses and satisfied the revenue covenant of the bond issue. The amount available for debt service was 2.59 times the actual debt service for the fiscal year, including service of long-term lease obligations and principal and interest on other debt service.

Events of Default

No event has occurred that would constitute an event of default under the terms of the 2015 Refunding Revenue Bonds and supplementary indentures of trust of the original 1994 bond issue.

Note 8–Other Postemployment Benefits-Health Insurance:

The Authority participates in a defined benefit single-employer health plan and Authority employees are eligible for a limited amount of post-employment health and dental benefits as defined in the Authority's Board-approved Personnel Policy Manual. An actuarial study was conducted in fiscal year 2021 for future direct and implicit costs amortized over 6.82 years.

GASB Statement 75 addressed how local governments should account for and report their costs related to post-employment health care and other non-pension benefits. Historically, the Authority funded any retiree health benefit subsidies on a pay-as-you-go basis but GASB Statement 75 required the Authority accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are earned, and record the unfunded actuarial accrued liability in order to account for the total future cost of post-employment benefits. This funding methodology mirrors the funding approach used for pension benefits.

Note 8–Other Postemployment Benefits-Health Insurance: (Continued)

A. <u>Plan Description</u>

The Authority administers a single-employer defined benefit healthcare plan that provides healthcare insurance for eligible retirees and their dependents through the Authority's group health insurance plan, which covers both active and retired members. Retirees who have five or more years of service with the Authority and are age 55 or older with full or reduced retirement benefits from the VRS Retirement System are eligible to remain in the healthcare plan at the blended premium rate with a $2,500 per year maximum subsidy (paid by the Authority) until they are eligible for Medicare or unsubsidized when Medicare is available. Retirees and terminated employees can also elect COBRA coverage for up to eighteen months if previously enrolled in the Authority's health or dental insurance plans.

Eligible employees must elect coverage immediately upon retirement. Employees who terminate prior to retirement eligibility are not eligible for the health insurance. Dependents, including surviving spouses, are permitted access to medical coverage also. As of the end of the current fiscal year, there were four retirees and two post-employment participants under the COBRA option who participated in the Authority's group insurance plan.

The plan does not issue a publicly available financial report. The contribution requirements of plan members are established and may be amended by the Authority's Board of Directors.

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

	Number
Active members	107
Inactive members or beneficiaries currently reveiving benefits	4
Total covered employees	111

Note 8–Other Postemployment Benefits-Health Insurance: (Continued)

B. Total OPEB Liability (TOL)

The Authority's OPEB liability was measured as of June 30, 2022, and the total OPEB Liability was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions

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

Salary Increases	2.50%
Discount rate*	1.92%
Healthcare trend costs	6.00% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two- dimensional mortality improvement scale MP-2021

* Discount rates used to measure TOL were based on the Municipal GO AA 20-year yield curve.

C. Changes in the Total OPEB Liability

	Total OPEB Health Care Liability
Balance at June 30, 2021	$ 847,209
Changes for the Year:	
Service cost	55,629
Interest	19,992
Effect of assumption changes or other inputs	199,916
Benefit payments	(241,000)
Net changes	34,537
Balance at June 30, 2022	$ 881,746

Note 8–Other Postemployment Benefits-Health Insurance: (Continued)

C. Changes in the Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the Authority's Total OPEB Liability, calculated using the discount rate of 1.92%. It also presents what the Authority's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (.92%) and one percentage point higher (2.92%) than the current rate.

	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
Total OPEB Liability	$ 979,118	$ 881,746	$ 794,149

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.

The following presents the Authority's Total OPEB Liability, calculated using the current healthcare trend rates. It also presents what the Authority's Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	$ 779,789	$ 881,746	$ 1,004,254

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 145,528	$ (146,269)
Changes of assumptions	132,536	(60,847)
Employer contributions subsequent to the measurement date	166,556	-
Total	$ 444,620	$ (207,116)

The $166,556 reported as deferred outflows of resources related to the OPEB Health Insurance resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Health Insurance will be recognized in the OPEB Health Insurance expense in future reporting periods as follows:

Year Ending June 30,	
2023	$ (10,902)
2024	(10,902)
2025	(4,735)
2026	27,849
2027	41,820
Thereafter	27,818
	$ 70,948

Note 9–Group Life Insurance Program:

A. Plan Description

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

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

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

<table>
<tr><th>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

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.</td></tr>
<tr><td>Benefit Amounts
The benefits payable under the GLI have several components.
Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
Accidental dismemberment benefit
Seatbelt benefit
Repatriation benefit
Felonious assault benefit
Accelerated death benefit option</td></tr>
<tr><td>Reduction in Benefit Amounts
The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</td></tr>
<tr><td>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 COLA. The minimum benefit adjusted for COLA was $8,722 as of June 30, 2022.</td></tr>
</table>

Note 9–Group Life Insurance Program: (Continued)

B. Contributions

The contribution requirements for the GLI are governed by Sections 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 was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were $28,894 and $27,166 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Authority reported a liability of $280,738 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2021 and the total GLI OPEB Liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was $280,738 or 0.02411% as compared to $401,113 or 0.02404% at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized GLI OPEB expense of $11,346. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 32,241	$ (2,154)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(67,472)
Changes of assumptions	15,585	(38,678)
Changes in proportion	4,220	(9,063)
Employer contributions subsequent to the measurement date	28,894	-
Total	$ 80,940	$ (117,367)

Note 9–Group Life Insurance Program: (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

The information above is derived from the actuarial valuation report for the Augusta County Service Authority. The Authority has recorded a net GLI OPEB liability of $280,738 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal years 2014-2021. The Authority's percentage of total contributions to the plan was 88.26 percent. This percentage was used to allocate a portion of the net GLI OPEB liability to the Authority.

The $28,894 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,		
2023	$	(13,065)
2024		(13,065)
2025		(13,065)
2026		(13,065)
2027		(13,061)
	$	(65,321)

D. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-5.35%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Note 9–Group Life Insurance Program: (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates

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

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

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

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
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
Discount Rate	No change

Note 9–Group Life Insurance Program: (Continued)

E. Net GLI OPEB Liability

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

	GLI OPEB Program
Total GLI OPEB liability	$ 3,577,346
Plan fiduciary net position	2,413,074
Employers' net GLI OPEB liability	$ 1,164,272
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%

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

Note 9–Group Life Insurance Program: (Continued)

F. Long-Term Expected Rate of Return (continued)

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

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

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 7.11%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the Landfill for the VRS GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan'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.

Note 9–Group Life Insurance Program: (Continued)

H. Sensitivity of the Landfill's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the GLI net OPEB liability	$ 410,168	$ 280,738	$ 176,217

I. Group Life Insurance Program Fiduciary Net Position

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

Note 10–Pension Plan:

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

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

Note 10–Pension Plan: (Continued)

B. Employees Covered by Benefit Terms (All Authority employees including the Landfill)

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

	Number
Inactive Members or Their Beneficiaries Currently Receiving Benefits	68
Inactive Members:	
Vested	13
Non-Vested	23
Active Elsewhere in VRS	13
Total Inactive Members	49
Active Members	108
Total	225

The totals above are reflective of both Landfill and Service Authority employees. Separate data is not available for each entity.

C. Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2022 was 6.50% for Plan 1, Plan 2 and the Hybrid Plan of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $317,165 and $298,932 for the years ended June 30, 2022 and June 30, 2021, respectively.

D. Net Pension (Asset) Liability

The Authority's net pension asset was measured as of June 30, 2021. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Note 10 Pension Plan: (Continued)

E. Actuarial Assumptions

The total pension liability for the Authority's retirement plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality Rates

- Pre-retirement	Pub—2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-retirement	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110 % of rates for males; 105% of rates for females set forward 3 years.
- Post-disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 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 MP-2020 rates.

