South Central Wastewater Authority

Financial Statements

Year Ended June 30, 2024

South Central Wastewater Authority

Financial Statements
Year Ended June 30, 2024

SOUTH CENTRAL WASTEWATER AUTHORITY

Petersburg, Virginia

(A Public Body Politic and Corporation Chartered July, 1996)

- Board of Directors -

Douglas E. Smith, Chairman
City of Colonial Heights

W. Kevin Massengill, Vice Chairman
County of Dinwiddie

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

Dr. Joseph P. Casey, Member
Chesterfield County

John “March” Altman, Member
City of Petersburg

Jeffrey Stoke, Member
Prince George County

- Officials -

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

James C. Gordon, Assistant Executive Director

Melissa B. Wilkins, Business Manager/FOIA Officer

McGuire Woods, Counsel

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Independent Auditors' Report

To the Honorable Members of
South Central Wastewater Authority
Petersburg, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of South Central Wastewater Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise South Central Wastewater 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 of South Central Wastewater Authority, as of June 30, 2024, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Report on Summarized Comparative Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2024, on our consideration of South Central Wastewater 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 South Central Wastewater 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 South Central Wastewater Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 9, 2024

As management of the South Central Wastewater Authority (Authority), we offer readers of the South Central Wastewater Authority’s financial statements this narrative overview and analysis of the financial activities of South Central Wastewater Authority for the fiscal year ending June 30, 2024.

Overview of the Financial Statements

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

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

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

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

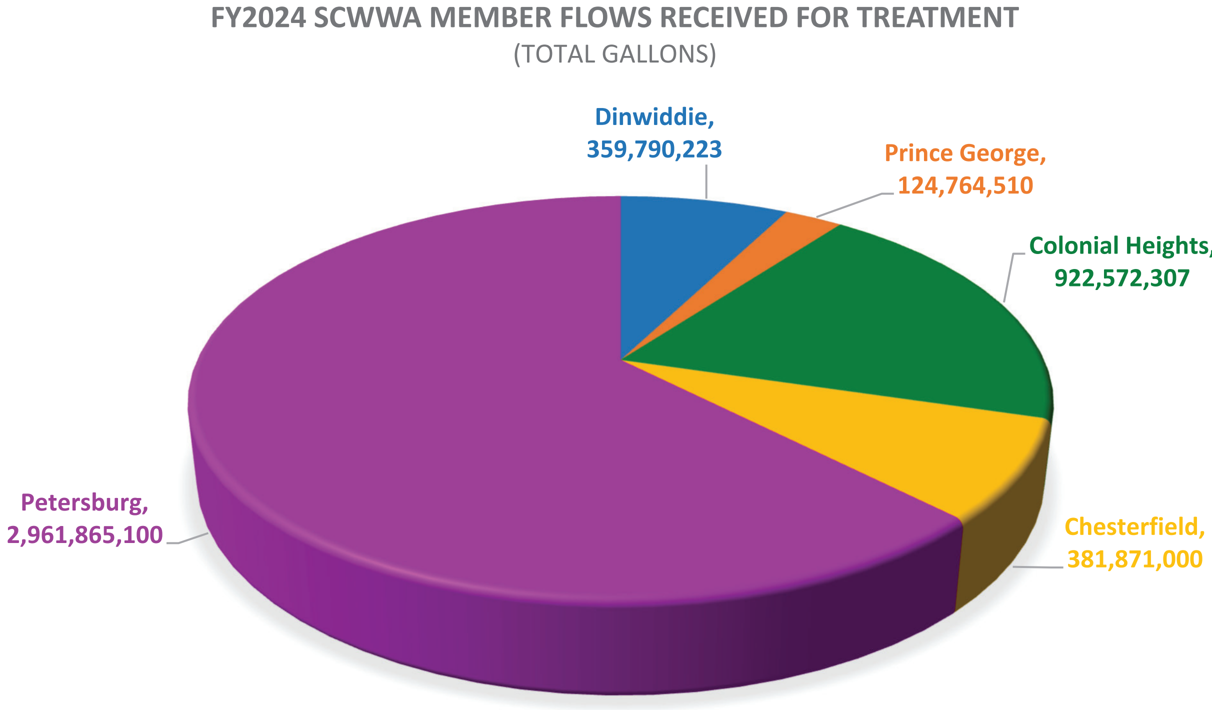
Refer to the table of contents for the basic enterprise fund financial statements.

