

King George County Service Authority

**(A Component of King George County, Virginia)
King George, Virginia**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FISCAL YEARS ENDED
JUNE 30, 2024 AND 2023**



KING GEORGE COUNTY SERVICE AUTHORITY

(A Component Unit of King George County, Virginia)

KING GEORGE, VIRGINIA

Annual Comprehensive Financial Report
Years Ended June 30, 2024 and 2023

Prepared by:

Lavita Cobb
Director of Finance

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Annual Comprehensive Financial Report
Years Ended June 30, 2024 and 2023

Table of Contents

	<u>Page</u>
<u>Front Cover</u>	1
<u>Introductory Section</u>	
Title Page	2
Table of Contents	3-4
Authority Officials	5
Letter of Transmittal	6-12
Certificate of Achievement for Excellence in Financial Reporting	13
Organizational Chart	14
<u>Financial Section</u>	
Independent Auditors' Report	15-17
Management's Discussion and Analysis	18-21
<u>Basic Financial Statements</u>	
Exhibit 1 Statements of Net Position	23
Exhibit 2 Statements of Revenues, Expenses, and Changes in Net Position	24
Exhibit 3 Statements of Cash Flows	25
Notes to Financial Statements	26-58
<u>Required Supplementary Information</u>	
Exhibit 4 Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)-Pension Plans	60
Exhibit 5 Schedule of Employer Contributions-Pension Plans	61
Exhibit 6 Notes to Required Supplementary Information-Pension Plans	62
Exhibit 7 Schedule of Authority's Share of Net OPEB Liability-Group Life Insurance Plan	63
Exhibit 8 Schedule of Employer Contributions-Group Life Insurance Plan	64
Exhibit 9 Notes to Required Supplementary Information-Group Life Insurance Plan	65

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Annual Comprehensive Financial Report
Years Ended June 30, 2024 and 2023

Table of Contents

	<u>Page</u>
<u>Statistical Section</u>	
Table 1 Net Position by Component	67
Table 2 Changes in Net Position	68-69
Table 3 Schedule of Operating Revenues	70
Table 4 Schedule of Rates	71
Table 5 Schedule of New Connections	72
Table 6 Schedule of Water Processed and Wastewater Treated	73
Table 7 Schedule of Operating Expenses	74
Table 8 Outstanding Debt by Type	75-76
Table 9 Revenue Bond Coverage	77
Table 10 Demographic and Economic Statistics	78
Table 11 Principal Employers	79
Table 12 Operating and Capital Indicators	80-81
Table 13 Principal Water and Sewer Customers	82
<u>Compliance Section</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83-84

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

JUNE 30, 2024

(A Component Unit of King George County, Virginia)

(A Governmental organization established in 1992
under the Water and Sewer Authorities Act of 1950
of the Commonwealth of Virginia)

DIRECTORS

Cathy E. Binder, Chairman

David Sullins, Vice Chairman

T.C. Collins

William Davis

Lee Rowbotham

OFFICIALS

Interim General Manager
Secretary/Treasurer

Cathy E. Binder
Jaclyn Fish

January 29, 2025

Board of Directors King George County Service Authority And Interested Parties

The Annual Comprehensive Financial Report (ACFR) of the King George County Service Authority (Authority) is submitted herewith for the fiscal year ending June 30, 2024. The information in this report is believed by Authority management to be sufficient to fully represent the financial results of the Authority's operations for the year ended June 30, 2024, and to provide an accurate and useful picture of the Authority's status as of that date. All information included is the responsibility of the management of the Authority with respect to accuracy, completeness, and fairness.

ORGANIZATION AND SERVICES PROVIDED

The King George County Service Authority was established under the *Virginia Water and Sewer Authorities Act* (1950, as amended), to supply drinking water and to provide wastewater collection and treatment in certain areas of King George County. The Authority is governed by a five-member board comprised of the government's elected supervisors or their appointees and is therefore considered a blended component unit of the County. Blended component units, although legally separate entities, are in substance, part of the government's operations. The Board appoints a General Manager, who manages Authority operations under their direction.

The Authority operates and maintains nine (9) water systems and five (5) wastewater treatment plants and the associated water storage facilities, pumping stations, transmission mains and interceptor sewers. The Authority has 250 miles of water mains which service approximately 4,539 customers and has 200 miles of sanitary sewer lines which service approximately 2,705 customers.

LOCAL ECONOMY

The County has a diversified economy with a strong government, professional services, manufacturing, retail, and agricultural sectors. That strength is appreciated in the County's gross domestic product (GDP), which increased to \$2.5 billion dollars in 2022. In 2023, the per capita personal income increased to \$64,018, and the County continued to see growth in total employment reaching its peak in July with 14,810. With increases in employment and population, the combined County's personal income rose to \$1.8 billion in 2022. This is a strong indicator that the County is continuing to create high-paying jobs and attracting the right kind of private investment to the community.

CATHY E. BINDER
Shiloh Election District

TERENCE 'TC' COLLINS
James Monroe Election District

WILLIAM DAVIS
Dahlgren Election District

LEE ROWBOTHAM
James Madison Election District

DAVID SULLINS
At-Large Election District

LOCAL ECONOMY (CONTINUED)

Naval Support Facility (NSF) Dahlgren primarily drives the economic growth in the County, and it is the largest federal research and development employer in the Commonwealth of Virginia. Currently NSF Dahlgren employs more than 5,900 federal civilian personnel and nearly 400 military personnel. Over 4,000 defense contractor employees support the installation and various commands and programs. Year over year the NSF Dahlgren generates more than \$1.1 billion in economic impact that has a ripple effect on the local economies in the form of payroll dollars and defense contracts. The combined payroll of the base's workforce alone totaled more than \$700 million. An additional \$444 million in defense contract spending was awarded to companies in the region.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE

The projects and their status in the CIP are listed below:

Active Projects

- Hopyard WWTP Modifications/Purkins Corner WWTP Decommissioning Project
 - Status: Pre-Construction Awarded: 12/2024 Expected Completion: Fall 2026
 - Description: The Hopyard Farms Wastewater Treatment Plant Modifications includes extensive improvements such as, the demolition of outdated equipment, installation of advanced screens, comminutors, and UV channels, construction of a new pavilion structure, enhancements to the digester, and post-equalization tank, electrical system upgrades, and various mechanical process improvements along with related site work. Decommissioning the Purkins Corner Wastewater Treatment Plant includes the demolition of structures, equipment, and piping, abandonment of the outfall system, electrical system demolition, and associated site work to facilitate the process. The Pump Station upgrades involve the rehabilitation and enhancement of several pump stations across King George County.
 - Current Activity: Contractor is preparing submittals and obtaining necessary permits.

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)

Active Projects (Continued)

- Purkins Corner FM & WM Extension
 - Status: Pre-Construction Awarded: 12/2024 Expected Completion: Fall 2026
 - Description: This initiative will connect the Courthouse Water System to the Hopyard Water System through the installation of approximately 11,000 linear feet of 12-inch water main and a pressure-reducing valve vault. In addition, the project will connect the Courthouse area sewer system with the Hopyard WWTP by installing approximately 19,000 linear feet of 10-inch and 12-inch force main.
 - Current Activity: Contractor is obtaining necessary permits. Submittals have been received and are being reviewed by the County and Engineer.
- Circle to Courthouse Interconnected Water System
 - Status: Pre-Construction Awarded: 11/2024 Expected Completion: Fall 2025
 - Description: This interconnection project includes the installation of approximately 4,300 linear feet of 8-inch PVC waterline, 60 linear feet of 8-inch ductile iron waterline, and the addition of associated valves, hydrants, fittings, and other related components.
 - Current Activity: Contractor is obtaining necessary permits. Submittals have been received and are being reviewed by the County and Engineer.
- Canterbury to Courthouse Interconnected Water System
 - Status: In Progress Awarded: 11/2024 Expected Completion: Fall 2025
 - Description: This project involves extending an 8-inch waterline from the easternmost portion of the Courthouse water system to the southernmost portion of the Canterbury water. The scope of work includes the installation of 8-inch PVC waterline, 8-inch ductile iron waterline, and the addition of associated valves, hydrants, fittings, and other related components.
 - Current Activity: Contractor began construction January 2025

MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)

Active Projects (Continued)

- Arnolds Corner Well Improvements
 - Status: In Progress Awarded: 10/2024 Expected Completion: Summer 2025
 - Description: This project involves the removal and replacement of a 10'x12' well building, installation of new water piping, the removal of outdated tanks, and new electrical equipment to support the upgraded facility.
 - Current Activity: Contractor began construction January 2025
- Potomac Landing/Fairview Beach Well
 - Status: In Progress Awarded: 10/2024 Expected Completion: Spring 2025
 - Description: This project involves constructing a 360-foot-deep well to produce at least 95 gallons per minute, with tasks including drilling, testing, and water sampling near the existing well.
 - Current Activity: Contractor began construction January 2025
- Peppermill Well
 - Status: Pre-Construction Awarded: 11/2024 Expected Completion: Summer 2025
 - Description: The new Peppermill Well project involves drilling a 960-foot-deep well capable of producing at least 360 gallons per minute, with tasks including drilling, testing, and water sampling.
 - Current Activity: Contractor is preparing submittals



MAJOR INITIATIVES / PROSPECTS FOR THE FUTURE (CONTINUED)

Active Projects (Continued)

- Dahlgren Sewer Line Rehabilitation
 - Status: Pre-Construction Awarded: 11/2024 Expected Completion: Summer 2025
 - Description: The project involves rehabilitating the interior of manholes and lining approximately 14,000 linear feet of 8-inch sewer piping. This process includes applying concrete to restore damaged areas, conducting thorough cleaning, installing a new 8-inch liner, and ensuring the proper reinstatement of all active service connections.
 - Current Activity: Planning is underway to notify citizens in the affected area of the work to be performed
- Oakland Park WWTP Decommissioning Project
 - Status: Planning
 - Description: A preliminary engineering report is being developed to evaluate the decommissioning of the Oakland Park WWTP and to assess the upgrades necessary for redirecting flows to the Hopyard WWTP. This evaluation encompasses the affected force mains and pump stations, as well as discussing the feasibility of a proposed water main that will connect the Oakland Park, Hopyard, and Courthouse water systems.
 - Current Activity: Consultant is revising the report to include recent comments from KGCSA.