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

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

Note 10 Pension Plan: (Continued)

F. Long-Term Expected Rate of Return:

The long-term expected rate of return on pension system investments was determined using 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 10–Pension Plan: (Continued)

G. Discount Rate

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

H. Changes in the Net Pension (Asset)/Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)/Liability
Balance at June 30, 2020	$ 17,907,824	$ 15,734,693	$ 2,173,131
Changes for the Year:			
Service cost	450,914	-	450,914
Interest	1,179,241	-	1,179,241
Changes of assumptions	395,899	-	395,899
Difference between expected and actual experience	(120,023)	-	(120,023)
Contributions – employer	-	298,932	(298,932)
Contributions – employee	-	237,908	(237,908)
Net investment income	-	4,278,690	(4,278,690)
Benefit payments, including refunds of employee contributions	(979,981)	(979,981)	-
Administrative expense	-	(10,785)	10,785
Other changes	-	402	(402)
Net changes	926,050	3,825,166	(2,899,116)
Balance at June 30, 2021	$ 18,833,874	$ 19,559,859	$ (725,985)

Note 10–Pension Plan: (Continued)

H. Changes in the Net Pension (Asset)/Liability (continued)

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

The following presents the net position (asset) liability of the Authority, calculated using the discount rate of 6.75%, as well as what the Authority's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension (asset) liability	$1,896,393	$(725,985)	$(2,870,597)

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

For the year ended June 30, 2022 the Authority recognized pension income of $51,623. The Authority also reported deterred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ -	$ (2,125,352)
Differences between expected and actual experience	299,747	(151,380)
Changes of assumptions	443,085	-
Employer contributions subsequent to the measurement date	317,165	-
Total	$ 1,059,997	$ (2,276,732)

The $317,165 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	$ (238,213)
2024	(253,148)
2025	(396,739)
2026	(645,800)
	$ (1,533,900)

Note 10–Pension Plan: (Continued)

J. Pension Plan Fiduciary Net Position

Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 11–Commitments and Contingencies:

Construction Contracts

The Authority is obligated under professional and construction contracts at year-end, as follows:

Major Projects	Contracts	Remaining Commitment
Sewer		
Treatment Plant Improvements	$ 27,253	$ 27,253
Pump Station Upgrades	15,500	15,500
		42,753
Other		
SCADA Hardware/Software	$ 105,771	$ 105,771
Lab Supplies	28,898	28,898
Fencing	10,350	10,350
		145,019
Total ACSA Contract Commitments		$ 187,772

Note 12–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 carries commercial insurance for these risks of loss including general liability and 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.

Health Insurance

Authority employees, retirees and employee dependents are eligible for medical benefits from a health insurance internal-service fund. Funding is provided by charges to Authority departments, employees and retirees. The program is supplemented by stop loss protection, which limits the Authority's annual liability.

Note 12–Risk Management: (Continued)

Based on the requirements of GASB Statement No. 10, the Authority records an estimated liability for indemnity healthcare claims. The following represents the changes in the fund's claims liability for 2022 and 2021.

Year Ended	Beginning Liability	Increase	Decrease	Ending Liability
June 30, 2022	$ 999,968	$ 1,625,551	$ 1,770,440	$ 855,079
June 30, 2021	878,898	1,420,557	1,299,487	999,968

Note 13– Pending GASB Statements

At June 30, 2022, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 91, *Conduit Debt Obligations*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associate with (1) commitments extended by issuer, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for fiscal years beginning after December 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate-most notably, the London Interbank Offered Rate (LIBOR), which ceased to exist at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Statement No. 94 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The portion of Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The portion of the Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

Note 13– Pending GASB Statements (Continued)

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.

Management has not determined the effects these new Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

AUGUSTA COUNTY SERVICE AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service cost	$ 403,495	$ 391,011	$ 396,575	$ 397,063	$ 387,563	$ 411,733	$ 452,803	$ 450,914
Interest	816,293	864,660	916,370	976,743	1,013,714	1,061,198	1,096,194	1,179,241
Changes of assumptions	-	-	-	(289,030)	-	477,891	-	395,899
Difference between expected and actual experience	-	5,646	118,858	38,456	(82,067)	(167,044)	547,475	(120,023)
Benefit payments, including refunds of employee contributions	(556,519)	(518,411)	(545,396)	(583,150)	(637,314)	(662,036)	(764,543)	(979,981)
Net change in total pension liability	663,269	742,906	886,407	540,082	681,896	1,121,742	1,331,929	926,050
Total pension liability - beginning	11,939,593	12,602,862	13,345,768	14,232,175	14,772,257	15,454,153	16,575,895	17,907,824
Total pension liability - ending (a)	$ 12,602,862	$ 13,345,768	$ 14,232,175	$ 14,772,257	$ 15,454,153	$ 16,575,895	$ 17,907,824	$ 18,833,874
Plan fiduciary net position								
Contributions - employer	$ 351,778	$ 332,040	$ 345,634	$ 277,763	$ 284,723	$ 229,602	$ 229,194	$ 298,932
Contributions - employee	200,727	204,396	212,681	221,797	229,787	234,980	237,604	237,908
Net investment income	1,620,011	545,851	219,361	1,540,306	1,040,954	999,512	299,597	4,278,690
Benefit payments, including refunds of employee contributions	(556,519)	(518,411)	(545,396)	(583,150)	(637,314)	(662,036)	(764,543)	(979,981)
Administrative expense	(8,634)	(7,344)	(7,643)	(8,809)	(8,922)	(9,853)	(10,317)	(10,785)
Other	85	(115)	(92)	(1,374)	(930)	(630)	(355)	402
Net change in plan fiduciary net position	1,607,448	556,417	224,545	1,446,533	908,298	791,575	(8,820)	3,825,166
Plan fiduciary net position - beginning	10,208,697	11,816,145	12,372,562	12,597,107	14,043,640	14,951,938	15,743,513	15,734,693
Plan fiduciary net position - ending (b)	$ 11,816,145	$ 12,372,562	$ 12,597,107	$ 14,043,640	$ 14,951,938	$ 15,743,513	$ 15,734,693	$ 19,559,859
Authority's net pension (asset) liability - ending (a) - (b)	$ 786,717	$ 973,206	$ 1,635,068	$ 728,617	$ 502,215	$ 832,382	$ 2,173,131	$ (725,985)
Plan fiduciary net position as a percentage of the total pension liability	93.8%	92.7%	88.5%	95.1%	96.8%	95.0%	87.9%	103.9%
Covered payroll	$ 3,943,903	$ 4,103,117	$ 4,382,405	$ 4,596,992	$ 4,775,526	$ 4,900,710	$ 4,987,345	$ 5,030,752
Authority's net pension liability as a percentage of covered payroll	19.95%	23.72%	37.31%	15.85%	10.52%	16.98%	43.57%	-14.43%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Landfill will present information for those years for which information is available.

(2) The information on this schedule is derived from the actuarial valuation report for the Augusta County Service Authority, which consolidated information for both the Augusta County Service Authority and Landfill employees. Amounts have been allocated between the Augusta County Service Authority and the Landfill based on the contributions for each entity.

AUGUSTA COUNTY SERVICE AUTHORITY

SCHEDULE OF AUTHORITY CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	$ 351,778	$ 332,040	$ 345,634	$ 277,763	$ 284,723	$ 229,602	$ 229,194	$ 298,932	$ 317,165
Contributions in relation to the CRC	351,778	332,040	345,634	277,763	284,723	229,602	229,194	298,932	317,165
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,943,903	$ 4,103,117	$ 4,382,405	$ 4,596,992	$ 4,775,526	$ 4,900,710	$ 4,987,345	$ 5,030,752	$ 5,350,673
Contributions as a percentage of covered payroll	8.92%	8.09%	7.89%	6.04%	5.96%	4.69%	4.60%	5.94%	5.93%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Landfill will present information for those years for which information is available.