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

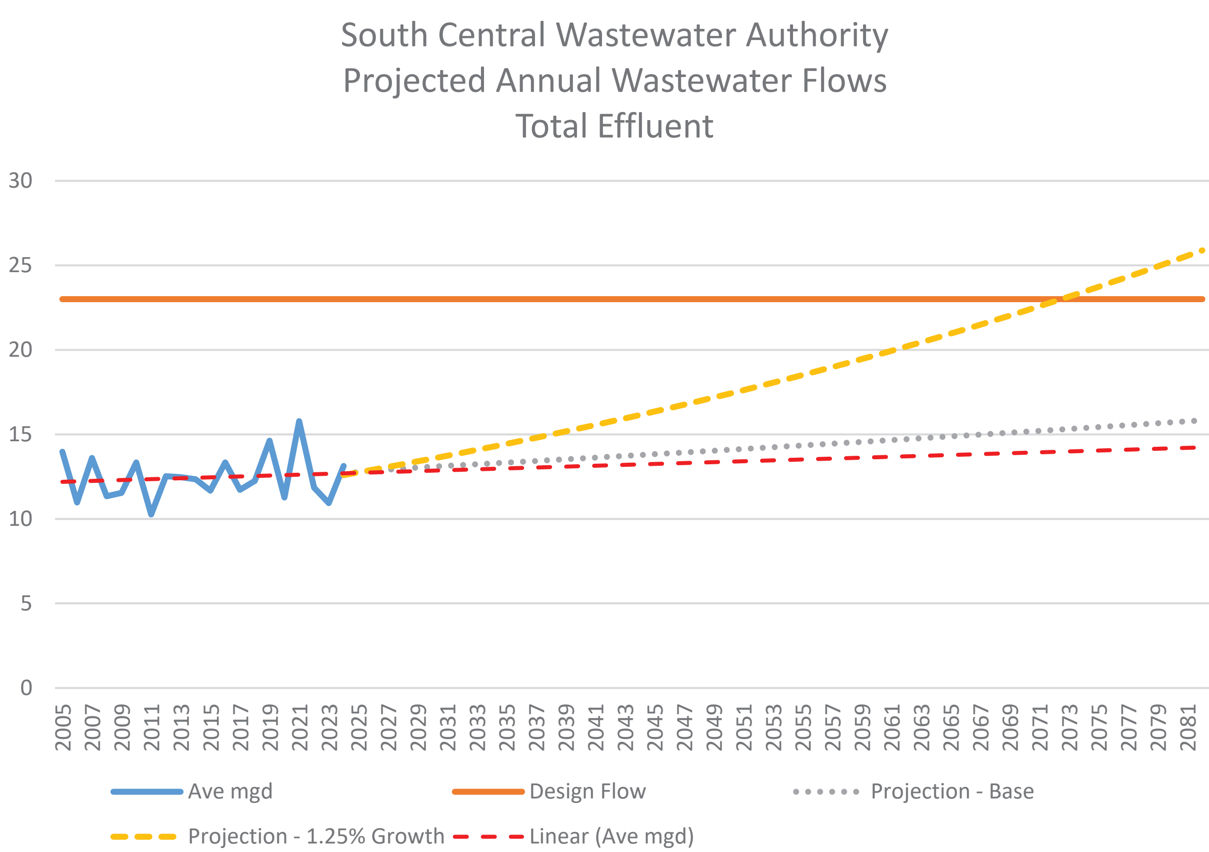
Summary of South Central Wastewater Authority Operations

The South Central Wastewater Authority (Authority) is a body politic and corporate organized under the laws of the Commonwealth of Virginia whose address is 900 Magazine Road, Petersburg, Virginia 23803. The Authority provides wholesale wastewater treatment services to five incorporating subdivisions: County of Chesterfield, City of Colonial Heights, County of Dinwiddie, City of Petersburg and County of Prince George. The requirements and billing structure for providing wastewater treatment services to the five incorporating subdivisions is outlined in the 1996 Service Agreement and subsequent amendments. The current plant’s rated capacity is 23 million gallons per day.

Summary of South Central Wastewater Authority Operations: (Continued)



The treated effluent from the Authority wastewater treatment facility discharges to the Appomattox River, a tributary of the James River, a major watershed of the Chesapeake Bay. In fiscal year 2024, the Authority received more precipitation compared to fiscal year 2023. The flow for treated wastewater proportionally followed a similar trend, increasing in fiscal year 2024 when compared to fiscal year 2023. Based on data since 2005, average flows appear to be fairly flat, but they are variable depending on the precipitation experienced within the fiscal year.



Financial Highlights

-- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by $49,124,840 (net position). Of this amount, $28,046,906 is reported as unrestricted net position.

-- The Authority's total net position increased by $5,382,284.

-- The Authority's total long-term debt increased by $158,703 during the current fiscal year. The Authority's investment in capital assets increased during the year by $1,834,581 after recording depreciation expense of $1,306,360. Details of these items can be found under the heading "*Capital Asset and Debt Administration*".

-- Total revenues increased by $1,012,093. (net of loss on disposal of capital assets). Total expenses decreased by $14,909.

-- Due to member localities for fiscal year 2024 totals $305,364.

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 $49,124,840 at the close of the most recent fiscal year.

A portion of the Authority's net position (42.91%) reflects its net investment in capital assets. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

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

	Net Position	
	2024	2023
Current and other assets	$ 29,440,486	$ 25,090,684
Capital assets	21,079,733	19,245,152
Total assets	$ 50,520,219	$ 44,335,836
Deferred outflows - pension related items	$ 267,970	$ 245,399
Deferred outflows - OPEB related items	58,909	63,340
Total deferred outflows	$ 326,879	$ 308,739
Long-term liabilities	$ 739,196	$ 580,493
Other liabilities	843,817	65,478
Total liabilities	$ 1,583,013	$ 645,971
Deferred inflows - pension related items	$ 93,706	$ 187,323
Deferred inflows - OPEB related items	45,539	68,725
Total deferred inflows	$ 139,245	$ 256,048
Investment in capital assets	$ 21,077,934	$ 19,240,333
Unrestricted	28,046,906	24,502,223
Total net position	$ 49,124,840	$ 43,742,556

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

Financial Analysis: (Continued)

	Change in Net Position	
	2024	**2023**
Revenues:		
Operating revenues	$ 6,929,897	$ 6,724,143
Gain (loss) on disposal of capital assets	(247)	(299,051)
Water Quality Improvement Fund revenue	-	1,097,756
CSLFRF - Nutrient Upgrade Project	2,715,556	1,135,730
Investment income	920,086	595,817
Capital contributions	2,500,000	2,500,000
Total revenues	$ 13,065,292	$ 11,754,395
Expenses:		
Operating expenses (excluding depreciation)	$ 6,376,551	$ 6,372,396
Depreciation expense	1,306,360	1,325,354
Interest expense	97	167
Total expenses	$ 7,683,008	$ 7,697,917
Increase (decrease) in net position	$ 5,382,284	$ 4,056,478
Net position-July 1	43,742,556	39,686,078
Net position-June 30	$ 49,124,840	$ 43,742,556

The Authority's net position increased by $5,382,284 during the current year. Key elements of the changes in revenues and expenses are explained in greater detail under the Review of Operations section.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2024 amounts to $21,079,733 (net of accumulated depreciation). Investment in capital assets increased by approximately 9.53% during the year. Below is a comparison of the items that make up capital assets as of June 30, 2024 vs. June 30, 2023.