LONG TERM FINANCIAL PLANNING

The Authority prepares a Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for facilities. Long-term financing is primarily achieved with long-term revenue bonds.

CATHY E. BINDER
Shiloh Election District

TERENCE 'TC' COLLINS
James Monroe Election District

WILLIAM DAVIS
Dahlgren Election District

LEE ROWBOTHAM
James Madison Election District

DAVID SULLINS
At-Large Election District

ACCOUNTING AND BUDGETARY CONTROLS

The Authority's accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred, without regard to receipt or payment of cash. Current controls provide reasonable assurance that the Authority's assets are properly recorded and protected, and that the financial data may be used with confidence in the preparation of historical reports and projections. Accounting control is maintained by segregation of duties and data security systems in all areas of record keeping, disbursements, and purchasing authority. All of these control systems are reviewed regularly by staff and are evaluated as part of the annual financial audit (see Annual Audit section below). Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. In this regard, we believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

A proposed budget for each fiscal year is prepared by the General Manager and Director of Finance and submitted to the Board of Directors, usually in March, with a public hearing held on the proposed rates in April or May. Budgetary compliance is monitored and reported to the Board by the Director of Finance and General Manager. Projections of both revenues and expenses are understood to reflect anticipated service levels and to incorporate a variety of economic, climatic, and demographic forecasts.

OTHER INFORMATION

Management's Discussion and Analysis: Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County of King George's MD&A can be found immediately following the report of the independent auditors.

CATHY E. BINDER
Shiloh Election District

TERENCE 'TC' COLLINS
James Monroe Election District

WILLIAM DAVIS
Dahlgren Election District

LEE ROWBOTHAM
James Madison Election District

DAVID SULLINS
At-Large Election District

OTHER INFORMATION (CONTINUED)

Independent Audit: The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the County of King George, Virginia for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such 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 our current Annual Comprehensive Financial Report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

Acknowledgments: The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would like to express our appreciation to all the members of the staff who assisted and contributed to its preparation. We would also like to thank the Board for their continued interest and support in planning and conducting the financial operation of the Authority in a responsible, timely and progressive manner.

Respectfully Submitted,



Cathy Binder

Manager of Service Authority



Lavita L. Cobb

Finance Director

CATHY E. BINDER
Shiloh Election District

TERENCE 'TC' COLLINS
James Monroe Election District

WILLIAM DAVIS
Dahlgren Election District

LEE ROWBOTHAM
James Madison Election District

DAVID SULLINS
At-Large Election District



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**King George County Service Authority
Virginia**

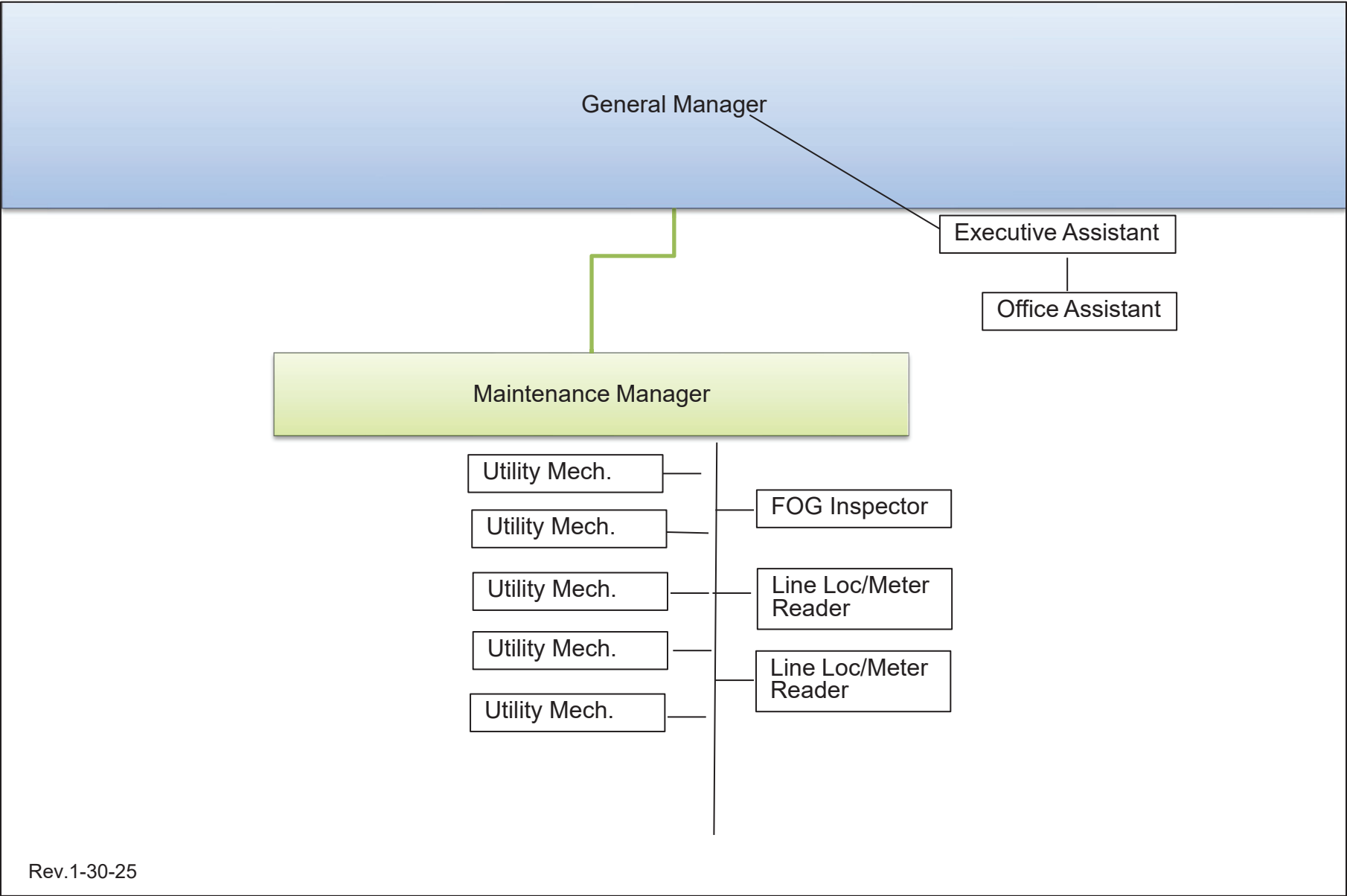
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrell

Executive Director/CEO

King George County Service Authority





Independent Auditors' Report

**To the Honorable Members of Board of Directors
King George County Service Authority
King George, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of King George County Service Authority, component unit of County of King George, Virginia, as of and for the year ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of King George County Service Authority, as of June 30, 2024 and 2023, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of King George County Service Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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.

Responsibilities of Management for the Financial Statements (Continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of King George County Service 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 King George County Service Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' 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 January 23, 2025, on our consideration of King George County Service 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 King George County Service 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 King George County Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
January 23, 2025

Management's Discussion and Analysis

As management of the King George 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 year ended June 30, 2024. 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 introduction 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 only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements.

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

The statement of net position presents information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

The basic enterprise fund financial statements can be found on Exhibits 1 through 3 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Authority decreased its liabilities and deferred inflows of resources at the close of the most recent fiscal year to \$26.1 million (net position).
- The Authority's total net position increased by \$2.1 million for Fiscal Year 2024. Operating income in FY24 was \$1.6 million; the increase in net position is mainly attributable to an increase in operating revenues.
- The Authority's operating revenues increased by \$1 million compared to prior year. This is mainly due to increases in water sales and other revenues.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26.1 million at the close of the most recent fiscal year. The same period ended last fiscal year was \$23.9 million.

\$14.7 million of the Authority's net position reflects its net investment in capital assets used to acquire those assets that are still outstanding. 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 that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities. The Authority's unrestricted net position was \$11.3 million for the year ended June 30, 2024 which was an increase of \$3.1 million compared to the same period ended June 30, 2023.

	Net Position		
	2024	2023	2022
Current and other assets	\$ 12,929,458	\$ 10,074,602	\$ 10,167,797
Capital assets	<u>36,495,382</u>	<u>37,018,694</u>	<u>36,753,874</u>
Total assets	<u>\$ 49,424,840</u>	<u>\$ 47,093,296</u>	<u>\$ 46,921,671</u>
Deferred outflows of resources	<u>1,093,564</u>	<u>1,270,212</u>	<u>1,372,624</u>
Long-term liabilities outstanding	\$ 19,971,305	\$ 21,585,069	\$ 22,517,346
Other liabilities	<u>4,389,908</u>	<u>2,754,070</u>	<u>2,643,851</u>
Total liabilities	<u>\$ 24,361,213</u>	<u>\$ 24,339,139</u>	<u>\$ 25,161,197</u>
Deferred inflows of resources	<u>\$ 104,128</u>	<u>\$ 82,107</u>	<u>\$ 307,871</u>
Net position:			
Net investment in capital assets	\$ 14,712,430	\$ 15,735,439	\$ 14,602,194
Restricted	-	-	42,493
Unrestricted	<u>11,340,633</u>	<u>8,206,823</u>	<u>8,180,540</u>
Total net position	<u>\$ 26,053,063</u>	<u>\$ 23,942,262</u>	<u>\$ 22,825,227</u>

Financial Analysis: (Continued)

The Authority's net position increased \$2.1 million during the current year. Operating revenues increased \$1 million while operating expenses increased \$911,444 from FY 2023 to FY 2024 levels. Operating revenues decreased by \$19,222 and operating expenses increased \$680,081 from FY 2022 to FY 2023.