(2) The information on this schedule is derived from the actuarial valuation report for the Augusta County Service Authority, which consolidated information for both the Augusta County Service Authority and Landfill employees. Amounts have been allocated between the Augusta County Service Authority and the Landfill based on the contributions for each entity.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM
Year Ended June 20, 2022

Note 1. Change of Benefit Terms

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

Note 2. Changes of Assumptions

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

Non-Hazardous Duty

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

AUGUSTA COUNTY SERVICE AUTHORITY

SCHEDULE OF CHANGES IN TOTAL OPEB HEALTH INSURANCE LIABILITY AND RELATED RATIOS

	Fiscal Year June 30,				
	2018	2019	2020	2021	2022
Total OPEB Health Care liability:					
Service cost	$ 63,357	$ 66,136	$ 49,811	$ 49,938	$ 55,629
Interest	39,923	41,445	34,081	25,407	19,992
Changes of benefit terms	-	(22,853)	-	-	-
Differences between expected and actual experience	-	(85,536)	(196,622)	68,336	114,734
Changes in assumptions	-	(149,027)	35,830	55,195	85,182
Benefit payments	(25,762)	(98,700)	(36,710)	(142,000)	(241,000)
Net change in total OPEB liability	77,518	(248,535)	(113,610)	56,876	34,537
Total OPEB Health Care liability - beginning	1,074,960	1,152,478	903,943	790,333	847,209
Total OPEB Health Care liability - ending	$ 1,152,478	$ 903,943	$ 790,333	$ 847,209	$ 881,746
Plan Fiduciary Net Position:					
Contributions - employer	$ 25,762	$ 98,700	$ 36,710	$ 142,000	$ 241,000
Benefit payments, including refunds of employee	(25,762)	(98,700)	(36,710)	(142,000)	(241,000)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ -	$ -
OPEB Health Care liability - ending (a) - (b)	$ 1,152,478	$ 903,943	$ 790,333	$ 847,209	$ 881,746
Plan fiduciary net position as a percentage of the total	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 4,438,441	$ 4,509,525	$ 4,952,392	$ 4,964,859	$ 5,150,010
Total OPEB liability as a percentage of covered payroll	25.97%	20.05%	15.96%	17.06%	17.12%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Landfill will present information for those years which information is available.

AUGUSTA COUNTY SERVICE AUTHORITY

SCHEDULE OF AUTHORITY CONTRIBUTIONS – OPEB – HEALTH INSURANCE

	Fiscal Year June 30,				
	2018	2019	2020	2021	2022
Actuarially determined contributions (ADC)	$ 56,420	$ 85,535	$ 32,334	$ 124,406	$ 241,000
Contributions in relation to the ADC	25,762	98,700	36,710	142,000	241,000
Contribution defciency (excess)	$ 30,658	$ (13,165)	$ (4,376)	$ (17,594)	$ -
Expected covered payroll	$ 4,438,441	$ 4,509,525	$ 4,952,392	$ 4,964,859	$ 5,150,010
Contributions as a percentage of covered-employee payroll	0.58%	2.19%	0.74%	2.86%	4.68%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years which information is available.

AUGUSTA COUNTY SERVICE AUTHORITY

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	$ 23,904	$ 24,833	$ 25,484	$ 25,949	$ 27,166	$ 28,894
Contributions in relation to the CRC	23,904	24,833	25,484	25,949	27,166	28,894
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,596,992	$ 4,775,526	$ 4,900,710	$ 4,987,345	$ 5,030,752	$ 5,350,673
Contributions as a percentage of covered payroll	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Landfill will present information for those years for which information is available.

(2) The information on this schedule is derived from the actuarial valuation report for the Augusta County Service Authority, which consolidated information for both the Augusta County Service Authority and Landfill employees. Amounts have been allocated between the Augusta County Service Authority and the Landfill based on the contributions for each entity.

AUGUSTA COUNTY SERVICE AUTHORITY

SCHEDULE OF THE AUTHORITY SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURNACE PROGRAM

	Fiscal Year June 30,				
	2017	2018	2019	2020	2021
Total Group Life Insurance OPEB Liability					
Authority's Portion of the Net GLI OPEB Liability	0.02492%	0.02494%	0.02494%	0.02404%	0.02411%
Authority's Proportionate Share of the Net GLI OPEB Liability	$ 375,460	$ 378,761	$ 403,947	$ 401,113	$ 280,738
Authority's Covered Payroll	$ 4,596,992	$ 4,775,526	$ 4,900,710	$ 4,987,345	$ 5,030,752
Authority's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.17%	7.93%	8.24%	8.04%	5.58%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	67.45%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, untile a full 10-year trend is compiled, the Landfill will present information for those years for which information is available.

(2) The information on this schedule is derived from the actuarial valuation report for the Augusta County Service Authority, which consolidated information for both the Augusta County Service Authority and Landfill employees. Amounts have been allocated between the Augusta County Service Authority and the Landfill based on the contributions for each entity.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2021

Note 1. Health Insurance

A. Changes of Benefit Terms

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

B. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2022	2.45%

Note 2. Group life Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvements 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 year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

SUPPLEMENTARY SCHEDULES

SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
Water:			
Water sales	$ 9,421,716	$ 9,750,873	$ 329,157
Water hook-up fees	89,100	105,445	16,345
Total Water Revenues	9,510,816	9,856,318	345,502
Sewer:			
Sewer sales	10,991,830	11,121,869	130,039
Reimbursements/septage	1,172,792	1,277,710	104,918
Sewer hook-up fees	63,750	44,250	(19,500)
Total Sewer Revenues	12,228,372	12,443,829	215,457
Other Revenues:			
Penalties	160,000	177,549	17,549
Other fees	155,260	361,418	206,158
Total Other Revenues	315,260	538,967	223,707
Total Operating Revenue	22,054,448	22,839,114	784,666
Nonoperating Revenues:			
Interest earned	126,000	67,243	(58,757)
Gain/(Loss) on disposal of assets	-	52,360	52,360
Availability fees from customers and developers	707,450	1,024,394	316,944
Contributions of dedicated infrastructure	-	103,268	103,268
Total Nonoperating Revenue	833,450	1,247,265	413,815
Total Revenue	$ 22,887,898	$ 24,086,379	$ 1,198,481

SCHEDULE OF EXPENSES – BUDGET AND ACTUAL
Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses:			
Water Expenses:			
Water supply-wholesale purchases	$ 1,177,402	$ 1,300,033	$ (122,631)
Water production and treatment	1,233,778	1,096,686	137,092
Water testing and lab	14,966	10,937	4,029
Water line maintenance	623,776	527,738	96,038
Water line location	84,656	77,880	6,776
Service connection maintenance	389,759	368,055	21,704
Cross connection control	2,867	19,090	(16,223)
Water meter replacement	10,300	276	10,024
Water meter testing	30,000	-	30,000
Hydrant maintenance	103,493	84,678	18,815
Water pumping booster stations	168,638	145,037	23,601
Water storage tanks	56,389	76,787	(20,398)
Safety training - water	1,838	1,610	228
Total Water Expenses	3,897,862	3,708,807	189,055
Sewer Expenses:			
Purchased sewage treatment	279,339	363,133	(83,794)
Sewage treatment	3,429,745	3,751,189	(321,444)
Inflow and infiltration	138,466	153,581	(15,115)
Sewer line maintenance	182,513	140,672	41,841
Sewer line connection	52,991	42,369	10,622
Sludge management	280,425	236,769	43,656
Sewer pumping stations	289,441	251,780	37,661
Pretreatment program and testing	46,055	28,552	17,503
Safety training - sewer	3,292	3,018	274
Laboratory	356,840	343,282	13,558
Total Sewer Expenses	5,059,107	5,314,345	(255,238)

SCHEDULE OF EXPENSES – BUDGET AND ACTUAL
Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Administration and General Expenses:			
Board members	$ 13,168	$ 10,836	$ 2,332
Administration	1,095,596	357,994	737,602
Field Office	421,238	411,656	9,582
Engineering, GIS and Information Technology	1,345,005	1,054,288	290,717
Finance	391,665	322,990	68,675
Meter reading and customer service	926,989	913,130	13,859
Purchasing and risk management	481,372	225,931	255,441
Facility and vehicle maintenance	806,934	785,005	21,929
Reimbursable customer projects	3,315	76,655	(73,340)
Total administration and general expenses	5,485,282	4,158,485	1,326,797
Depreciation and amortization	6,200,000	6,356,018	(156,018)
Total Operating Expenses	20,642,251	19,537,655	1,104,596
Nonoperating Expense:			
Interest expense	503,484	469,376	34,108
Total Non-Operating Expense	503,484	469,376	34,108
Total Expenses	$ 21,145,735	$ 20,007,031	$ 1,138,704

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STATISTICAL SECTION

Statistical Section

This part of Augusta County Service Authority's comprehensive annual financial report presents detailed and unaudited information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

These tables contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time as well as show how the revenue and expenses are split between the water and sewer departments.