	2024	**2023**
Land	$ 92,968	$ 92,968
Sewer system plant	33,990,396	33,840,920
Plant machinery	7,408,434	7,406,821
Equipment and vehicles	2,643,121	2,569,833
Lease equipment	10,643	10,643
Accumulated depreciation	(31,311,613)	(30,039,372)
Construction in progress	8,245,784	5,363,339
Total capital assets	$ 21,079,733	$ 19,245,152

More detailed information on the Authority’s capital assets is presented in Note 4 of the notes to the financial statements.

Capital Asset and Debt Administration: (Continued)

Long-Term Obligations - At the end of the current fiscal year, the Authority's long-term debt included net pension obligation, net OPEB obligation, lease liability and compensated absences. Total long-term debt increased by $158,703, primarily due to an increase in pension liability.

More detailed information on the Authority's long-term obligations is presented in the notes to the financial statements.

Review of Operations

Total revenues increased by $1,310,897 in fiscal year 2024. This includes the amounts received from the American Rescue Plan Act/CSLFRF (ARPA) for reimbursement of expenses related to the Nutrient Reduction Project as outlined in the agreement. Operating revenues increased by $205,754, due to projected increases in electricity, chemical costs, cost to maintain aging infrastructure, and making improvements to aging infrastructure not included in the NRP. Operating expenses (excluding depreciation) were relatively flat only increasing $4,155 or <1%.

Authority Highlights

- Successful completion of FY2022/2023 annual audit.
- The treatment facility discharge effluent quality met all VPDES permit limits during the fiscal year and no significant problems were encountered with the operating the plant.
- The average flow for fiscal year 2024 was 2.40 mgd more than fiscal year 2023. Rainfall measured at the treatment plant for fiscal year 2024 was 52.53 inches compared to 45.05 inches in fiscal year 2023.

FY2024 Comparison (Total Flow numbers are Primary Effluent flow numbers)

		FY2024	FY2023
Total Annual Flow	(mg)	5,215	4,332
Minimum Day	(mgd)	6.118 (Oct 2023)	8.099 (July 2022)
Maximum Day	(mgd)	38.598 (Jan 2024)	27.960 (Dec 2022)
Average Day	(mgd)	14.288	11.869

Note: These annual flow numbers include septage/leachate received and internal facility flows

- Awarded contract for Phases 1-4 for the Nutrient Reduction Project.
- First Amendment to the Service agreement completed allocating the additional capacity obtained by rerating the treatment plant from 20 mgd to 23 mgd.
- Secured Total Nitrogen and Total Phosphorus nutrient credits needed through 2028.
- Filtrate pump station rebuilt
- Clarifier 3 gate valve and mechanism drive repaired.
- Pump building 1 scum pumps and grinders rebuilt.
- Rebuild gravity belt thickener and belt filter press hydraulic power packs. Replaced roller bearings as needed.
- Truck scale kiosk was updated.
- Hypochlorite tank 5 was replaced.
- Remote pH monitors were installed in the Petersburg main pump station and East Bank pump station. The monitors have been added to the plant SCADA.
- Fiber optic ring was rerouted to the headworks building in preparation for the Nutrient Reduction Project. Switching to the new fiber is ongoing.
- New laboratory refrigerators were purchased and installed.

Authority Highlights: (Continued)

- New microscopes were purchased for the lab and operations.
- OT firewall updated.
- Return Activated Sludge (RAS) PLC 4 was upgraded.
- Pump building 3 and 5 Motor Control Centers (MCCs) received. RAS pump operation switched to hand operation on temporary system during MCC upgrade.

The Commonwealth of Virginia posted its final Chesapeake Bay TMDL Phase III Watershed Implementation Plan (WIP) in August 2019. The Authority is included in the legislation, HB2129, to be upgraded to achieve 4.0 milligrams per liter (mg/l) for Total Nitrogen (TN) and 0.3 mg/l of Total Phosphorus (TP). The Commonwealth began negotiations with SCWWA to provide a grant for $85 million (based on the engineer's initial estimate of $112,584,540) or 95% of grant eligible funding through the Water Quality Improvement Fund (WQIF) for the Nutrient Reduction Project (NRP). On March 23, 2023, HB1839 and SB963, were signed into law. Both bills require the Authority to meet the nitrogen effluent limit of 4.0 mg/l and phosphorous effluent limit of 0.3 mg/l by January 1, 2030. In November 2022, the Authority also received American Rescue Plan Act (ARPA) funds in the amount of $16.43 million to use toward the NRP and in December 2023 received an additional authorization for $19,184,859 for a total ARPA grant amount of $35,614,859. The City of Petersburg also received approval for ARPA funds in the amount of $19,290,000 to cover their estimated local share of the NRP. ARPA funds must be allocated by December 31, 2024, and all funds expensed by December 31, 2026. The NRP has been split into six phases. All phases are expected to be bid and awarded by December 31, 2024. Once the total cost of all phases is known, DEQ and Authority staff will meet to finalize the grant based on final bid costs. The local share portion of the project will be divided between the incorporating subdivisions by their respective percent ownership in the plant if construction costs exceed the budget outlined in ARPA grant ENRCPP-05.

In January 2023, DEQ implemented a reduction in the Total Phosphorus (TP) Waste Load Allocation (WLA) for certain facilities. The Authority is impacted by this reduction. The WLA for the Authority decreases TP from 28,404 pounds to 14,011 pounds annually. The Authority requested a compliance schedule and will be required to meet the new WLA in 2026. The Authority will be in the middle of the NRP at that time and will need to purchase nutrient credits for TP to meet the WLA. The Authority has committed to purchasing TP credits from the Virginia Nutrient Exchange for 2029. Upon completion of the NRP, the Authority will reduce its average TP discharge to 0.3 mg/L or less. Based on this average discharge concentration and current flow projection, SCWWA will be able to meet the WLA through 2065.