		Change in Net Position		
		2024	2023	2022
Revenues:				
Operating revenues:				
Water sales	\$	1,667,802	\$ 1,509,009	\$ 1,569,727
Sewer revenues		2,503,511	2,209,038	2,091,777
Availablilty fees		736,677	784,835	1,127,052
Debt fees		3,362,204	3,174,044	3,200,529
Other revenue		1,027,985	601,538	308,601
Total operating revenues	\$	<u>9,298,179</u>	\$ <u>8,278,464</u>	\$ <u>8,297,686</u>
Expenses:				
Operating expenses:				
Personnel (including fringe benefits)	\$	839,009	\$ 1,538,327	\$ 1,687,587
Contractual services		3,081,560	1,867,067	1,318,541
Other		2,232,960	1,837,633	1,557,188
Depreciation expense		1,590,405	1,589,463	1,589,093
Total operating expenses	\$	<u>7,743,934</u>	\$ <u>6,832,490</u>	\$ <u>6,152,409</u>
Operating income (loss)	\$	<u>1,554,245</u>	\$ <u>1,445,974</u>	\$ <u>2,145,277</u>
Nonoperating income and (expenses):				
State, federal and local grants	\$	47,032	\$ 220,521	\$ 143,661
Utility relief program		-	-	(143,661)
Bond issuance costs		-	11,619	-
Interest expense		(637,915)	(646,117)	(677,691)
Total nonoperating income (expenses)	\$	<u>(590,883)</u>	\$ <u>(413,977)</u>	\$ <u>(677,691)</u>
Income before capital contributions	\$	963,362	\$ 1,031,997	\$ 1,467,586
Capital contributions (net)		1,147,439	85,038	696,319
Increase in net position	\$	<u>2,110,801</u>	\$ <u>1,117,035</u>	\$ <u>2,163,905</u>
Net position—July 1		<u>23,942,262</u>	<u>22,825,227</u>	<u>20,661,322</u>
Net position—June 30	\$	<u><u>26,053,063</u></u>	\$ <u><u>23,942,262</u></u>	\$ <u><u>22,825,227</u></u>

Financial Analysis: (Continued)

Major reasons are as follows:

- Operational revenues increased in FY2024 overall mainly due to increases in water sales and other revenues. Operational revenues decreased in FY2023 overall mainly due to decreases in availability fees revenues.
- There was an increase in operational expenses in FY2024 in comparison to FY2023 in the amount of \$911,444. This increase in operational expenses was primarily related to contractual services expenses. There was an increase in operational expenses in FY2023 in comparison to FY2022 in the amount of \$680,081. This increase in operational expenses was primarily related to contractual services expenses.
- In FY2022 the Authority received one-time revenue in the amount of \$611,281 in the form of developer contributions, by comparison there were no developer contributions received in FY2024 or FY2023.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2024 totals \$36.5 million (net of accumulated depreciation) and \$37 million as of June 30, 2023. Investment in capital assets decreased \$523,312 in FY2024 compared to a increase of \$264,820 million in FY2023. Details supporting changes in capital asset activity including construction in progress can be found in Note 4 to the financial statements.

Long-Term Debt - At the end of the current fiscal year, the Authority has \$22.7 million in bonds, notes, and other long term obligations outstanding which is a increase of \$134,749 in comparison to the prior year. Fiscal Year ended 2023 debt was \$22.6 million or a decrease of \$928,393 compared to Fiscal Year ended 2022. The increase in long-term obligations in FY2024 was mainly attributed to monies drawn on the line of credit partially offset by the repayment of principal thru debt service payments, details supporting each individual long-term debt retirement can be found in Note 5 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, at 10459 Courthouse Drive, King George, Virginia, 22485.

Basic Financial Statements

(A Component Unit of King George County, Virginia)
 Statements of Net Position
 At June 30, 2024 and 2023

	At June 30,	
	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,281,320	\$ 8,861,793
Accounts receivable (net of allowance for uncollectibles)	155,415	83,675
Unbilled accounts receivable	1,420,158	1,092,408
Leases receivable	6,989	11,938
Due from other governments	1,065,576	17,798
Total current assets	\$ 12,929,458	\$ 10,067,612
Noncurrent Assets:		
Capital Assets:		
Land and construction in progress	\$ 5,089,938	\$ 4,050,531
Other capital assets, net of accumulated depreciation	31,405,444	32,968,163
Capital assets, net	\$ 36,495,382	\$ 37,018,694
Leases receivable	\$ -	\$ 6,990
Total noncurrent assets	\$ 36,495,382	\$ 37,025,684
Total assets	\$ 49,424,840	\$ 47,093,296
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 49,442	\$ 123,942
OPEB related items	5,581	9,618
Deferred charge on refunding	1,038,541	1,136,652
Total deferred outflows of resources	\$ 1,093,564	\$ 1,270,212
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 450,565	\$ 210,103
Accrued interest payable	131,309	137,544
Customer deposits	554,472	521,951
Unearned revenue	502,932	882,355
Long-term obligations - current portion	2,750,630	1,002,117
Total current liabilities	\$ 4,389,908	\$ 2,754,070
Noncurrent liabilities:		
Long-term obligations - noncurrent portion	\$ 19,971,305	\$ 21,585,069
Total liabilities	\$ 24,361,213	\$ 24,339,139
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 94,425	\$ 57,579
Leases related	6,693	18,682
OPEB related items	3,010	5,846
Total deferred inflows of resources	\$ 104,128	\$ 82,107
NET POSITION		
Net investment in capital assets	\$ 14,712,430	\$ 15,735,439
Unrestricted	11,340,633	8,206,823
Total net position	\$ 26,053,063	\$ 23,942,262

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

(A Component Unit of King George County, Virginia)
 Statements of Revenues, Expenses and Changes in Net Position
 Years ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Operating Revenues:		
Water revenues	\$ 1,667,802	\$ 1,509,009
Sewer revenues	2,503,511	2,209,038
Availability fees	736,677	784,835
Debt fees	3,362,204	3,174,044
Other revenues	1,027,985	601,538
Total operating revenues	\$ 9,298,179	\$ 8,278,464
Operating Expenses:		
Personnel services	\$ 602,540	\$ 1,216,869
Fringe benefits	236,469	321,458
Contractual services	3,081,560	1,867,067
Other operating expenses	2,232,960	1,837,633
Depreciation and amortization	1,590,405	1,589,463
Total operating expenses	\$ 7,743,934	\$ 6,832,490
Operating income (loss)	\$ 1,554,245	\$ 1,445,974
Nonoperating income and (expenses):		
Federal grant funds	\$ 47,032	\$ 220,521
State grant funds	-	11,619
Interest expense	(637,915)	(646,117)
Total nonoperating income (expenses)	\$ (590,883)	\$ (413,977)
Income (loss) before capital contributions	\$ 963,362	\$ 1,031,997
Capital contributions:		
Capital contributions - County of King George, Virginia (net)	\$ 85,038	\$ 85,038
Federal grant funds	1,062,401	-
Total capital contributions	\$ 1,147,439	\$ 85,038
Change in net position	\$ 2,110,801	\$ 1,117,035
Net position, beginning of year	23,942,262	22,825,227
Net position, end of year	\$ 26,053,063	\$ 23,942,262

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

KING GEORGE COUNTY SERVICE AUTHORITY
Exhibit 3

(A Component Unit of King George County, Virginia)
 Statements of Cash Flows
 Years ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Receipts from customers and users	\$ 8,551,737	\$ 8,330,447
Payments to employees (including fringe benefits)	(796,333)	(1,653,961)
Payments for operating activities	<u>(5,074,058)</u>	<u>(3,641,172)</u>
Net cash provided by (used for) operating activities	\$ <u>2,681,346</u>	\$ <u>3,035,314</u>
Cash flows from non-capital financing activities:		
State, federal and local grant funds	\$ <u>61,655</u>	\$ <u>232,140</u>
Net cash provided by (used in) non-capital financing activities	\$ <u>61,655</u>	\$ <u>232,140</u>
Cash flows from capital and related financing activities:		
Construction and acquisition of capital assets	\$ (1,067,093)	\$ (1,969,914)
Proceeds from long term indebtedness issued	1,205,704	118,002
Capital grants and contributions	85,038	85,038
Principal payments on indebtedness	(977,081)	(1,005,423)
Interest expense	<u>(570,042)</u>	<u>(543,913)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(1,323,474)</u>	\$ <u>(3,316,210)</u>
Increase (decrease) in cash and cash equivalents	\$ 1,419,527	\$ (48,756)
Cash and cash equivalents at beginning of year	<u>8,861,793</u>	<u>8,910,549</u>
Cash and cash equivalents at end of year	\$ <u><u>10,281,320</u></u>	\$ <u><u>8,861,793</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,554,245	\$ 1,445,974
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,590,405	1,589,463
Changes in operating activities:		
(Increase) decrease in accounts receivable	(399,490)	7,860
(Increase) decrease in leases receivable	11,939	11,884
(Increase) decrease in net pension asset	-	42,493
(Increase) decrease in deferred outflows - pension related items	74,500	825
(Increase) decrease in deferred outflows - OPEB related items	4,037	3,475
Increase (decrease) in accounts payable	240,462	63,528
Increase (decrease) in unearned revenue	(379,423)	(916)
Increase (decrease) in customer deposits	32,521	45,143
Increase (decrease) in net pension liability	(71,190)	116,230
Increase (decrease) in net OPEB liability	(7,806)	(13,518)
Increase (decrease) in deferred inflows - lease related	(11,989)	(11,988)
Increase (decrease) in deferred inflows - pension related items	36,846	(203,252)
Increase (decrease) in deferred inflows - OPEB related items	(2,836)	(10,524)
Increase (decrease) in compensated absences	<u>9,125</u>	<u>(51,363)</u>
Net cash provided by (used for) operating activities	\$ <u><u>2,681,346</u></u>	\$ <u><u>3,035,314</u></u>

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
As of June 30, 2024 and 2023

NOTE 1–BASIS OF PRESENTATION:

A. Organization and Purpose

The King George County Service Authority was created by the King George County Board of Supervisors, pursuant to the provisions of the Virginia Water and Sewer Authorities Act, Section 15.1-1239 through Section 15.1-1270 of the Code of Virginia 1950, as amended.