These tables contain trend information to help the reader assess the Authority's most significant revenue sources, user rates, and the growth in water and sewer connections.

These tables present trend information to help the reader assess the Authority's current levels of outstanding debt and the capacity to acquire additional debt with appropriate revenue coverage.

These tables offer demographic and economic indicators for Augusta County to help the reader understand the environment within which the Authority's financial activities take place.

This table contains service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the government provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these tables is derived from the audited financial reports for the relevant year.

NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Net Investment in Capital Assets,	Restricted Net Position	Unrestricted Net Position	Total Net Position
2022	$ 113,818,762	$ 2,861,648	$ 22,656,790	$ 139,337,200
2021	111,854,003	2,782,631	20,621,218	135,257,852
2020	109,681,528	2,704,234	18,300,199	130,685,961
2019	106,283,380	2,629,868	17,512,607	126,425,855
2018	104,798,259	2,519,714	15,144,655	122,462,628
2017	103,838,314	2,366,571	14,635,088	120,839,973
2016	101,655,326	2,278,110	14,402,179	118,335,615
2015	100,159,026	2,271,890	13,574,469	116,005,385
2014	98,295,165	2,173,816	14,751,053	115,220,034
2013	94,437,957	2,137,434	17,737,880	114,313,271
Average annual increase	2.10%	2.65%	1.76%	1.97%

(1) The Authority implemented GASB Statement No. 63 in fiscal year 2013, which changed descriptions and definitions. "Net Assets" is now "Net Position" and "Invested in Capital Assets, Net of Related Debt" is now "Net Investment in Capital Assets". The new statement also changed how the amounts are calculated.

AUGUSTA COUNTY SERVICE AUTHORITY

Table 2

CHANGES IN NET POSITION
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Operating Revenues (1)	Operating Expenses (2)	Operating Income	Total Nonoperating Revenues/ (Expenses), net (3)	Income/ (Loss) before Capital Contributions & Special Items	Capital Contributions (4)	Special Items (5)	Change in Net Position
2022	$ 22,839,114	$19,537,655	$ 3,301,459	$ (349,773)	$ 2,951,686	$ 1,127,662	$ -	$ 4,079,348
2021	21,917,322	18,602,900	3,314,422	(473,060)	2,841,362	1,730,529	-	4,571,891
2020	21,441,016	18,496,342	2,944,674	(437,140)	2,507,534	1,752,572	-	4,260,106
2019	20,667,553	17,192,759	3,474,794	(582,243)	2,892,551	1,070,676	-	3,963,227
2018	19,511,124	17,766,147	1,744,977	(896,420)	848,557	1,175,059	-	2,023,616
2017	18,981,403	16,756,480	2,224,923	(864,107)	1,360,816	1,143,542	-	2,504,358
2016	18,264,715	15,987,419	2,277,296	(1,056,641)	1,220,655	1,109,575	-	2,330,230
2015	16,781,297	15,233,744	1,547,553	(1,182,809)	364,744	1,799,723	-	2,164,467
2014	15,445,281	14,993,048	452,233	(1,412,547)	(960,314)	1,867,077	-	906,763
2013	14,746,046	14,475,023	271,023	(1,684,128)	(1,413,105)	1,371,367	(361,877)	(403,615)
Average	$ 19,059,487	$16,904,152	$ 2,155,335	$ (893,887)	$ 1,261,449	$ 1,414,778	$ (36,188)	$ 2,640,039

(1) Details on Table 3
(2) Details on Table 4
(3) Details on Table 5
(4) Details on Table 6
(5) Special items were due to removal of the Greenville Sewer System in 2013 and impairment of WWTPs and related wastewater facilities in anticipation of expansion and regulatory changes, water projects and facilities abandoned due to ground water impairment, and the disposal of older meters in 2006.

AUGUSTA COUNTY SERVICE AUTHORITY — Table 3

OPERATING REVENUES BY SOURCE
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Water: Rate Revenue	Water: Hook-up Fees	Water: Total	Sewer: Rate Revenue	Sewer: WWTP Reim-bursement & Septage	Sewer: Hook-up Fees	Sewer: Total	Other Revenue	Total
2022	$9,750,873	$105,445	$9,856,318	$ 11,267,147	$ 1,132,433	$ 44,250	$12,443,830	$ 538,967	$22,839,115
2021	9,305,038	115,119	9,420,157	10,917,824	1,165,866	50,744	12,134,434	362,731	21,917,322
2020	9,030,122	110,618	9,140,740	10,511,305	1,327,656	36,232	11,875,193	425,083	21,441,016
2019	8,658,863	80,875	8,739,738	10,285,423	1,136,146	48,307	11,469,876	457,939	20,667,553
2018	8,305,768	118,266	8,424,034	9,369,570	1,193,716	66,026	10,629,312	457,778	19,511,124
2017	7,995,430	110,720	8,106,150	9,008,213	1,246,445	52,709	10,307,367	567,886	18,981,403
2016	7,652,331	84,111	7,736,442	8,649,915	1,187,864	50,905	9,888,684	639,589	18,264,715
2015	7,144,729	93,088	7,237,817	7,937,903	1,085,140	81,935	9,104,978	438,502	16,781,297
2014	6,639,111	85,671	6,724,782	7,188,594	968,616	51,630	8,208,840	511,659	15,445,281
2013	6,316,161	70,005	6,386,166	6,742,265	958,169	65,860	7,766,294	593,586	14,746,046
Average annual increase	4.27%	n/a	4.26%	5.19%	1.65%	n/a	4.75%	6.84%	4.49%

Other Revenue includes penalties, service call and inspection fees, fees for inspection and minor customer-requested operational projects, and rent for cell towers on several water tanks.

OPERATING EXPENSES BY DIVISION
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Water	Sewer	Administrative/ General	Depreciation and Amortization	Total
2022	$ 3,708,807	$ 5,314,345	$ 4,158,485	$ 6,356,018	$ 19,537,655
2021	3,469,363	4,872,229	4,089,978	6,171,330	18,602,900
2020	3,810,921	4,618,612	4,193,096	5,873,713	18,496,342
2019	3,364,941	4,451,221	3,643,183	5,733,414	17,192,759
2018	3,621,816	4,206,698	4,277,619	5,660,014	17,766,147
2017	3,454,784	4,098,477	3,572,900	5,630,319	16,756,480
2016	3,263,232	3,831,584	3,443,433	5,449,170	15,987,419
2015	3,052,444	3,648,285	3,253,828	5,279,187	15,233,744
2014	2,749,110	3,519,837	3,490,079	5,234,022	14,993,048
2013	2,834,956	3,560,161	2,950,151	5,129,755	14,475,023
Average annual increase	3.28%	4.54%	4.33%	2.27%	3.35%

NONOPERATING REVENUES AND EXPENSES
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Interest Earned	Gain (loss) on Disposal of Assets	Interest Expense	Total Nonoperating Revenue/ (Expenses), net
2022	$ 67,243	$ 52,360	$ (469,376)	$ (349,773)
2021	55,400	51,348	(579,808)	(473,060)
2020	220,989	23,273	(681,402)	(437,140)
2019	252,668	(54,762)	(780,149)	(582,243)
2018	123,276	(143,435)	(876,261)	(896,420)
2017	77,242	28,360	(969,709)	(864,107)
2016	60,963	(1,066)	(1,116,538)	(1,056,641)
2015	58,042	(9,112)	(1,231,739)	(1,182,809)
2014	74,042	(4,173)	(1,482,416)	(1,412,547)
2013	60,135	(62,930)	(1,681,333)	(1,684,128)
Average	$ 105,000	$ (12,014)	$ (986,873)	$ (893,887)

Other expenses include abandoned project costs.