Wet Weather Infiltration & Inflow (I&I)

The wastewater facility biological treatment process is very vulnerable to upsets due to high influent flows during wet-weather events. The base design of the SCWWA plant allows for a peak day flow of 52.6 MGD and a peak hour flow of 69.0 MGD (3.0 times average). The Authority does not own the wastewater collection systems transporting the influent to the Authority's wastewater treatment facility. From the regulatory perspective, there is the potential that the incorporating subdivisions will be responsible for finding and eliminating I & I sources in their collection systems. The incorporating subdivisions may also need to consider constructing and operating flow equalization facilities to mitigate the I & I that is not practicable to eliminate to prevent surges to the Authority wastewater treatment plant. The City of Petersburg has installed a wastewater equalization (holding) tank at their Poor-Creek Pump Station to mitigate peak flows from this sewer-shed. The Poor Creek pump station and conveyance line to the Authority is currently being upgraded and replaced.

Biosolids Handling

The Authority utilizes land application for disposal of generated biosolids. For fiscal year 2024, minimal biosolids have been maintained onsite. Recyc Systems, Inc. routinely hauls biosolids Monday – Friday depending on the weather. They have successfully hauled biosolids offsite within the 30-day contract requirement.

Economic Conditions

The Authority continues to operate under sound management, with current working capital and positive cash flows from operations and an outside revenue stream. Overall finances for the Authority for fiscal year 2024 as viewed by management, including the Board of Directors, are considered sound.

Contacting the Authority

Questions concerning this report or requests for additional information should be directed to the Executive Director, 21300 Chesdin Road, Petersburg, Virginia 23803, telephone (804) 590-1145.

- Financial Statements -

SOUTH CENTRAL WASTEWATER AUTHORITY

Statement of Net Position
June 30, 2024
(With Comparative Totals for the Prior Year)

		2024		2023
Assets				
Current Assets				
Cash and cash equivalents	$	8,238,731	$	7,412,482
Cash and cash equivalents - Board designated		16,362,682		14,458,228
Accounts receivable		12,790		19,565
Due from member localities		-		27,705
Due from other governmental units		3,851,286		2,233,486
Inventory		909,138		882,309
Prepaid expenses		65,859		56,909
Total Current Assets	$	29,440,486	$	25,090,684.00
Noncurrent Assets				
Capital Assets:				
Land and land rights	$	92,968	$	92,968
Sewer system		33,990,396		33,840,920
Plant machinery		7,408,434		7,406,821
Equipment and vehicles		2,643,121		2,569,833
Lease equipment		10,643		10,643
Accumulated depreciation		(31,311,613)		(30,039,372)
Sub-total net capital assets	$	12,833,949	$	13,881,813
Construction in progress		8,245,784		5,363,339
Total net capital assets	$	21,079,733	$	19,245,152
Total Noncurrent Assets	$	21,079,733	$	19,245,152
Total Assets	$	50,520,219	$	44,335,836
Deferred Outflows of Resources				
Pension related items	$	267,970	$	245,399
OPEB related items		40,809		63,340
Total Deferred Outflows of Resources	$	308,779	$	308,739.00

SOUTH CENTRAL WASTEWATER AUTHORITY

Statement of Net Position
June 30, 2024 (continued)
(With Comparative Totals for the Prior Year)

		2024		2023
Liabilities				
Current Liabilities				
Accounts payable and other accrued expenses	$	538,453	$	65,478
Refunds due to member localities		305,364		-
Total Current Liabilities	$	843,817	$	65,478
Current Liabilities Payable from Restricted Assets				
Lease liabilities - current portion	$	1,799	$	3,020
Total Current Liabilities Payable from Restricted Assets	$	1,799	$	3,020
Total Current Liabilities	$	845,616	$	68,498
Noncurrent Liabilities				
Net OPEB liabilities	$	194,244	$	210,862
Net pension liability		323,643		119,429
Lease liabilities - net of current portion		-		1,799
Compensated absences		219,510		245,383
Total Noncurrent Liabilities	$	737,397	$	577,473
Total Liabilities	$	1,583,013	$	645,971
Deferred Inflows of Resources				
Pension related items	$	93,706	$	187,323
OPEB related items		45,539		68,725
Total Deferred Inflows of Resources	$	139,245	$	256,048
Net Position				
Net investment in capital assets	$	21,077,934	$	19,240,333
Unrestricted		28,028,806		24,502,223
Total Net Position	$	49,106,740	$	43,742,556

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

SOUTH CENTRAL WASTEWATER AUTHORITY

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

	2024	2023
Operating Revenues		
Charges for services	$ 6,776,034	$ 6,549,522
Septage and miscellaneous	153,863	174,621
Total Operating Revenues	$ 6,929,897	$ 6,724,143
Operating Expenses		
Operating and maintenance:		
Salaries	$ 2,142,978	$ 2,149,532
Employee benefits	959,188	837,815
Contractual services	212,993	191,705
Chemicals	1,047,991	865,335
Materials and supplies	691,728	1,038,920
Sludge disposal	398,036	408,019
Other charges	854,237	793,570
Nutrient credit purchases	87,500	87,500
Depreciation	1,306,360	1,325,354
Total Operating Expenses	$ 7,701,011	$ 7,697,750
Net Operating Income (Loss)	$ (771,114)	$ (973,607)
Nonoperating Revenues (Expenses)		
Contributions from member localities:		
Capital reserve	$ 2,500,000	$ 2,500,000
Water Quality Improvement Fund revenue	-	616,919
CSLFRF Nutrient Upgrade Project	2,715,556	1,135,730
Interest income	920,086	595,817
Interest expense	(97)	(167)
Gain (Loss) on disposal of equipment	(247)	(299,051)
Total Nonoperating Revenues (Expenses)	$ 6,135,298	$ 4,549,248
Change in net position	$ 5,364,184	$ 3,575,641
Net position, beginning of year	43,742,556	40,166,915
Net position, end of year	$ 49,106,740	$ 43,742,556

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2024
(With Comparative Totals for the Prior Year)