The By-laws and rules for the transaction of the business of the King George County Service Authority are made pursuant to authority vested in this Authority by Section 15.1-1250(b), Code of Virginia, 1950, as amended and in accordance with the general provisions of the Virginia Water and Sewer Authorities Act.

B. Financial Reporting Entity

The King George County Service Authority is reported as a blended component unit of the County of King George. The Authority is governed by a board comprised of the government's elected supervisors. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government.

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

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

- Management's Discussion and Analysis
- Schedules related to Pension and OPEB Funding
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Basis of Accounting

The King George County Service Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority 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 availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

D. Restricted Assets

Certain proceeds of the Authority's revenue bonds, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts to be expended on various water and sewer capital projects.

E. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets, except for infrastructure 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 two years. For infrastructure asset the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$100,000 are reported as capital assets.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Capital Assets: (Continued)

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Source of supply structures	40, 50
Vehicles	5
Office equipment	5
Lease equipment	3-5
Meters, pumps	10, 40

F. Other Significant Accounting Policies

- All trade receivables are shown net of an allowance for uncollectibles. The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$537,005 and \$330,658 at June 30, 2024 and 2023 respectively.
- Investments are reported at fair value.
- Inventory of materials and supplies is stated at cost using the first-in, first-out method of valuation.

G. Use of Estimates

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

H. Deferred Outflows/Inflows of Resources

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

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

I. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Net Position: (Continued)

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

J. Prepaid Connection Fees

Prepaid connection fees are non-refundable deposits received in advance for water and/or sewer connection fees. The amounts are recorded as revenue when the connection is made.

K. Compensated Absences

The Authority accrues compensated absences (annual and sick leave benefits) when vested. The current and noncurrent portions of the compensated absences liabilities are recorded as accrued liabilities.

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Leases

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

Lessee

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

Lessor

The Authority recognizes leases receivable and deferred inflows of resources in the financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

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

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Leases: (Continued)

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

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Interest Rate Risk

The Authority does not have a policy related to interest rate risk.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 4—CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2024 is as follows:

	Beginning Balance July 1, 2023	Additions	Deletions	Ending Balance June 30, 2024
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	1,788,177	1,039,407	-	2,827,584
Total capital assets not being depreciated	<u>\$ 4,050,531</u>	<u>\$ 1,039,407</u>	<u>\$ -</u>	<u>\$ 5,089,938</u>
Capital assets being depreciated:				
Infrastructure	\$ 60,086,417	\$ -	\$ -	\$ 60,086,417
Lease equipment	295,520	5,938	-	301,458
Equipment	1,168,106	21,748	-	1,189,854
Total capital assets being depreciated	<u>\$ 61,550,043</u>	<u>\$ 27,686</u>	<u>\$ -</u>	<u>\$ 61,577,729</u>
Accumulated depreciation:				
Infrastructure	\$ 27,484,686	\$ 1,474,694	\$ -	\$ 28,959,380
Lease equipment	100,577	63,056	-	163,633
Equipment	996,617	52,655	-	1,049,272
Total accumulated depreciation	<u>\$ 28,581,880</u>	<u>\$ 1,590,405</u>	<u>\$ -</u>	<u>\$ 30,172,285</u>
Total capital assets being depreciated, net	<u>\$ 32,968,163</u>	<u>\$ (1,562,719)</u>	<u>\$ -</u>	<u>\$ 31,405,444</u>
Business-type activities capital assets, net	<u>\$ 37,018,694</u>	<u>\$ (523,312)</u>	<u>\$ -</u>	<u>\$ 36,495,382</u>

Depreciation expense for the year ended June 30, 2024 totaled \$1,590,405.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 4–CAPITAL ASSETS: (CONTINUED)

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Beginning Balance July 1, 2022	Additions	Deletions	Ending Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 2,262,354	\$ -	\$ -	\$ 2,262,354
Construction in progress	11,531	1,776,646	-	1,788,177
Total capital assets not being depreciated	<u>\$ 2,273,885</u>	<u>\$ 1,776,646</u>	<u>\$ -</u>	<u>\$ 4,050,531</u>
Capital assets being depreciated:				
Infrastructure	\$ 60,086,417	\$ -	\$ -	\$ 60,086,417
Lease equipment	327,047	123,378	154,905	295,520
Equipment	1,098,216	69,890	-	1,168,106
Total capital assets being depreciated	<u>\$ 61,511,680</u>	<u>\$ 193,268</u>	<u>\$ 154,905</u>	<u>\$ 61,550,043</u>
Accumulated depreciation:				
Infrastructure	\$ 26,009,992	\$ 1,474,694	\$ -	\$ 27,484,686
Lease equipment	73,387	66,464	39,274	100,577
Equipment	948,312	48,305	-	996,617
Total accumulated depreciation	<u>\$ 27,031,691</u>	<u>\$ 1,589,463</u>	<u>\$ 39,274</u>	<u>\$ 28,581,880</u>
Total capital assets being depreciated, net	<u>\$ 34,479,989</u>	<u>\$ (1,396,195)</u>	<u>\$ 115,631</u>	<u>\$ 32,968,163</u>
Business-type activities capital assets, net	<u>\$ 36,753,874</u>	<u>\$ 380,451</u>	<u>\$ 115,631</u>	<u>\$ 37,018,694</u>

Depreciation expense for the year ended June 30, 2023 totaled \$1,589,463.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS:

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

Proprietary Funds	Balance June 30, 2023	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2024	Due Within One Year
Direct Borrowings and Direct Placements:					
Notes Payable	\$ 216,662	\$ -	\$ 16,667	\$ 199,995	\$ 16,667
VRA Water and Sewer Revenue Bonds	2,449,542	-	209,031	2,240,511	211,231
VRA Infrastructure Revenue Bonds	545,000	-	270,000	275,000	275,000
Public Facility Lease Revenue Refunding Bonds	2,615,000	-	40,000	2,575,000	40,000
Water and Sewer Refunding Bond	16,025,000	-	380,000	15,645,000	820,000
Line of Credit Revenue Note	99,450	1,199,767	-	1,299,217	1,299,217
Premium on bonds payable	264,028	-	24,003	240,025	24,003
Lease liabilities	192,020	5,937	61,383	136,574	60,095
Other Liabilities:					
Compensated absences	35,046	12,630	3,505	44,171	4,417
Net OPEB liability	29,208	10,772	18,578	21,402	-
Net pension liability	116,230	59,558	130,748	45,040	-
Total	<u>\$ 22,587,186</u>	<u>\$ 1,288,664</u>	<u>\$ 1,153,915</u>	<u>\$ 22,721,935</u>	<u>\$ 2,750,630</u>

The following is a summary of change in long-term obligations for the Authority for the year ended June 30, 2023:

Proprietary Funds	Balance June 30, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023	Due Within One Year
Direct Borrowings and Direct Placements:					
Notes Payable	\$ 233,329	\$ -	\$ 16,667	\$ 216,662	\$ 16,667
VRA Water and Sewer Revenue Bonds	2,656,395	-	206,853	2,449,542	209,031
VRA Infrastructure Revenue Bonds	810,000	-	265,000	545,000	270,000
Public Facility Lease Revenue Refunding Bonds	2,655,000	-	40,000	2,615,000	40,000
Water and Sewer Refunding Bond	16,390,000	-	365,000	16,025,000	380,000
Line of Credit Revenue Note	99,450	-	-	99,450	-
Premium on bonds payable	288,031	-	24,003	264,028	24,003
Lease liabilities	254,239	118,002	180,221	192,020	58,911
Other Liabilities:					
Compensated absences	86,409	8,641	60,004	35,046	3,505
Net OPEB liability	42,726	19,217	32,735	29,208	-
Net pension liability	-	169,888	53,658	116,230	-
Total	<u>\$ 23,515,579</u>	<u>\$ 315,748</u>	<u>\$ 1,244,141</u>	<u>\$ 22,587,186</u>	<u>\$ 1,002,117</u>