	105,000	(12,014)	(986,873)	(893,887)

CAPITAL CONTRIBUTIONS AND GRANTS
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Water and Sewer Availability Fees	Augusta County Contributions & Dedications	Federal or State Grants and Dedications	City of Staunton & Developer Dedications	Total Capital Contributions and Grants
2022	$ 1,024,394	$ -	$ -	$ 103,268	$ 1,127,662
2021	1,348,522	-	-	382,007	1,730,529
2020	1,392,368	-	2,599	357,605	1,752,572
2019	918,937	-	-	151,739	1,070,676
2018	1,060,549	60,000	54,510	-	1,175,059
2017	966,193	45,000	132,349	-	1,143,542
2016	1,072,823	-	36,752	-	1,109,575
2015	1,421,658	5,624	28,250	344,191	1,799,723
2014	758,946	54,238	64,340	989,553	1,867,077
2013	780,538	6,522	170,033	414,274	1,371,367
Average	$ 1,074,493	$ 17,138	$ 48,883	$ 274,264	$ 1,414,778

Availability fees are collected for new and/or reserved water and sewer connections to pay for capacity related infrastructure improvements. Generally, these fees represent cash payments (100% payment on single lots or 10% downpayment or the balance due on major subdivision projects).

Developer dedications reflect the significant amount of construction in Augusta County and the dedication of infrastructure by the developers after they have met Authority construction standards. Examples of infrastructures dedicated are sewer and water lines, pump stations, water tanks, and waste water treatment plants as well as the land or permanent easements on which this infrastructure is placed.

SCHEDULE OF OPERATING REVENUES AND EXPENSES SPLIT BETWEEN WATER AND SEWER
Year Ended June 30, 2022 (Unaudited)

	Water	Sewer	Total
Operating Revenues:			
Rate-driven revenues	$ 9,750,873	$ 11,121,869	$ 20,872,742
Septage and Regional WWTP Reimbursements	-	1,277,710	1,277,710
Hook-up fees	105,445	44,250	149,695
Miscellaneous income	334,665	204,302	538,967
Total Operating Revenues	10,190,983	12,648,131	22,839,114
Operating Expenses:			
Water Operations:			
Water supply, wholesale purchases	1,300,033	-	1,300,033
Water production, treatment and testing	1,107,623	-	1,107,623
Water line maintenance	527,738	-	527,738
Water line location	77,880	-	77,880
Service connection maintenance	368,055	-	368,055
Cross connection control	19,090	-	19,090
Water meter replacement and testing	276	-	276
Hydrant maintenance	84,678	-	84,678
Water pumping booster stations	145,037	-	145,037
Water storage tanks	76,787	-	76,787
Safety training - water	1,610	-	1,610
Total Water Operations Expenses	3,708,807	-	3,708,807
Sewer Operations:			
Purchased sewage treatment	-	363,133	363,133
Sewage treatment	-	3,751,189	3,751,189
Inflow and Infiltration	-	153,581	153,581
Sewer line maintenance	-	140,672	140,672
Sewer line connection	-	42,369	42,369
Sludge management	-	236,769	236,769
Sewer pumping stations	-	251,780	251,780
Pretreatment program and testing	-	28,552	28,552
Safety training - sewer	-	3,018	3,018
Laboratory	-	343,282	343,282
Total Sewer Operations Expenses	-	5,314,345	5,314,345

SCHEDULE OF OPERATING REVENUES AND EXPENSES SPLIT BETWEEN WATER AND SEWER
Year Ended June 30, 2022 (Unaudited)

	Water	Sewer	Total
Operating Expenses: (Continued)			
Administrative and General:			
Board members	$ 6,728	$ 4,108	$ 10,836
Administration	222,292	135,702	357,994
Engineering, GIS, inspection, IT	654,647	399,641	1,054,288
Finance	200,557	122,433	322,990
Meter reading and customer service	566,996	346,134	913,130
Purchasing and risk management	140,289	85,642	225,931
Field office and maintenance	743,051	453,610	1,196,661
Reimbursable customer projects	47,598	29,057	76,655
	-	-	-
Total Administrative and General	2,582,158	1,576,327	4,158,485
Total Operating Expenses before Depreciation/Amortization	6,290,965	6,890,672	13,181,637
Depreciation and Amortization	2,338,458	4,017,560	6,356,018
Total Operating Expenses	8,629,423	10,908,232	19,537,655
Operating Income	$ 1,561,560	$ 1,739,899	$ 3,301,459

Note: The Authority does not maintain separate funds for water and sewer. This table is presented to display the costs attributable to these operations.

SCHEDULE OF WATER AND SEWER RATES FOR SINGLE FAMILY HOUSEHOLD CONNECTION
Last Ten Fiscal Years (Unaudited)

	WATER				SEWER				
Fiscal Year Ended June 30,	Variable Rate (1,000 gals)	Bi-monthly Fixed Rate	Average Bi-Monthly Residential Bill	% increase in bi-monthly residential bill	Variable Rate (1,000 gals)	Bi-monthly Fixed Rate	Chesapeake Bay Fee	Average Bi-Monthly Residential Bill	% increase in bi-monthly residential bill
2022	$6.05	$15.24	$61.22	2.3%	$10.22	$17.34	$6.00	$101.01	2.3%
2021	5.87	15.24	59.85	2.2%	9.92	17.34	6.00	98.73	2.3%
2020	5.70	15.24	58.56	2.3%	9.63	17.34	6.00	96.53	2.3%
2019	5.53	15.24	57.27	2.2%	9.35	17.34	6.00	94.40	2.2%
2018	5.37	15.24	56.05	2.2%	9.08	17.34	6.00	92.35	2.2%
2017	5.21	15.24	54.84	3.6%	8.82	17.34	6.00	90.37	3.7%
2016	4.96	15.24	52.94	6.3%	8.40	17.34	6.00	87.18	14.8%
2015	4.55	15.24	49.82	3.5%	7.71	17.34	6.00	75.94	5.7%
2014	4.33	15.24	48.15	3.4%	7.17	17.34	6.00	71.83	0.0%
2013	4.12	15.24	46.55	0.0%	7.17	17.34	-	71.83	0.0%

Notes: A residential bill is based on 7,600 gallons bi-monthly usage and a 5/8" meter.

Source: Authority customer service records.