	2024	2023
Cash flows from operating activities:		
Receipts from customers and users	$ 7,269,741	$ 6,399,215
Payments to suppliers and vendors	(2,855,290)	(3,292,895)
Payments to and on behalf of employees	(3,057,286)	(3,016,206)
Net cash provided by (used for) operating activities	$ 1,357,165	$ 90,114
Cash flows from capital and related financing activities:		
Intergovernmental revenue - capital reserve	$ 2,500,000	$ 2,500,000
Proceeds from capital grants	1,097,756	-
Acquisition of plant and equipment	(3,141,190)	(2,472,737)
Principle paid on lease liability	(3,020)	(2,939)
Interest paid on lease liability	(97)	(167)
Net cash provided by (used for) capital and related financing activities	$ 453,449	$ 24,157
Cash flows from investing activities:		
Interest received	$ 920,089	$ 595,817
Net cash provided by (used for) investing activities	$ 920,089	$ 595,817
Net increase (decrease) in cash and cash equivalents	$ 2,730,703	$ 710,088
Cash and cash equivalents at beginning of year	$ 21,870,710	$ 21,160,622
Cash and cash equivalents at end of year	$ 24,601,413	$ 21,870,710
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (771,114)	$ (973,607)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,306,360	1,325,354
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in receivables	6,775	(3,229)
(Increase) decrease in due from other governmental units	-	
(Increase) decrease in inventories	(26,829)	92,402
(Increase) decrease in prepaid expenses	(8,950)	514
(Increase) decrease in net pension asset	-	443,152
(Increase) decrease in pension deferred outflows of resources	(22,571)	(52,127)
(Increase) decrease in OPEB deferred outflows of resources	22,531	11,044
(Increase) decrease in due from member localities	27,705	(27,705)
Increase (decrease) in operating accounts payable and accrued expenses	472,974	3,618
Increase (decrease) in retainage payable	-	(4,380)
Increase (decrease) in refunds due to member localities	305,364	(293,994)
Increase (decrease) in compensated absences	(25,873)	(3,552)
Increase (decrease) in net pension liability	204,214	119,429
Increase (decrease) in pension deferred inflows of resources	(93,617)	(523,609)
Increase (decrease) in OPEB deferred inflows of resources	(23,186)	16,169
Increase (decrease) in OPEB liabilities	(16,618)	(39,365)
Net cash provided by (used for) operating activities	$ 1,357,165	$ 90,114

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

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS:

The South Central Wastewater Authority (Authority) is a body politic and corporate organized under the laws of the Commonwealth of Virginia whose address is 900 Magazine Road, Petersburg, Virginia 23803. The Authority provides wholesale wastewater treatment services to five incorporating subdivisions: County of Chesterfield, City of Colonial Heights, County of Dinwiddie, City of Petersburg and County of Prince George. The requirements and billing structure for providing wastewater treatment services to the five incorporating subdivisions is outlined in the 1996 Service Agreement and subsequent amendments. The current plant's rated capacity is 23 million gallons per day.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity:

The Authority's governing body is comprised of one member appointed by each of the five participating jurisdictions. These governmental entities have an ongoing financial responsibility to the Authority because its continued existence depends on continued funding by the participants. The Authority is a legally separate entity from the participating governments and no participating government has access to its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

The Authority has been determined to be a joint venture of the five participating jurisdictions. The Authority is not a component unit of any of the participating governments. There are no component units to be included in the Authority's financial statements.

B. Basis of Accounting:

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

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

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

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

C. 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

– 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

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

D. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Accounts Receivable:

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

F. Inventories:

Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption and are recorded as expenses when used (consumption method).

G. Capital Assets:

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

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

G. Capital Assets: (Continued)

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

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

Sewer system	40 years
Plant machinery	15 years
Equipment and vehicles	5 years
Lease equipment	3-5 years

H. Compensated Absences:

Authority employees are granted vacation and sick leave in varying amounts. In the event of termination other than retirement, Authority employees are paid for accumulated vacation days based on years of service and are not paid for accumulated sick leave. Upon retirement, Authority employees are paid for accumulated vacation days and a portion of accumulated sick leave. The unused vested portion of vacation and sick leave is recorded as a liability at year end.

I. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

J. 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.

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

J. Net Position: (Continued)

- 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.

K. Net Position Flow Assumption:

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

L. Deferred Outflows/Inflows of Resources:

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

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

M. Prepaid Expenses:

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

N. Pensions:

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

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

O. Other Postemployment Benefits (OPEB):

Group Life Insurance

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

P. Financial Statement Presentation:

Certain amounts in the financial statements of the prior fiscal year have been reclassified to conform to the current financial statement presentation.

Q. Leases:

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

Lessee

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

Key Estimates and Judgments

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

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.

- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability.

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

Q. Leases: (continued)

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

NOTE 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).

The Authority has not implemented a formal investment policy.

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities:

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

Authority's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	$ 16,620,623
Total	$ 16,620,623

Interest Rate Risk:

Investment Maturities (in years)

	Value	Less Than 1 Year
Local Government Investment Pool	$ 16,620,623	$ 16,620,623
	$ 16,620,623	$ 16,620,623

External Investment Pool:

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

Concentration of Credit Risk:

The Authority's common practice is to establish limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or agency securities.