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Direct Borrowings and Direct Placements					
	VRA Water and Sewer		Public Facility Lease		Line of Credit	
	Revenue Bonds		Revenue Refunding Bonds		Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 211,231	\$ 22,972	\$ 40,000	\$ 67,250	\$ 1,299,217	\$ 31,168
2026	213,455	20,749	320,000	61,850	-	-
2027	215,702	18,501	315,000	52,325	-	-
2028	217,972	16,230	315,000	42,875	-	-
2029	220,268	13,936	320,000	33,350	-	-
2030	222,587	11,617	325,000	23,675	-	-
2031	224,929	9,274	315,000	15,650	-	-
2032	227,298	6,906	315,000	9,350	-	-
2033	229,691	4,513	150,000	4,700	-	-
2034	186,721	2,095	160,000	1,600	-	-
2035	70,657	537	-	-	-	-
Total	\$ <u>2,240,511</u>	\$ <u>127,330</u>	\$ <u>2,575,000</u>	\$ <u>312,625</u>	\$ <u>1,299,217</u>	\$ <u>31,168</u>

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Direct Borrowings and Direct Placements							
	Notes Payable		Water and Sewer Refunding Bonds		VRA Infrastructure Revenue Bonds		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 16,667	\$ -	\$ 820,000	\$ 417,423	\$ 275,000	\$ 7,047	\$ 60,095	\$ 1,734
2026	16,667	-	1,210,000	393,269	-	-	50,863	988
2027	16,667	-	1,260,000	362,749	-	-	24,521	341
2028	16,667	-	1,290,000	329,970	-	-	1,095	2
2029	16,667	-	1,330,000	295,312	-	-	-	-
2030	16,667	-	1,375,000	258,510	-	-	-	-
2031	16,667	-	1,425,000	220,331	-	-	-	-
2032	16,667	-	1,470,000	180,836	-	-	-	-
2033	16,667	-	1,700,000	135,078	-	-	-	-
2034	16,667	-	1,735,000	84,785	-	-	-	-
2035	16,667	-	2,030,000	29,942	-	-	-	-
2036	16,658	-	-	-	-	-	-	-
Total	\$ <u>199,995</u>	\$ <u>-</u>	\$ <u>15,645,000</u>	\$ <u>2,708,205</u>	\$ <u>275,000</u>	\$ <u>7,047</u>	\$ <u>136,574</u>	\$ <u>3,065</u>

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term obligations as of June 30, 2024 are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Direct Borrowings and Direct Placements:</u>		
\$500,000 note payable issued September 20, 2005 payable in annual installments of \$16,667 through July 1, 2035, interest at 0%	\$ 199,995	\$ 16,667
\$280,000 Virginia Resources Authority Refunding bond issued May 11, 2016 payable in one principal installment on October 1, 2032 interest payable semiannually at 3.839%	280,000	-
\$16,790,000, Water and Sewer Revenue Refunding Bond, payable in various principal annual installments through October 1, 2034, interest payable semiannually at rates ranging from 2.104% to 2.950%	15,365,000	820,000
\$3,980,000 VRA Revenue Bonds Series 2014C payable in various installments beginning October 1, 2015 through October 1, 2033, interest payable semiannually at rates ranging from 3.299% to 5.000%	275,000	275,000
Up to \$15,000,000, Water and Sewer System Line of Credit Revenue Note, Series 2019B payable June 25, 2025, interest payable monthly at 2.399%	1,299,217	1,299,217

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term obligations as of June 30, 2024 are as follows: (Continued)

\$2,500,000 VRA Revenue Bonds Series 2014, payable in various annual installments through December 1, 2034, interest payable semiannually at 2.46%.	\$	1,429,267	140,613
\$1,340,270 VRA Revenue Bonds Series 2014, payable in various annual installments through March 1, 2035, interest payable semiannually at 2.25%.		811,244	70,618
\$2,690,000 Public Facility Lease Revenue Refunding Bonds Series 2020B, payable in various annual installments through October 15, 2033, interest payable semiannually at rates ranging from 2.00% to 3.00%.		<u>2,575,000</u>	<u>40,000</u>
Total direct borrowings and direct placements	\$	<u>22,234,723</u>	\$ <u>2,662,115</u>
Various leases secured by equipment payable through 2026 at discount rates ranging from .185% to .577%.	\$	<u>136,574</u>	\$ <u>60,095</u>
<u>Other Liabilities:</u>			
Compensated absences	\$	<u>44,171</u>	\$ <u>4,417</u>
Premium on bonds	\$	<u>240,025</u>	\$ <u>24,003</u>
Net OPEB Liability	\$	<u>21,402</u>	\$ <u>-</u>
Net Pension Liability	\$	<u>45,040</u>	\$ <u>-</u>
Total long-term obligations	\$	<u><u>22,721,935</u></u>	\$ <u><u>2,750,630</u></u>

The Authority has no Arbitrage rebate liability at June 30, 2024.

NOTE 6—COMPENSATED ABSENCES:

The Authority has accrued the liability arising from outstanding claims and judgments and compensated absences.

The Authority accrues vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The Authority had outstanding accrued vacation pay at June 30, 2024 and 2023 in the amounts of \$44,171 and \$35,046, respectively.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 7–UNEARNED REVENUE:

Unearned revenue represents amounts for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaled \$502,932 and \$882,355 at June 30, 2024 and 2023, respectively, and consisted of prepaid connection fees.

NOTE 8–LITIGATION:

At June 30, 2024, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

NOTE 9–PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by the County of King George, Virginia Pension Plan, agent multiple employer plan. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through County of King George, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

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

Contributions

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

The Authority's contractually required contribution rates for the years ended June 30, 2024 and 2023 were 12.10% and 12.10% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$18,336, \$48,467, and \$47,710 for the years ended June 30, 2024, June 30, 2023, and June 30, 2022, respectively.

Net Pension Liability (Asset)

The net pension liability (Asset) (NPA) is calculated separately for each employer and represents that particular employer's total pension liability (asset) determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. At June 30, 2024, the Authority reported a liability of \$45,040 for its proportionate share of the net pension liability (asset). The Authority's net assets were measured as of June 30, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023. The Authority's proportionate share of the same was calculated using creditable compensation as a basis for allocation. At June 30, 2024, June 30, 2023, and June 30, 2022, the Authority's proportion was .99%, 2.65% and 3.60% respectively.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9–PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9–PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits: (Continued)

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 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 with a Modified MP-2020 Improvement Scale; 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 with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9–PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023, on, 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.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's net pension liability (asset)			
2024	\$ 128,592	\$ 45,040	\$ (22,952)
2023	323,816	116,230	(51,826)

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

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

For the years ended June 30, 2024 and 2023, the Authority recognized pension expense of \$19,720 and \$82,559 respectively. At June 30, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,203	\$ -	\$ 40,705	\$ -
Change in assumptions	8,903	-	26,359	-
Net difference between projected and actual earnings on pension plan investments	-	39,819	-	57,579
Changes in proportionate share	-	54,606	8,411	-
Employer contributions subsequent to the measurement date	18,336	-	48,467	-
Total	<u>\$ 49,442</u>	<u>\$ 94,425</u>	<u>\$ 123,942</u>	<u>\$ 57,579</u>

\$18,336 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 ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future accounting periods as follows:

Year ended June 30	
2025	\$ (12,566)
2026	(51,715)
2027	755
2028	207
Thereafter	-

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

Pension Plan Data

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

NOTE 10—RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the State to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers compensation coverage. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums.

The Authority continues to carry commercial insurance for all other 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.

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Plan Description: (Continued)

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

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

Eligible Employees

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

Benefit Amounts

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54%

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions: (Continued)

(1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Authority were \$862, \$2,270, and \$2,849 for the years ended June 30, 2024, June 30, 2023 and June 30, 2022, respectively.

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

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

At June 30, 2024 and June 30, 2023, the Authority reported a liability of \$21,402 and \$29,208, respectively, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Authority's proportion was .00178%, as compared to .00243% at June 30, 2022.

For the year ended June 30, 2024 and June 30, 2023, the Authority recognized GLI OPEB expense of \$1,750 and \$2,078, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

At June 30, 2024 and June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,138	\$ 650	\$ 2,313	\$ 1,172
Net difference between projected and actual earnings on GLI OPEB program investments	-	860	-	1,825
Change in assumptions	457	1,483	1,089	2,845
Changes in proportionate share	2,124	17	3,946	4
Employer contributions subsequent to the measurement date	862	-	2,270	-
Total	<u>\$ 5,581</u>	<u>\$ 3,010</u>	<u>\$ 9,618</u>	<u>\$ 5,846</u>

\$862 reported as deferred outflows of resources related to the GLI OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2025	\$ 524
2026	(326)
2027	865
2028	437
2029	209
Thereafter	-

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

- Pre-Retirement:
 Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
 Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
 Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
 Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
 Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

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 Scale:

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of Kinge George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2000
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

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

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability: (Continued)

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.

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of Kinge George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Authority’s proportionate share of the GLI Plan Net OPEB Liability:				
2024	\$	31,724	\$ 21,402	\$ 13,056
2023		42,500	29,208	18,465

Group Life Insurance Plan Fiduciary Net Position

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

KING GEORGE COUNTY SERVICE AUTHORITY
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
as of June 30, 2024 and 2023 (Continued)

NOTE 12–LEASE RECEIVABLE

The Authority leases property to third parties. The following summarizes the balances related to these leases for the year ended June 30, 2024:

<u>Lease Description</u>	<u>Discount Rate</u>	<u>Lease Ends</u>	<u>Lease Receivable June 30, 2024</u>	<u>Deferred Inflow of Resources June 30, 2024</u>
Towers	0.457%	2025	\$ <u>6,989</u>	\$ <u>6,693</u>

Lease revenue totaled \$11,988 for the year ended June 30, 2024. Lease interest revenue totaled \$62 for the year ended June 30, 2024.