SCHEDULE OF WATER AND SEWER RATES FOR ALL METER SIZES
Last Ten Fiscal Years (rates in effect on June 30) (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water rates										
Fixed bi-monthly charge (meter size)										
5/8"	$ 15.24	$ 15.24	$ 15.24	$ 15.24	$ 15.24	$ 15.24	$ 15.24	$ 15.24	$ 15.24	$ 15.24
3/4"	22.86	22.86	22.86	22.86	22.86	22.86	22.86	22.86	22.86	22.86
1"	38.10	38.10	38.10	38.10	38.10	38.10	38.10	38.10	38.10	38.10
1 1/2"	80.01	80.01	80.01	80.01	80.01	80.01	80.01	80.01	80.01	80.01
2"	144.78	144.78	144.78	144.78	144.78	144.78	144.78	144.78	144.78	144.78
3"	247.65	247.65	247.65	247.65	247.65	247.65	247.65	247.65	247.65	247.65
4"	457.20	457.20	457.20	457.20	457.20	457.20	457.20	457.20	457.20	457.20
6"	762.00	762.00	762.00	762.00	762.00	762.00	762.00	762.00	762.00	762.00
Usage rate (per 1,000 gallons)	$ 6.05	$ 5.87	$ 5.70	$ 5.53	$ 5.37	$ 5.21	$ 4.96	$ 4.55	$ 4.33	$ 4.12
Sewer rates										
Fixed bi-monthly charge and Chesapeake Bay Fee (meter size)										
5/8"	$ 23.34	$ 23.34	$ 23.34	$ 23.34	$ 23.34	$ 23.34	$ 23.34	$ 23.34	$ 23.34	$ 17.34
3/4"	32.01	32.01	32.01	32.01	32.01	32.01	32.01	32.01	32.01	26.01
1"	49.35	49.35	49.35	49.35	49.35	49.35	49.35	49.35	49.35	43.35
1 1/2"	109.30	109.30	109.30	109.30	109.30	109.30	109.30	109.30	109.30	89.30
2"	184.73	184.73	184.73	184.73	184.73	184.73	184.73	184.73	184.73	164.73
3"	297.44	297.44	297.44	297.44	297.44	297.44	297.44	297.44	297.44	277.44
4"	587.54	587.54	587.54	587.54	587.54	587.54	587.54	587.54	587.54	537.54
6"	917.00	917.00	917.00	917.00	917.00	917.00	917.00	917.00	917.00	867.00
Usage rate (per 1,000 gallons)	$ 10.22	$ 9.92	$ 9.63	$ 9.35	$ 9.08	$ 8.82	$ 8.40	$ 7.71	$ 7.17	$ 7.17

Note: All customers (commercial, residential, industrial, institutional) pay the same rates. The Chesapeake Bay Fee became effective for billings. after July 1, 2013.

Source: Authority customer service records.

SCHEDULE OF WATER AND SEWER AVAILABILITY FEES FOR ALL METER SIZES
Last Ten Fiscal Years (rates in effect on June 30) (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water availability fees										
(meter size)										
5/8"	$ 2,645	$ 2,645	$ 2,645	$ 2,645	$ 2,645	$ 2,645	$ 2,645	$ 2,645	$ 2,645	$ 2,645
3/4"	3,968	3,968	3,968	3,968	3,968	3,968	3,968	3,968	3,968	3,968
1"	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613
1 1/2"	13,225	13,225	13,225	13,225	13,225	13,225	13,225	13,225	13,225	13,225
2"	21,160	21,160	21,160	21,160	21,160	21,160	21,160	21,160	21,160	21,160
3"	42,320	42,320	42,320	42,320	42,320	42,320	42,320	42,320	42,320	42,320
4"	66,125	66,125	66,125	66,125	66,125	66,125	66,125	66,125	66,125	66,125
6"	132,250	132,250	132,250	132,250	132,250	132,250	132,250	132,250	132,250	132,250
Sewer availability fees										
(meter size)										
5/8"	$ 4,900	$ 4,900	$ 4,900	$ 4,900	$ 4,900	$ 4,900	$ 4,900	$ 4,900	$ 4,900	$ 4,900
3/4"	7,350	7,350	7,350	7,350	7,350	7,350	7,350	7,350	7,350	7,350
1"	12,250	12,250	12,250	12,250	12,250	12,250	12,250	12,250	12,250	12,250
1 1/2"	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500	24,500
2"	39,200	39,200	39,200	39,200	39,200	39,200	39,200	39,200	39,200	39,200
3"	78,400	78,400	78,400	78,400	78,400	78,400	78,400	78,400	78,400	78,400
4"	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500
6"	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000

Notes: All customers (commercial, residential, industrial, institutional) pay the same fees, except for multi-family residential complexes, which are charged the higher of a fee based upon meter size or the calculation of the number of units multiplied by an equivalent residential connection (ERC) factor. The ERC factors are as follows: Multi-family (apartments) 1 unit = 0.36 ERC where 1.0 ERC is equal to the 5/8" meter rate; hotel room = 0.36 ERC; mobile home = 0.56 ERC.

Source: Authority customer service records.

SCHEDULE OF NEW AND CUMULATIVE WATER AND SEWER CONNECTIONS
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	New Water Connections	Active Water Connections	% Water Growth	New Sewer Connections	Active Sewer Connections	% Sewer Growth	Total Service Connections
2022	124	15,570	0.8%	93	9,505	1.0%	25,075
2021	104	15,468	0.7%	89	9,416	1.0%	24,884
2020	103	15,371	0.7%	75	9,355	0.8%	24,726
2019	93	15,177	0.6%	74	9,141	0.8%	24,318
2018	116	15,077	0.8%	91	9,073	1.0%	24,150
2017	120	14,909	0.8%	97	9,058	1.1%	23,967
2016	117	14,773	0.8%	88	8,963	1.0%	23,736
2015	114	14,641	0.8%	82	8,854	0.9%	23,495
2014	111	14,527	0.8%	96	8,772	1.1%	23,299
2013	96	14,416	0.7%	66	8,676	0.8%	23,092

Source: Authority customer service records.

AUGUSTA COUNTY SERVICE AUTHORITY **Table 12**

ANNUAL WATER AND SEWER BILLED CONSUMPTION BY CUSTOMER TYPE
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Water Consumption (1,000 gallons) Residential	Commercial	Industrial	Institutional	Total	Sewer Billed Treatment (1,000 gallons) Residential	Commercial	Industrial	Institutional	Total
2022	717,882	131,983	359,232	128,334	1,337,431	440,169	112,943	232,511	164,293	949,916
2021	705,645	114,366	360,962	124,829	1,305,802	439,060	93,709	255,344	173,354	961,467
2020	690,718	112,079	329,856	157,057	1,289,710	425,426	85,476	238,302	182,930	932,134
2019	688,260	112,175	313,016	156,476	1,269,927	416,842	90,523	235,525	204,996	947,886
2018	701,815	104,420	273,115	165,579	1,244,929	416,581	92,109	184,779	179,550	873,019
2017	681,955	115,605	270,396	149,544	1,217,500	413,940	92,471	171,791	173,469	851,671
2016	693,758	121,874	264,710	147,395	1,227,737	416,946	97,066	171,316	182,208	867,536
2015	687,722	146,657	215,075	155,901	1,205,355	410,875	120,462	116,647	185,760	833,744
2014	681,817	118,730	211,847	158,717	1,171,111	405,074	92,006	112,182	201,733	810,995
2013	700,630	117,282	194,335	145,572	1,157,819	413,818	89,979	97,610	196,047	797,454
Change from 2022 to 2021	1.73%	15.40%	-0.48%	2.81%	2.42%	0.25%	20.53%	-8.94%	-5.23%	-1.20%

Notes:
Authority customer service records as of June 30 of every year. "Commercial" includes apartments and business parks. "Institutional" includes government and community buildings, hospitals, schools, and churches as well as customers served through the Cities of Staunton and Waynesboro and the Town of Craigsville.