NOTE 4 – CAPITAL ASSETS:

A summary of the Authority's capital assets and the changes therein for the year ended June 30, 2023, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	$ 92,968	$ -	$ -	$ 92,968
Construction in progress	5,363,339	2,969,355	86,910	8,245,784
Total capital assets not being depreciated	$ 5,456,307	$ 2,969,355	$ 86,910	$ 8,338,752
Other capital assets, being depreciated:				
Sewer system	$ 33,840,920	$ 149,476	$ -	$ 33,990,396
Plant machinery	7,406,821	13,814	12,201	7,408,434
Equipment and vehicles	2,569,833	95,454	22,166	2,643,121
Lease equipment	10,643	-	-	10,643
Total other capital assets being depreciated	$ 43,828,217	$ 258,744	$ 34,367	$ 44,052,594
Accumulated depreciation:				
Sewer system	$ (21,993,649)	(873,423)	$ -	$ (22,867,072)
Plant machinery	(6,025,022)	(291,017)	(12,202)	(6,303,837)
Equipment and vehicles	(2,014,761)	(138,881)	(21,917)	(2,131,725)
Lease equipment	(5,940)	(3,039)	-	(8,979)
Total accumulated depreciation	$ (30,039,372)	(1,306,360)	$ (34,119)	$ (31,311,613)
Other capital assets being depreciated, net	$ 13,788,845	$ (1,047,616)	$ 248	$ 12,740,981
Capital assets, net	$ 19,245,152	$ 1,921,739	$ 87,158	$ 21,079,733

Depreciation expense for the fiscal year totaled $1,306,360.

NOTE 5 – LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

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

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Lease liabilities	$ 4,819	$ -	$ 3,020	$ 1,799
Net OPEB liabilities	$ 210,862	$ 104,532	$ 121,150	$ 194,244
Compensated absences	$ 245,383	$ -	$ 25,873	$ 219,510
Net pension liability	$ 119,429	$ 806,528	$ 602,314	$ 323,643
Totals	$ 580,493	$ 911,060	$ 752,357	$ 739,196

NOTE 6 – PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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. 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. 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.

NOTE 6 – 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.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	22
Inactive members:	
Vested inactive members	8
Non-vested inactive members	12
Inactive members active elsewhere in VRS	13
Total inactive members	33
Active members	32
Total covered employees	87

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2023 was 6.73% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $112,646 and $115,472 for the years ended June 30, 2024 and June 30, 2023, respectively.

NOTE 6 – PENSION PLAN: (CONTINUED)

Net Pension Liability (Asset)

The net pension liability (asset) 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. For the Authority, the net pension liability (asset) was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

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

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

Mortality rates:

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

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

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

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

NOTE 6 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

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

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

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

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

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

NOTE 6 – PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

* 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%.

NOTE 6 – 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.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	$ 6,181,009	$ 6,061,580	$ 119,429
Changes for the year:			
Service cost	$ 175,963	$ -	$ 175,963
Interest	421,513	-	421,513
Differences between expected and actual experience	205,182	-	205,182
Contributions - employer	-	114,913	(114,913)
Contributions - employee	-	92,176	(92,176)
Net investment income	-	395,065	(395,065)
Benefit payments, including refunds of employee contributions	(224,664)	(224,664)	-
Administrative expenses	-	(3,870)	3,870
Other changes	-	160	(160)
Net changes	$ 577,994	$ 373,780	$ 204,214
Balances at June 30, 2023	$ 6,759,003	$ 6,435,360	$ 323,643

NOTE 6 – PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
South Central Wastewater Authority's Net Pension Liability (Asset)	$ 1,282,903	$ 323,643	$ (471,381)

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

For the year ended June 30, 2024, the Authority recognized pension expense of $200,114. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 155,324	$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	93,706
Employer contributions subsequent to the measurement date	112,646	-
Total	$ 267,970	$ 93,706

$112,646 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2025	$ 50,836
2026	(78,822)
2027	86,929
2028	2,675
2029	-
Thereafter	-

NOTE 6 – 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 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS:

Health Insurance

Plan Description

In addition to the pension benefits described in Note 6, the Authority administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Authority's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

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

Plan Membership

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

Total active employees with coverage	51
Total retirees with coverage	2
Total	53

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2024 was $18,100.

Total OPEB Liability

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Health Insurance: (Continued)

Actuarial Assumptions

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

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

Discount Rate

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

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2022	$	110,561
Changes for the year:		
Service cost		5,230
Interest		3,659
Difference between expected and actual experience		(4,722)
Changes in assumptions		(3,126)
Benefit payments		(18,100)
Net changes	$	(17,059)
Balances at June 30, 2023	$	93,502

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

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

1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
$ 102,456	$ 93,502	$ 85,518

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Health Insurance: (Continued)

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

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

1% Decrease (2.94%)	Healthcare Cost Trend Rates (3.94%)	1% Increase (4.94%)
$ 82,541	$ 93,502	$ 106,019

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

For the year ended June 30, 2024, the Authority recognized OPEB expense in the amount of $2,138. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,933	$ 6,726
Changes in assumptions	2,792	20,173
Employer contributions subsequent to the measurement date	18,100	-
Total	$ 34,825	$ 26,899

$18,100 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2025	$ (6,904)
2026	(3,270)
2027	-
2028	-
2029	-
Thereafter	-

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Group Life Insurance

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Group Life Insurance: (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were $10,754 and $10,679 for the years ended June 30, 2024 and June 30, 2023, respectively.

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

At June 30, 2024, the entity reported a liability of $100,742 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date as of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.00840% as compared to 0.00830% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of $3,614. 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.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Group Life Insurance: (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,062	$ 3,058
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,048
Change in assumptions	2,153	6,980
Changes in proportionate share	1,115	4,554
Employer contributions subsequent to the measurement date	10,754	-
Total	$ 24,084	$ 18,640

$10,754 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2025	$ (2,210)
2026	(5,396)
2027	1,137
2028	19
2029	1,140
Thereafter	-

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions

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

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

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

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

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

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

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

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

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

NET GLI OPEB Liability

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

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

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS : (CONTINUED)

Group Life Insurance: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term 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%	5.20%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

* 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 45^{th} percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year 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 113% 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.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Group Life Insurance: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the GLI Plan Net OPEB Liability	$ 149,332	$ 100,742	$ 61,458

GLI Plan Fiduciary Net Position

Detailed information about the GLI 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.