NOTE 13–UPCOMING PRONOUNCEMENTS

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

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

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

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

NOTE 14–SUBSEQUENT EVENT:

Subsequent to June 30, 2024, the Authority paid off the Line of Credit Revenue Note referenced in Note 5.

Required Supplementary Information

(A Component Unit of King George County, Virginia)

Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset)

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2023

Share of County of King George, Virginia's Pension Plan
(a cost-sharing multiple employer plan administered by the VRS)

Date	Proportion of the Net Pension Liability (NPL) (NPA) (2)	Proportionate Share of the NPL (NPA) (3)	Covered Payroll (4)	Proportionate Share of the NPL (NPA) as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
2023	0.99%	\$ 45,040	\$ 1,216,869	3.70%	92.16%
2022	2.65%	116,230	1,254,458	9.27%	91.92%
2021	3.60%	(42,493)	1,288,624	-3.30%	102.41%
2020	6.02%	299,616	1,054,564	28.41%	88.83%
2019	6.30%	162,196	977,870	16.59%	93.79%
2018	8.45%	135,042	975,661	13.84%	96.63%
2017	8.92%	105,593	945,954	11.16%	96.63%
2016	9.17%	232,654	870,537	26.73%	98.69%
2015	9.43%	148,118	935,528	15.83%	98.69%
2014	9.24%	122,232	821,363	14.88%	97.60%

(A Component Unit of King George County, Virginia)
 Schedule of Employer Contributions
 Pension Plans
 Years Ended June 30, 2015 through June 30, 2024

Share of County of King George, Virginia's Pension Plan
(a cost-sharing multiple employer plan administered by the VRS)

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contributions (2)*	Contribution Deficiency (Excess) (1) - (2) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (2)/(4) (5)
2024	\$ 18,336	\$ 18,336	\$ -	\$ 602,540	3.04%
2023	48,467	48,467	-	1,216,869	3.98%
2022	47,710	47,710	-	1,254,458	3.80%
2021	63,034	63,034	-	1,288,624	4.89%
2020	57,075	57,075	-	1,054,564	5.41%
2019	73,318	73,318	-	977,870	7.50%
2018	69,551	69,551	-	975,661	7.13%
2017	69,906	69,906	-	945,954	7.39%
2016	79,480	79,480	-	870,537	9.13%
2015	94,769	94,769	-	935,528	10.13%

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

(A Component Unit of King George County, Virginia)
Notes to Required Supplementary Information
Pension Plans
Year Ended June 30, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

(A Component Unit of King George County, Virginia)
 Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2023

Share of County of King George, Virginia's Pension Plan
(a cost-sharing multiple employer plan administered by the VRS)

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
2023	0.00178% \$	21,402 \$	1,216,869	1.76%	69.30%
2022	0.00243%	29,208	1,254,458	2.33%	67.21%
2021	0.00220%	42,726	1,288,624	3.32%	67.45%
2020	0.00400%	62,451	1,054,564	5.92%	52.64%
2019	0.00500%	81,375	980,271	8.30%	52.00%
2018	0.00514%	77,961	975,661	7.99%	51.22%
2017	0.00513%	75,106	945,954	7.94%	48.86%

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

(A Component Unit of King George County, Virginia)
 Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2017 through June 30, 2024

Share of County of King George, Virginia's Pension Plan
(a cost-sharing multiple employer plan administered by the VRS)

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2024	\$ 862	\$ 862	\$ -	\$ 602,540		0.54%
2023	2,270	2,270	-	1,216,869		0.54%
2022	2,849	2,849	-	1,254,458		0.54%
2021	4,092	4,092	-	1,288,624		0.54%
2020	4,005	4,005	-	1,054,564		0.52%
2019	5,070	5,070	-	980,271		0.52%
2018	6,150	6,150	-	975,661		0.63%
2017	4,768	4,768	-	945,954		0.50%

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

(A Component Unit of King George County, Virginia)
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
Year Ended June 30, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the Authority's financial performance has changed over time.

1-2

Revenue, Rates and Usage Information

These tables contain information to help the reader assess the factors affecting the Authority's change in revenues and its ability to generate revenues.

3-6

Expenses

This table contains comparative information about the Authority's expenses.

7

Debt Capacity

These tables present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue debt in the future.

8-9

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time.

10-11

Operating Information

This table contains information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the activities it performs.

12

Other Information

This table contains miscellaneous data.

13

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

KING GEORGE COUNTY SERVICE AUTHORITY

Table 1

(A Component Unit of the County of King George, Virginia)

Net Position by Component

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net investment in capital assets	\$ 14,712,430	\$ 15,735,439	\$ 14,602,194	\$ 14,698,014	\$ 15,418,570	\$ 16,836,402	\$ 16,697,474	\$ 16,747,965	\$ 17,025,593	\$ 16,923,176
Restricted	-	-	42,493	-	-	-	-	-	-	-
Unrestricted	11,340,633	8,206,823	8,180,540	5,963,308	4,471,151	2,687,989	3,027,848	3,241,519	3,658,555	4,178,802
Total net position	<u>\$ 26,053,063</u>	<u>\$ 23,942,262</u>	<u>\$ 22,825,227</u>	<u>\$ 20,661,322</u>	<u>\$ 19,889,721</u>	<u>\$ 19,524,391</u>	<u>\$ 19,725,322</u>	<u>\$ 19,989,484</u>	<u>\$ 20,684,148</u>	<u>\$ 21,101,978</u>

KING GEORGE COUNTY SERVICE AUTHORITY**Table 2**
Page 1 of 2(A Component Unit of the County of King George, Virginia)
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Years Ended June 30,				
	2024	2023	2022	2021	2020
Operating revenues:					
Water revenues	\$ 1,667,802	\$ 1,509,009	\$ 1,569,727	\$ 1,476,325	\$ 1,468,486
Sewer revenues	2,503,511	2,209,038	2,091,777	2,201,156	2,051,437
Service/debt fees	3,362,204	3,174,044	3,200,529	2,681,676	2,370,462
Other revenues	1,764,662	1,386,373	1,435,653	1,127,527	1,273,982
Total operating revenues	\$ 9,298,179	\$ 8,278,464	\$ 8,297,686	\$ 7,486,684	\$ 7,164,367
Operating expenses:					
Personnel services	\$ 602,540	\$ 1,216,869	\$ 1,254,458	\$ 1,288,624	\$ 1,179,681
Fringe benefits	236,469	321,458	433,129	547,783	473,520
Contractual services	3,081,560	1,867,067	1,318,541	1,347,958	1,123,734
Other operating expenses	2,232,960	1,837,633	1,557,188	1,407,650	1,395,161
Depreciation and amortization	1,590,405	1,589,463	1,589,093	1,510,949	1,489,516
Total operating expenses	\$ 7,743,934	\$ 6,832,490	\$ 6,152,409	\$ 6,102,964	\$ 5,661,612
Operating income (loss)	\$ 1,554,245	\$ 1,445,974	\$ 2,145,277	\$ 1,383,720	\$ 1,502,755
Nonoperating revenues (expenses):					
Interest earned	\$ -	\$ -	\$ -	\$ -	\$ -
State, federal and local grant funds	47,032	232,140	143,661	164,322	-
Interest and other nonoperating expense	(637,915)	(646,117)	(821,352)	(922,139)	(1,304,581)
Total nonoperating revenues (expenses)	\$ (590,883)	\$ (413,977)	\$ (677,691)	\$ (757,817)	\$ (1,304,581)
Income (loss) before capital contributions	\$ 963,362	\$ 1,031,997	\$ 1,467,586	\$ 625,903	\$ 198,174
Capital contributions (net)	1,147,439	85,038	696,319	145,698	167,156
Change in net position	\$ 2,110,801	\$ 1,117,035	\$ 2,163,905	\$ 771,601	\$ 365,330

KING GEORGE COUNTY SERVICE AUTHORITY

Table 2
Page 2 of 2

(A Component Unit of the County of King George, Virginia)
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Years Ended June 30,				
	2019	2018	2017	2016	2015
Operating revenues:					
Water revenues	\$ 983,217	\$ 1,194,808	\$ 1,248,037	\$ 1,179,985	\$ 1,094,391
Sewer revenues	1,483,950	1,804,162	1,837,453	1,758,645	1,615,370
Service/debt fees	2,344,954	2,145,631	1,328,844	1,407,144	1,430,948
Other revenues	1,197,566	688,531	579,087	591,703	849,177
Total operating revenues	\$ 6,009,687	\$ 5,833,132	\$ 4,993,421	\$ 4,937,477	\$ 4,989,886
Operating expenses:					
Personnel services	\$ 1,237,894	\$ 1,204,227	\$ 1,134,344	\$ 1,059,881	\$ 903,908
Fringe benefits	409,211	387,951	413,549	383,136	400,971
Contractual services	1,068,784	621,691	387,062	588,167	435,516
Other operating expenses	1,470,883	1,353,458	1,077,167	1,221,226	1,103,812
Depreciation and amortization	1,501,795	1,505,544	1,510,594	1,509,264	1,365,488
Total operating expenses	\$ 5,688,567	\$ 5,072,871	\$ 4,522,716	\$ 4,761,674	\$ 4,209,695
Operating income (loss)	\$ 321,120	\$ 760,261	\$ 470,705	\$ 175,803	\$ 780,191
Nonoperating revenues (expenses):					
Interest earned	\$ -	\$ -	\$ 67,768	\$ -	\$ 323
State, federal and local grant funds	-	-	-	70,018	467,172
Interest and other nonoperating expense	(972,271)	(1,026,289)	(1,080,466)	(1,120,689)	(1,335,992)
Total nonoperating revenues (expenses)	\$ (972,271)	\$ (1,026,289)	\$ (1,012,698)	\$ (1,050,671)	\$ (868,497)
Income (loss) before capital contributions	\$ (651,151)	\$ (266,028)	\$ (541,993)	\$ (874,868)	\$ (88,306)
Capital contributions (net)	450,220	85,038	(152,671)	457,038	1,880,038
Change in net position	\$ (200,931)	\$ (180,990)	\$ (694,664)	\$ (417,830)	\$ 1,791,732