AUGUSTA COUNTY SERVICE AUTHORITY

Table 13

TOP TEN CUSTOMERS: WATER CONSUMPTION AND SEWER TREATMENT
Current Year and Ten Years Ago (Unaudited)

	2022				2013		
Ten Largest Users of the Water System Annual Billed Consumption	**in 000/gals**	**Rank**	**% of System**	**% Change from 2021**	**in 000/gals**	**Rank**	**% of System**
Hershey Chocolate of Virginia	109,233	1	8.17%	14%	64,310	1	5.55%
Shamrock Farms	104,927	2	7.85%	-3%	-	-	0.00%
McKee Foods Corporation	55,195	3	4.13%	-6%	44,101	3	3.81%
Augusta Health	29,775	4	2.23%	-18%	44,482	2	3.84%
Augusta County School Board (16 schools)	22,016	5	1.65%	75%	22,867	4	1.98%
Flow Beverages	19,313	6	1.44%	78%	-	-	0.00%
Middle River Regional Jail	17,534	7	1.31%	-23%	13,212	5	1.14%
Daikin Applied	16,023	8	1.20%	-39%	11,745	8	1.01%
Nibco of VA	15,356	9	1.15%	-2%	-	-	0.00%
Accutec Blades	12,825	10	0.96%	37%	11,948	7	1.03%
Shenandoah Valley Estates	-	-	-	-	12,120	6	1.05%
Cerro Metal Products	-	-	-	-	9,459	9	0.82%
Knopp Enterprises	-	-	-	-	9,306	10	0.80%
	402,197		30.07%	1%	243,550		21.04%
	1,337,431				1,157,819		

	2022				2013		
Ten Largest Users of the Sewer System Annual Billed Treatment	**in 000/gals**	**Rank**	**% of System**	**% Change from 2021**	**in 000/gals**	**Rank**	**% of System**
Shamrock Farms	104,927	1	11.05%	-3%	-	-	-
City of Staunton (wholesale)	48,777	2	5.13%	0%	49,961	1	6.27%
Hershey Chocolate of Virginia	47,137	3	4.96%	-8%	31,421	3	3.94%
Augusta Health	29,775	4	3.13%	-18%	44,424	2	5.57%
McKee Foods Corporation	28,171	5	2.97%	-13%	24,984	4	3.13%
Flow Beverages	19,313	6	2.03%	78%	-	-	-
Daikin Applied	16,023	7	1.69%	-39%	11,745	9	1.47%
Augusta County School Board (16 schools)	15,633	8	1.65%	54%	17,592	5	2.21%
Middle River Regional Jail	15,427	9	1.62%	-24%	13,039	7	1.64%
Nibco of VA	15,356	10	1.62%	-2%	-	-	-
Western State Hospital	-		-	-	15,620	6	1.96%
Shenandoah Valley Estates	-		-	-	12,120	8	1.52%
Augusta Regional Landfill	-		-	-	11,196	10	1.40%
	340,539		35.85%	-5%	232,102		29.11%
Total System Annual Billed Treatment	949,916				797,454		

Source: Authority customer service and finance records

AUGUSTA COUNTY SERVICE AUTHORITY

Table 14

TEN LARGEST CUSTOMERS
COMBINED ANNUAL WATER AND SEWER CHARGES
Year Ended June 30, 2022 (Unaudited)

	Water Rate Revenue	Water Consumption Rank (Table 13)	Sewer Rate Revenue	Sewer Consumption Rank (Table 13)	Other Operating Revenue	Total Operating Revenue	Percent Change from 2021
Shamrock Farms	$ 637,552	2	$ 1,075,819	1	$ 6,446	$ 1,719,817	0%
City of Staunton (1)	13,801	-	234,803	2	1,312,161	1,560,765	22%
Hershey Chocolate of Virginia	665,432	1	487,242	3	4,701	1,157,375	7%
McKee Foods Corporation	339,462	3	293,410	5	1,770	634,642	-6%
Augusta Health (formerly Augusta Medical Center)	185,014	4	310,204	4	2,205	497,423	-15%
Augusta County School Board (16 Schools)	160,012	5	183,049	8	-	343,061	53%
Flow Beverages	119,587	6	200,904	6	1,858	322,349	81%
Daikin Applied	99,682	8	167,280	7	2,620	269,582	-37%
Middle River Regional Jail	107,567	7	159,449	9	-	267,016	-21%
Nibco of VA	95,647	9	163,441	10	2,306	261,394	1%
	$ 2,423,756		$ 3,275,601		$ 1,334,066	$ 7,033,423	4%
% of rate or non-hookup fee revenue from top 10 users	24.9%		29.1%		79.8%	30.8%	
Total rate or non-hookup fee revenue	$ 9,750,873		$ 11,267,147		$ 1,671,400	$ 22,689,420	
Reimbursement/septage charges	-		1,132,433		(1,132,433)	-	
Total hook-up fees	105,445		44,250		-	149,695	
Total Water and Sewer Charges (Exh 2, Sch 1, Table 3)	$ 9,856,318		$ 12,443,830		$ 538,967	$ 22,839,115	

(1) Water and sewer is supplied to a limited number of Staunton customers at a wholesale rate (the average of both water or sewer rates times 57.5% or $3.1712/1,000 gallons of water and $4.7275/1,000 gallons of sewer treated). Other operating revenue is the reimbursement Staunton pays for the Service Authority to operate the Middle River Regional Wastewater Treatment Plant, based on percent of wastewater flow (73.7% of charges in fiscal year 2021).

Source: Authority customer service and finance records.

OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Senior Debt: Revenue Bonds	Subordinate Debt: Leases	Subordinate Debt: Notes/Other Obligations	Total Debt Outstanding	Total Per Connection (1)	Total As a Share of MHI (2)
2022	$ 16,019,113	$ 57,074	$ 1,496,004	$ 17,572,191	$ 701	1.08%
2021	19,524,250	-	1,665,900	21,190,150	852	1.36%
2020	23,017,139	-	1,896,447	24,913,586	1,008	1.64%
2019	26,415,736	-	2,120,659	28,536,395	1,173	1.97%
2018	29,730,174	-	2,338,714	32,068,888	1,328	2.34%
2017	32,961,485	-	2,550,786	35,512,271	1,482	2.72%
2016	36,104,660	-	2,757,042	38,861,702	1,637	3.03%
2015	39,991,185	-	3,002,110	42,993,295	1,830	3.52%
2014	42,924,584	-	3,281,785	52,706,654	2,262	4.44%
2013	45,673,870	-	3,549,441	49,223,311	2,132	4.12%

Notes: Details on the Outstanding Debt can be found in Note 6 in the financial section.

(1) Total connections (water and sewer) data is found on Table 11.

(2) Median Household Income (MHI) data is found on Table 17; where if a particular year's data is not available, the last available data is used.

The Bond MTI limits debt to the amount which can be covered as follows: net available revenue is 1.1 times the Senior debt service payments and 1.0 times the subordinate debt service payments (see Table 16).

AUGUSTA COUNTY SERVICE AUTHORITY

Table 16

PLEDGED-REVENUE DEBT SERVICE COVERAGE
Last Ten Fiscal Years (Unaudited)
(amounts expressed in thousands, except for the coverage ratio)

Fiscal Year Ended June 30	Operating Revenues (Table 3)	Nonoper. Revenues: Interest Income (Table 5)	Availability Fees (Table 6)	Gross Pledged Revenues (1)	Less: Operating Expenses (less depre-ciation) (Table 4)	Net Available Revenue	Annual Debt Service Principal Payments	Annual Debt Service Interest Payments	Annual Debt Service Total Payments	Coverage Ratio (2)
2022	$ 22,839	$ 67	$ 1,024	$ 23,930	$ 13,182	$ 10,748	$ 3,675	$ 479	$ 4,154	2.59
2021	21,917	55	1,349	23,321	12,432	10,889	3,723	583	4,306	2.53
2020	21,441	214	1,392	23,047	12,623	10,424	3,623	678	4,301	2.42
2019	20,668	222	919	21,809	11,459	10,350	3,532	771	4,303	2.41
2018	19,511	123	1,061	20,695	12,106	8,589	3,443	861	4,304	2.00
2017	18,981	77	966	20,024	11,126	8,898	3,349	948	4,297	2.07
2016	18,265	61	1,073	19,399	10,538	8,861	3,000	1,141	4,141	2.14
2015	16,781	58	1,422	18,261	9,955	8,306	3,216	1,376	4,592	1.81
2014	15,446	74	759	16,279	9,759	6,520	3,020	1,556	4,576	1.42
2013	14,746	60	781	15,587	9,345	6,242	3,103	1,712	4,815	1.30

Notes:

(1) The gross revenues shown are those pledged for debt service coverage, according to the bond Master Trust Indenture.
(2) The coverage ratio is calculated as Net Available Revenue divided by Total Annual Debt Service Payments.