OPEB Aggregate Totals

	South Central Wastewater Authority			
	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS Group Life Insurance Plan (Note 7)	$ 24,084	$ 18,640	$ 100,742	$ 3,614
Authority's Stand-Alone Plan (Note 7)	34,825	26,899	93,502	2,138
Totals	$ 58,909	$ 45,539	$ 194,244	$ 5,752

NOTE 8 – DEFERRED COMPENSATION PLAN:

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

NOTE 9 – COMPENSATED ABSENCES:

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

	2024	2023
Accumulated and compensatory leave	$ 219,510	$ 245,383

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

NOTE 10 – NUTRIENT CREDIT PURCHASES:

During the current year, the Authority was required to purchase nutrient credits in order to remain in compliance with environmental regulations. The total cost of the credits during fiscal year 2024 was $87,500. The Authority will be required to purchase credits in future years to comply with environmental regulations until the Authority completes the nutrient upgrade project to reduce the levels of nitrogen and phosphorus in the plant. The SCWWA Board committed to purchase credits from the Virginia Nutrient Credit Exchange Association and from Chesterfield County.

NOTE 11 – RELATED PARTY TRANSACTIONS:

The Authority is governed by a common Board of Directors with the Appomattox River Water Authority (“ARWA”). The Authority has an agreement with ARWA to share several key positions utilized by both the Authority and ARWA. Accordingly, the two Authorities share personnel costs necessary to fund the positions. During the current fiscal year, the Authority paid reimbursements in the amount of $193,9158 to ARWA for reimbursement of salary and benefits paid to ARWA employees that allocate time and duties with SCWWA. Similarly, the Authority receives a reimbursement from ARWA for salary and benefits for SCWWA employees that allocate time and duties with ARWA. The Authority received a reimbursement of $193,049 from ARWA.

During 2013, the Authority entered into an agreement with Chesterfield County (the “County”), a member locality, to begin purchasing nitrogen and phosphorus credits from the County to remain in compliance with environmental regulations as disclosed in Note 10. The agreement was to commence with compliance year 2015 and for each year thereafter through and including compliance year 2018. During 2018, the Authority executed an agreement with the County to further extend this agreement for compliance years 2019 and 2020. In July 2019, another agreement was executed with Chesterfield County to supply nitrogen credits through 2024.

NOTE 12 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the State to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers compensation coverage and other liability insurance. The Agreement for Formation of the association provides that the association will be self-sustaining through member premiums. The Authority also participates in the VaRisk2, a group liability self insurance plan, administered by the Commonwealth of Virginia, Department of General Services, Division of Risk Management.

The Authority pays an annual premium for its public officials’ general liability insurance to the public entity risk pool currently operating as a common risk management and insurance program for participating governments. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

NOTE 12 – RISK MANAGEMENT: (CONTINUED)

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

NOTE 13 – LEASES:

The Authority has obtained copiers through long-term leases. The terms and conditions for these leases vary. The leases have fixed, periodic payments over the lease term. Individual lease information for long-term leases held as of June 30, 2023 is presented below.

Lease Description	Initial Term	Installments	Discount Rate
Copier - Konica Minolta	43 months	$ 259 per month	2.70%

The future principal and interest payments as of June 30, 2023 were as follows:

	Copier		
Year	Principal	Interest	Total
2025	1,799	16	1,815
	$ 1,799	$ 16	$ 1,815

NOTE 14 – UPCOMING PRONOUNCEMENTS:

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

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

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

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

- Required Supplementary Information -

SOUTH CENTRAL WASTEWATER AUTHORITY

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

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	$ 175,963	$ 163,541	$ 173,111	$ 183,180	$ 177,128
Interest	421,513	387,564	354,099	326,292	307,432
Differences between expected and actual experience	205,182	186,794	(65,285)	66,879	(42,917)
Changes of assumptions	-	-	92,400	-	145,795
Benefit payments	(224,664)	(270,089)	(174,088)	(154,688)	(136,054)
Net change in total pension liability	$ 577,994	$ 467,810	$ 380,237	$ 421,663	$ 451,384
Total pension liability - beginning	6,181,009	5,713,199	5,332,962	4,911,299	4,459,915
Total pension liability - ending (a)	$ 6,759,003	$ 6,181,009	$ 5,713,199	$ 5,332,962	$ 4,911,299
Plan fiduciary net position					
Contributions - employer	$ 114,913	$ 102,512	$ 102,284	$ 89,048	$ 89,420
Contributions - employee	92,176	85,096	83,373	84,445	83,449
Net investment income	395,065	(8,627)	1,332,157	90,643	297,146
Benefit payments	(224,664)	(270,089)	(174,088)	(154,688)	(136,054)
Administrator charges	(3,870)	(3,806)	(3,217)	(3,008)	(2,820)
Other	160	142	126	(109)	(188)
Net change in plan fiduciary net position	$ 373,780	$ (94,772)	$ 1,340,635	$ 106,331	$ 330,953
Plan fiduciary net position - beginning	6,061,580	6,156,352	4,815,717	4,709,386	4,378,433
Plan fiduciary net position - ending (b)	$ 6,435,360	$ 6,061,580	$ 6,156,352	$ 4,815,717	$ 4,709,386
Authority's net pension (asset) liability - ending (a) - (b)	$ 323,643	$ 119,429	$ (443,153)	$ 517,245	$ 201,913
Plan fiduciary net position as a percentage of the total pension (asset) liability	95.21%	98.07%	107.76%	90.30%	95.89%
Covered payroll	$ 1,977,608	$ 1,812,491	$ 1,751,639	$ 1,766,107	$ 1,722,725
Authority's net pension (asset) liability as a percentage of covered payroll	16.37%	6.59%	(25.30%)	29.29%	11.72%