KING GEORGE COUNTY SERVICE AUTHORITY

Table 3

(A Component Unit of the County of King George, Virginia)
 Schedule of Operating Revenues
 Last Ten Fiscal Years

Fiscal Year	Charges for Services	Service/Debt Fees	Availability Fees	Miscellaneous	Total
2015	\$ 2,709,761	\$ 1,430,948	\$ 690,033	\$ 159,144	\$ 4,989,886
2016	2,938,630	1,407,144	476,547	115,156	4,937,477
2017	3,085,490	1,328,844	409,950	169,137	4,993,421
2018	2,998,970	2,145,631	514,091	174,440	5,833,132
2019	2,467,167	2,344,954	957,333	240,233	6,009,687
2020	3,519,923	2,370,462	817,332	456,650	7,164,367
2021	3,677,481	2,681,676	963,526	164,001	7,486,684
2022	3,661,504	3,200,529	1,127,052	308,601	8,297,686
2023	3,718,047	3,174,044	784,835	601,538	8,278,464
2024	4,171,313	3,362,204	736,677	1,027,985	9,298,179

(A Component Unit of the County of King George, Virginia)
 Schedule of Rates
 Last Ten Fiscal Years

Fiscal Year	Water Variable Rate	Water Fixed Rate (1)	Sewer Variable Rate	Sewer Fixed Rate (1)	Debt Sewer	Debt Water
2015	\$ 4.26	\$ 21.30	\$ 9.94	\$ 49.70	\$ 29.98	\$ 18.22
2016	4.60	23.00	10.74	53.70	31.30	19.68
2017	4.92	24.60	11.49	57.45	31.30	19.68
2018	4.53	13.59	11.49	31.71	53.31	32.66
2019	4.53	13.59	11.49	31.71	53.31	32.66
2020	4.98	14.94	11.63	34.89	58.64	35.93
2021	5.18	15.54	12.10	36.30	60.99	37.37
2022	5.39	16.17	12.58	37.74	63.43	38.86
2023	5.61	16.83	13.08	39.24	65.97	40.41
2024	6.17	18.51	14.39	43.17	72.57	44.45

(1) Fixed rate based on 5000 gal. of usage through 2017 based on 3000 gal. of usage in 2018 and after.

(A Component Unit of the County of King George, Virginia)
 Schedule of New Connections
 Last Ten Fiscal Years

Fiscal Year	Water Only Connections	Sewer Only Connections	Full Service Connections Water & Sewer	Total New Connections	Cumulative Connections	% Growth
2015	5	-	39	44	4,023	1.1%
2016	6	1	45	52	4,075	1.3%
2017	5	-	18	23	4,098	0.6%
2018	11	2	79	90	4,162	2.2%
2019	5	-	72	77	4,239	1.9%
2020	4	-	81	85	4,324	2.0%
2021	14	-	97	111	4,435	2.6%
2022	4	-	122	126	4,561	2.8%
2023	6	-	75	81	4,642	1.8%
2024	22	-	71	93	4,735	2.0%

Source: Authority connection records.

KING GEORGE COUNTY SERVICE AUTHORITY**Table 6**

(A Component Unit of the County of King George, Virginia)
Schedule of Water Processed and Wastewater Treated
(in gallons)
Last Ten Calendar Years

Fiscal Year	Water Processed (1)	Wastewater Processed (1)
2015	245,716,965	166,853,900
2016	278,726,000	174,678,900
2017	284,300,520	178,172,478
2018	324,372,808	174,180,222
2019	285,732,910	246,358,000
2020	304,329,366	286,980,000
2021	282,072,417	292,719,600
2022	284,335,627	167,240,000
2023	301,403,680	182,095,000
2024	305,006,904	251,808,000

(1) King George Service Authority

KING GEORGE COUNTY SERVICE AUTHORITY**Table 7**

(A Component Unit of the County of King George, Virginia)
 Schedule of Operating Expenses
 Last Ten Fiscal Years

Fiscal Year	Personnel Services	Fringe Benefits	Contractual Services	Other Operating Expenses	Depreciation & Amortization	Total
2015	\$ 903,908	\$ 400,971	\$ 435,516	\$ 1,103,812	\$ 1,365,488	\$ 4,209,695
2016	1,059,881	383,136	588,167	1,221,226	1,509,264	4,761,674
2017	1,134,344	413,549	387,062	1,077,167	1,510,594	4,522,716
2018	1,204,227	387,951	621,691	1,353,458	1,505,544	5,072,871
2019	1,237,894	409,211	1,068,784	1,470,883	1,501,795	5,688,567
2020	1,179,681	473,520	1,123,734	1,395,161	1,489,516	5,661,612
2021	1,288,624	547,783	1,347,958	1,407,650	1,510,949	6,102,964
2022	1,254,458	433,129	1,318,541	1,557,188	1,589,093	6,152,409
2023	1,216,869	321,458	1,867,067	1,837,633	1,589,463	6,832,490
2024	602,540	236,469	3,081,560	2,232,960	1,590,405	7,743,934

KING GEORGE COUNTY SERVICE AUTHORITY

Table 8
Page 1 of 2

(A Component Unit of the County of King George, Virginia)
Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year		Fiscal Year		
	2024	2023	2022	2021	2020
Notes Payable	\$ 199,995	\$ 216,662	\$ 233,329	\$ 249,996	\$ 266,663
Line of Credit Revenue Note	1,299,217	99,450	99,450	99,450	99,450
Public Facility Lease Revenue Refunding Bonds	2,575,000	2,615,000	2,655,000	2,690,000	-
VRA Water Revenue Bond	-	-	-	-	-
VRA Infrastructure Revenue Bonds	275,000	545,000	810,000	1,070,000	3,725,000
Premium on bonds payable	240,025	264,028	288,031	299,616	489,587
Virginia Revenue Refunding Bond	-	-	-	-	-
Water and Sewer Refunding Bonds	15,645,000	16,025,000	16,390,000	16,740,000	17,070,000
Water and Sewer Revenue Bonds	2,240,511	2,449,542	2,656,395	2,861,092	3,000,051
Lease Liabilities	136,574	192,020	254,239	-	-
Total outstanding debt	\$ <u>22,611,322</u>	\$ <u>22,406,702</u>	\$ <u>23,386,444</u>	\$ <u>24,010,154</u>	\$ <u>24,650,751</u>
Customers (1)	7,500	7,423	7,170	7,008	6,850
Debt per customer	\$ <u>3,015</u>	\$ <u>3,019</u>	\$ <u>3,262</u>	\$ <u>3,426</u>	\$ <u>3,599</u>

N/A - Not available

(1) Total combined water and sewer connections - Table 12

KING GEORGE COUNTY SERVICE AUTHORITY

Table 8
Page 2 of 2

(A Component Unit of the County of King George, Virginia)
Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year				
	2019	2018	2017	2016	2015
Notes Payable	\$ 283,330	\$ 299,997	\$ 316,664	\$ 333,330	\$ 349,997
Line of Credit Revenue Note	-	-	-	-	-
Public Facility Lease Revenue Refunding Bonds	-	-	-	-	-
VRA Water Revenue Bond	-	-	-	-	275,000
VRA Infrastructure Revenue Bonds	3,980,000	4,230,000	4,470,000	4,705,000	4,930,000
Premium on bonds payable	1,395,531	1,495,798	1,596,065	1,696,332	1,796,599
Virginia Revenue Refunding Bond	3,720,000	4,080,000	4,425,000	4,755,000	4,755,000
Water and Sewer Refunding Bonds	12,556,000	13,105,000	13,585,000	14,045,000	14,349,000
Water and Sewer Revenue Bonds	3,167,639	3,330,665	3,489,253	3,643,525	3,649,115
Lease Liabilities	-	-	-	-	-
Total outstanding debt	<u>\$ 25,102,500</u>	<u>\$ 26,541,460</u>	<u>\$ 27,881,982</u>	<u>\$ 29,178,187</u>	<u>\$ 30,104,711</u>
Customers (1)	6,737	6,485	6,335	6,294	6,294
Debt per customer	<u>\$ 3,726</u>	<u>\$ 4,093</u>	<u>\$ 4,401</u>	<u>\$ 4,636</u>	<u>\$ 4,783</u>

N/A - Not available

(1) Total combined water and sewer connections - Table 12

(A Component Unit of the County of King George, Virginia)
 Revenue Bond Coverage (Water and Sewer Bonds)
 Last Ten Fiscal Years

Fiscal Year			Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)									
	Gross Revenue (1)				Principal	Interest	Total	Coverage						
2015	\$	4,990,209	\$	2,844,207	\$	2,146,002	\$	555,855	\$	1,335,992	\$	1,891,847		1.13
2016		4,937,477		3,252,410		1,685,067		949,054		1,120,226		2,069,280		0.81
2017		4,993,421		3,012,122		1,981,299		1,195,938		1,052,704		2,248,642		0.88
2018		5,833,132		3,567,327		2,265,805		1,240,255		1,011,045		2,251,300		1.01
2019		6,009,687		4,186,772		1,822,915		1,338,693		949,922		2,288,615		0.80
2020		7,164,367		4,172,096		2,992,271		813,255		610,871		1,424,126		2.10
2021		7,486,684		4,592,015		2,894,669		740,624		660,447		1,401,071		2.07
2022		8,297,686		4,563,316		3,734,370		939,172		611,069		1,550,241		2.41
2023		8,278,464		5,243,027		3,035,437		1,005,423		571,055		1,576,478		1.93
2024		9,298,179		6,153,529		3,144,650		977,081		637,915		1,614,996		1.95

(1) Total revenues includes investment earnings and other nonoperating income excluding state and federal grant funds.