DEMOGRAPHIC AND ECONOMIC STATISTICS FOR AUGUSTA COUNTY
Last Ten Calendar Years Available (Unaudited)

Calendar Year	Population (2)	Median Household Income (2)	Per Capita Personal Income (2)	Total Personal Income (3)	Unemployment Rate (1) County	Unemployment Rate (1) State	Labor Force (1)	Total Housing Units (2)
2021	77,563	$ 65,076	$ 30,493	$2,365,128,559	2.20%	2.70%	36,679	32,940
2020	77,487	62,668	29,400	2,278,117,800	4.30%	5.70%	36,864	32,590
2019	75,558	61,305	29,366	2,218,836,228	2.00%	2.40%	38,007	32,851
2018	75,457	59,544	30,088	2,270,350,216	2.30%	2.60%	37,228	32,732
2017	75,144	56,802	28,601	2,149,193,544	3.00%	3.30%	36,696	32,552
2016	74,997	54,558	27,000	2,024,919,000	3.60%	3.80%	37,024	32,285
2015	74,314	54,018	26,398	1,961,740,972	3.60%	3.90%	36,141	32,139
2014	73,862	52,027	25,519	1,884,884,378	4.30%	4.50%	36,267	31,798
2013	73,912	50,971	23,882	1,765,166,384	4.70%	5.40%	39,367	31,577
2012	73,658	51,719	23,861	1,757,553,538	5.00%	5.50%	37,200	n/a

Sources:
(1) Virginia Labor Market Information (www.VirginiaLMI.com)
(2) www.QuickFacts.census.gov
(3) Calculated as Population times Per Capita Personal Income

TEN LARGEST EMPLOYERS FOR AUGUSTA COUNTY
Current Year and Nine Years Ago (Unaudited)

	Fiscal Year 2022			Fiscal Year 2013		
Employer	**Employees**	**Rank**	**% of Total County Employment**	**Employees**	**Rank**	**% of Total County Employment**
Augusta County School Board	1,000+	1		1,000+	1	
Augusta Medical Center	1,000+	2		1,000+	2	
Target Corp.	500-999	3		500-999	5	
Hershey Chocolate of Virginia	500-999	4		500-999	3	
McKee Foods Corporation	500-999	5		500-999	4	
AAF McQuay, Inc.	500-999	6		250,499	7	
Hollister, Inc.	500-999	7		250,499	6	
NIBCO of Virgina	250-499	8				
County of Augusta	250-499	9		250-499	9	
Augusta Medical Group	250-499	10				
Blue Ridge Community College				250,499	8	
Varifor Inc.				250,499	10	
Totals-average	6,875		18.99%	7,500		20.80%
Total County Employment	36,199			36,056		

Source: Virginia Employment Commission, Labor Market Information (LMI)

PERMITS AND VALUE OF NEW CONSTRUCTION FOR AUGUSTA COUNTY
Last Ten Calendar Years (Unaudited)

	All Sectors		Single Family Residences (2)		New water connections as a
Calendar Year	Building Permits (1)	New Construction Value	Number of Units	New Construction Value	percent of single family home construction (3)
2021	840	$ 273,801,833	189	$ 53,436,084	65.6%
2020	794	66,551,188	188	49,679,485	55.3%
2019	825	94,793,394	163	34,705,705	63.2%
2018	779	99,825,726	151	33,953,826	61.6%
2017	907	103,899,075	167	31,126,351	69.5%
2016	826	111,606,991	163	31,898,818	73.6%
2015	812	61,667,740	164	32,459,946	71.3%
2014	801	94,707,519	168	33,540,788	67.9%
2013	728	75,334,117	147	26,527,631	75.5%
2012	780	29,067,242	127	20,102,957	75.6%
Change from 2021 to 2020	5.79%	311.42%	0.53%	7.56%	

Notes:
(1) General building permits include alterations and repairs.

(2) Single family information is a subset of the total information but is only for new construction and does not include townhomes, duplexes or manufactured homes.

(3) There is not a direct correlation: the time between permit issue and hook-up to public water varies widely, from several months to several years and many homes are built outside subdivisions and the public water (and sewer) service areas. New water connection information is from Table 11 which is reported in fiscal years (a six month delay).

Source: Augusta County, Department of Building Inspections.

 Table 20

OPERATING INFORMATION
Last Ten Fiscal Years (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Employees (full-time equivalent as of June 30):										
Administration, Engineering and Customer Service	25	24	29	27	28	26	25	27	26	27
Water and Sewer Plant Maintenance & Operators	44	40	33	33	32	32	33	33	32	32
Water and Sewer Line Maintenance & Construction	25	29	37	37	37	40	37	34	33	36
Landfill--on-site (managed for the Cities of Staunton and Waynesboro, and Augusta County)	13	14	14	14	13	14	15	14	14	15
Total	107	107	113	111	110	112	110	108	105	110
Value of capital assets per non-Landfill employee*	$1,399	$1,436	$1,359	$1,393	$1,412	$1,422	$1,481	$1,524	$1,590	$1,508
Service connections (water & sewer) per non-Landfill employee	267	260	250	251	249	245	250	250	256	243
Water System (operational and capital asset statistics):										
Number of water systems	12	12	12	12	12	12	12	12	12	12
Number of service connections	15,570	14,903	15,371	15,177	15,077	14,909	14,773	14,641	14,527	14,416
Miles of water mains (2 inch or larger pipe)	415	415	412	411	419	419	419	417	417	414
Number of fire hydrants	2,112	2,112	2,093	2,059	2,035	2,035	2,035	2,033	2,020	2,019
Daily average produced & treated or purchased (MGD)	4.345	4.157	4.287	4.291	4.240	4.292	4.495	4.746	4.483	4.470
Daily average consumption/billed (MGD):	3.664	3.578	3.533	3.479	3.410	3.336	3.364	3.302	3.209	3.172
--Average water purchased for consumption (MGD)	1.104	1.023	1.277	1.189	1.077	0.924	1.100	1.101	1.028	1.096
--Average water distributed from ACSA's facilities (MGD)	2.560	2.555	2.256	2.290	2.333	2.412	2.264	2.201	2.181	2.076
Storage capacity (MGD)	13.030	13.030	13.030	13.030	13.030	13.030	13.030	13.030	13.030	11.030
Sewer System (operational and capital asset statistics):										
Number of treatment plants	9	9	9	9	9	9	9	9	9	9
Number of service connections	9,505	9,302	9,355	9,141	9,073	9,058	8,963	8,854	8,772	8,676
Miles of sanitary sewers (8 inch or larger pipe)	225	225	224	223	234	234	234	233	233	226
Daily average treatment (MGD, without Staunton)	3.528	4.228	3.069	5.051	2.874	3.094	3.763	3.151	3.686	3.155
Permitted capacity of treatment plants (MGD, without Staunton)	11.035	11.035	11.035	11.035	11.035	11.035	11.035	11.035	11.035	11.035
Value of capital assets (net of depreciation/ amortization)*	$131,463	$133,547	$134,573	$135,137	$136,964	$139,367	$140,660	$143,276	$144,701	$143,279
Special weather conditions	-	wet	-	wet	-	-	wet	-	wet	-

* Expressed in thousands

Source: Authority financial, customer service, operations and engineering records. (MGD equals millions of gallons per day)

COMPLIANCE SECTION

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

To the Honorable Board of Directors
Augusta County Service Authority

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 and the fiduciary activity of the Augusta County Service Authority (Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Authority'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 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 the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
December 1, 2022