SOUTH CENTRAL WASTEWATER AUTHORITY

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 172,960	$ 162,869	$ 172,484	$ 171,384	$ 164,219
Interest	283,750	276,711	269,159	257,015	238,485
Differences between expected and actual experience	21,506	(91,312)	(199,473)	(116,926)	-
Changes of assumptions	-	(108,626)	-	-	-
Benefit payments	(143,735)	(134,457)	(134,098)	(141,873)	(134,116)
Net change in total pension liability	$ 334,481	$ 105,185	$ 108,072	$ 169,600	$ 268,588
Total pension liability - beginning	4,125,434	4,020,249	3,912,177	3,742,577	3,473,989
Total pension liability - ending (a)	$ 4,459,915	$ 4,125,434	$ 4,020,249	$ 3,912,177	$ 3,742,577
Plan fiduciary net position					
Contributions - employer	$ 119,474	$ 116,205	$ 136,390	$ 134,611	$ 136,218
Contributions - employee	85,013	80,016	76,911	76,008	73,798
Net investment income	300,041	436,493	62,297	148,134	429,411
Benefit payments	(143,735)	(134,457)	(134,098)	(141,873)	(134,116)
Administrator charges	(2,491)	(2,415)	(2,045)	(1,930)	(2,224)
Other	(272)	(393)	(26)	(31)	22
Net change in plan fiduciary net position	$ 358,030	$ 495,449	$ 139,429	$ 214,919	$ 503,109
Plan fiduciary net position - beginning	4,020,403	3,524,954	3,385,525	3,170,606	2,667,497
Plan fiduciary net position - ending (b)	$ 4,378,433	$ 4,020,403	$ 3,524,954	$ 3,385,525	$ 3,170,606
Authority's net pension (asset) liability - ending (a) - (b)	$ 81,482	$ 105,031	$ 495,295	$ 526,652	$ 571,971
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.17%	97.45%	87.68%	86.54%	84.72%
Covered payroll	$ 1,742,066	$ 1,623,382	$ 1,548,944	$ 1,525,607	$ 1,478,344
Authority's net pension (asset) liability as a percentage of covered payroll	4.68%	6.47%	31.98%	34.52%	38.69%

SOUTH CENTRAL WASTEWATER AUTHORITY

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

Fiscal Year	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	$ 112,646	$ 112,646	$ -	$ 1,991,394	5.66%
2023	115,472	115,472	-	1,977,608	5.84%
2022	103,557	103,557	-	1,812,491	5.71%
2021	102,715	102,715	-	1,751,639	5.86%
2020	89,508	89,508	-	1,766,107	5.07%
2019	89,435	89,435	-	1,722,725	5.19%
2018	119,474	119,474	-	1,742,066	6.86%
2017	113,903	113,903	-	1,623,382	7.02%
2016	136,390	136,390	-	1,548,944	8.81%
2015	136,218	136,218	-	1,525,607	8.93%

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

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

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

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

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance
For the Measurement Dates of June 30, 2017 through June 30, 2023

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	$ 5,230	$ 11,219	$ 9,976	$ 8,075	$ 7,258	$ 11,363	$ 12,090
Interest	3,659	2,668	3,492	2,675	2,705	4,712	3,622
Changes in assumptions	(3,126)	(54,265)	5,674	2,611	3,488	(1,284)	(6,890)
Differences between expected and actual experience	(4,722)	10,302	(8,948)	52,499	(2,728)	(73,299)	-
Benefit payments	(18,100)	(10,860)	(11,381)	-	-	-	(2,600)
Net change in total OPEB liability	$ (17,059)	$ (40,936)	$ (1,187)	$ 65,860	$ 10,723	$ (58,508)	$ 6,222
Total OPEB liability - beginning	110,561	151,497	152,684	86,824	76,101	134,609	128,387
Total OPEB liability - ending	$ 93,502	$ 110,561	$ 151,497	$ 152,684	$ 86,824	$ 76,101	$ 134,609
Covered-employee payroll	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Authority's total OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

Methods and assumptions used to determine OPEB liability:

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2023

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.00840%	$ 100,742	$ 1,977,608	5.09%	69.30%
2022	0.00830%	100,301	1,812,491	5.53%	67.21%
2021	0.00850%	98,730	1,751,639	5.64%	67.45%
2020	0.00858%	143,186	1,766,107	8.11%	52.64%
2019	0.00879%	143,037	1,722,725	8.30%	52.00%
2018	0.00916%	139,000	1,742,066	7.98%	51.22%
2017	0.00880%	132,000	1,623,382	8.13%	48.86%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

SOUTH CENTRAL WASTEWATER AUTHORITY

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

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	$ 10,754	$ 10,754	$ -	$ 1,991,394	0.54%
2023	10,679	10,679	-	1,977,608	0.54%
2022	9,787	9,787	-	1,812,491	0.54%
2021	9,459	9,459	-	1,751,639	0.54%
2020	9,189	9,189	-	1,766,107	0.52%
2019	8,958	8,958	-	1,722,725	0.52%
2018	9,059	9,059	-	1,742,066	0.52%
2017	8,442	8,442	-	1,623,382	0.52%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

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

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

Non-Largest Ten Locality Employers - General Employees

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

- Compliance -

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

To the Honorable Members of
South Central Wastewater Authority
Petersburg, 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 South Central Wastewater Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise South Central Wastewater Authority's basic financial statements and have issued our report thereon dated October 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central Wastewater 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 South Central Wastewater Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Central Wastewater 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 South Central Wastewater Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 9, 2024

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | CONSULTANTS

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

To the Honorable Members of
South Central Wastewater Authority
Petersburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central Wastewater Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Central Wastewater Authority's major federal programs for the year ended June 30, 2024. South Central Wastewater Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central Wastewater Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Central Wastewater Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Central Wastewater Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the South Central Wastewater Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Central Wastewater Authority's compliance based on our audit. 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 Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Central Wastewater Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 South Central Wastewater Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of South Central Wastewater Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Central Wastewater Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance: (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 9, 2024

South Central Wastewater Authority

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/State Pass - through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Treasury:			
Pass-through payments:			
Virginia Department of Environmental Quality:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	$ 2,715,556
Total Department of Treasury			$ 2,715,556
Total Expenditures of Federal Awards			$ 2,715,556

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal award activity of South Central Wastewater Authority under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Basis of Accounting

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Authority did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Total Federal revenues per financial statements	$	2,715,556
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	2,715,556

South Central Wastewater Authority

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There were no prior year findings reported.