(2) Total expenses exclusive of depreciation and bond interest.

(3) Includes principal and interest on revenue bonds only. Does not include general obligation bond principal and interest.

(A Component Unit of the County of King George, Virginia)
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population	Unemployment Rate	Per Capita Personal Income	Total Personal Income	Student Enrollment
2015	25,371	5.30	\$ 47,244	\$ 1,198,627,524	4,384
2016	25,515	4.20	47,244	1,205,430,660	4,386
2017	25,515	3.80	47,244	1,205,430,660	4,366
2018	25,515	3.30	47,244	1,205,430,660	4,532
2019	25,863	2.70	53,000	1,370,739,000	4,477
2020	26,016	5.90	53,000	1,378,848,000	4,518
2021	26,723	3.40	57,377	1,533,285,571	4,468
2022	27,489	2.40	62,077	1,706,434,653	4,521
2023	27,665	2.60	64,018	1,771,057,970	4,544
2024	28,568	2.80	65,579	1,873,460,872	4,595

Sources: Department of Education, Federal Reserve Bank Economic Data, Virginia Works, US Census Bureau

(A Component Unit of the County of King George, Virginia)

Principal Employers

Current Year and Nine Years Prior

Employer	Fiscal Year 2024		Fiscal Year 2015	
	Employees (1)	Rank	Employees (1)	Rank
U.S. Department of Defense	1000 and over	1	1000 and over	1
King George County Public School Board	500 to 999	2	500 to 999	2
Tatitlek Training Services Inc.	250 to 499	3	249 and under	10
County of King George	250 to 499	4	250 to 499	3
URS Federal Services	249 and under	5	-	-
Southeastern Comp Consts Inc	249 and under	6	-	-
WalMart	249 and under	7	250 to 499	4
Booz, Allen, & Hamilton	249 and under	8	-	-
Food Lion	249 and under	9	-	-
Technology Service Corporation	249 and under	10	-	-
EG & G, Inc.	-	-	250 to 499	5
Northrop Grumman Corporation	-	-	250 to 499	6
Marconi Technology	-	-	249 and under	7
Integrated Microcomputer System, Lockheed Martin	-	-	249 and under	8
Solutions Development Corporation			249 and under	9

Source: 50 Largest Employers of King George County

(1) The VEC is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act.

(A Component Unit of the County of King George, Virginia)
Operating and Capital Indicators
Last Ten Fiscal Years

	2015	2016	2017	2018	2019
Water System:					
Number of water systems	9	9	9	9	9
Number of service connections	4,023	4,049	4,072	4,162	4,239
Miles of water mains	250	250	250	250 miles	250 miles
Daily average consumption in gallons	755,200 gallons per day	763,633 per day	778,906 per day	888,693 per day	782,829 per day
Average amount of water distributed from Service Authority facilities	755,200 gallons per day	763,633 per day	778,906 per day	888,693 per day	782,829 per day
Storage capacity	2.2 million gallons	2.2 million gallons	2.2 million gallons	2.2 million gallons	2.2 million gallons
Sewerage System:					
Number of treatment plants	5	5	5	5	5
Number of service connections	2,240	2,245	2,263	2,323	2,498
Miles of sanitary sewers	200 miles	200 miles	200 miles	200 miles	200
Daily average treatment in gallons	457,133 gallons per day	478,572 per day	488,144 per day	477,206 per day	675,00 per day
Design capacity of treatment plants	1,835,000 gallons per day	1,835,000 per day	1,835,000 per day	1,835,000 per day	1,960,000 per day
Number of full time employees	24	24	23	23	26

NA - Not available

Source: King George County Service Authority

(A Component Unit of the County of King George, Virginia)
Operating and Capital Indicators
Last Ten Fiscal Years

	2020	2021	2022	2023	2024
Water System:					
Number of water systems	9	9	9	9	9
Number of service connections	4,324	4,435	4,465	4,642	4,642
Miles of water mains	250 miles	250 Miles	250 Miles	250 Miles	250 Miles
Daily average consumption in gallons	831,501 per day	772,800 per day	779,000 per day	826,000 per day	836,000 per day
Average amount of water distributed from Service Authority facilities	831,501 per day	772,800 per day	779,000 per day	826,000 per day	836,000 per day
Storage capacity	2.2 million gallons	2.2 million gallons	2.2 million gallons	2.2 million gallons	2.2 million gallons
Sewerage System:					
Number of treatment plants	5	5	5	5	5
Number of service connections	2526	2573	2705	2781	2858
Miles of sanitary sewers	200 miles	200 miles	200 miles	200 miles	200 miles
Daily average treatment in gallons	786,000 per day	802,000 per day	458,000 per day	499,000 per day	591,000 per day
Design capacity of treatment plants	1,930,000 per day	1,960,000 per day	1,960,000 per day	1,960,000 per day	1,960,000 per day
Number of full time employees	26	25	26	10	10

NA - Not available

Source: King George County Service Authority

(A Component Unit of the County of King George, Virginia)
Principal Water and Sewer Customers
Current Year and Nine Years Prior

Principal Users of the Water System	Principal Business	Fiscal Year 2024			Fiscal Year 2015		
		in 000/gallons	% of System	Rank	in 000/gallons	% of System	Rank
Monmouth Woods	Apartments	5,449,606	1.79%	1	6,839,720	2.78%	1
Mcdaniels Carwash LLC	Carwash	3,977,066	1.30%	2	-	-	-
King George County Schools	Public School System	3,940,387	1.29%	3	4,288,040	1.75%	2
Project Faith	Housing	3,688,397	1.21%	4	-	-	-
American Healthcare	Nursing Home	3,474,283	1.14%	5	-	-	-
Sheetz Stores	Convenience Store	2,743,401	0.90%	6	-	-	-
OMZ King George LLC	Multiple Retail	2,624,400	0.86%	7	-	-	-
Dahlgren Hospitality LLC	Hotel	2,133,300	0.70%	8	-	-	-
Richmond American Homes of Virginia, Inc.	Builder	1,511,537	0.50%	9	-	-	-
COPT Property Management	Office Building	1,462,559	0.48%	10	-	-	-
Fairview B LLC	Campground, Retail, Apartments	-	-	-	2,149,160	0.87%	4
WaWa	Retail	-	-	-	2,671,800	1.09%	3
Fresenius	Medical	-	-	-	1,995,300	0.81%	5
Waste Management	Landfill	-	-	-	1,596,980	0.65%	6
Comm Housing Partners Corp	Apartments	-	-	-	1,564,400	0.64%	7
Dahlgren Comfort Inn	Hotel	-	-	-	1,409,200	0.57%	8
Holiday Inn Express	Hotel	-	-	-	1,240,480	0.50%	9
Wal-mart Stores	Retail	-	-	-	1,177,040	0.48%	10
Total		31,004,936	10.17%		24,932,120	10.14%	
Total System Annual Consumption		305,006,904			245,716,965		
Principal Users of the Sewer System		Fiscal Year 2024			Fiscal Year 2015		
		in 000/gallons	% of System	Rank	in 000/gallons	% of System	Rank
Monmouth Woods	Apartments	5,449,606	2.53%	1	6,839,720	4.10%	1
Mcdaniels Carwash LLC	Carwash	3,977,066	1.84%	2	-	-	-
King George County Schools	Public School System	3,940,387	1.83%	3	4,849,900	2.91%	2
Project Faith	Housing	3,688,397	1.71%	4	-	-	-
American Healthcare	Nursing Home	3,474,283	1.61%	5	3,491,800	2.09%	3
Sheetz Stores	Convenience Store	2,743,401	1.27%	6	-	-	-
OMZ King George LLC	Multiple Retail	2,624,400	1.22%	7	-	-	-
Dahlgren Hospitality LLC	Hotel	2,133,300	0.99%	8	-	-	-
Richmond American Homes of Virginia, Inc.	Builder	1,511,537	0.70%	9	-	-	-
COPT Property Management	Office Building	1,462,559	0.68%	10	-	-	-
WaWa	Retail	-	-	-	2,671,800	1.60%	4
Fresenius	Medical	-	-	-	1,995,300	1.20%	5
Fairview B LLC	Campground, Retail, Apartments	-	-	-	1,676,980	1.01%	6
Waste Management	Landfill	-	-	-	1,596,980	0.96%	7
Comm Housing Partners Corp	Apartments	-	-	-	1,564,400	0.94%	8
Dahlgren Comfort Inn	Hotel	-	-	-	1,409,200	0.84%	9
Holiday Inn Express	Hotel	-	-	-	1,240,480	0.74%	10
Total		31,004,936	14.37%		27,336,560	16.39%	
Total System Annual Flow		251,808,000			166,853,900		

Source: King George County Service Authority



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of the Board of Directors
King George County Service Authority
County of King George, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of King George County Service Authority, Component Unit of County of King George, Virginia, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise King George County Service Authority's basic financial statements, and have issued our report thereon dated January 23, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

January 23, 2025