

South Central Wastewater Authority



Financial Statements

Year Ended June 30, 2023

South Central Wastewater Authority

Financial Statements Year Ended June 30, 2023

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 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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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 November 1, 2022, 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

November 6, 2023

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, 2023.

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).

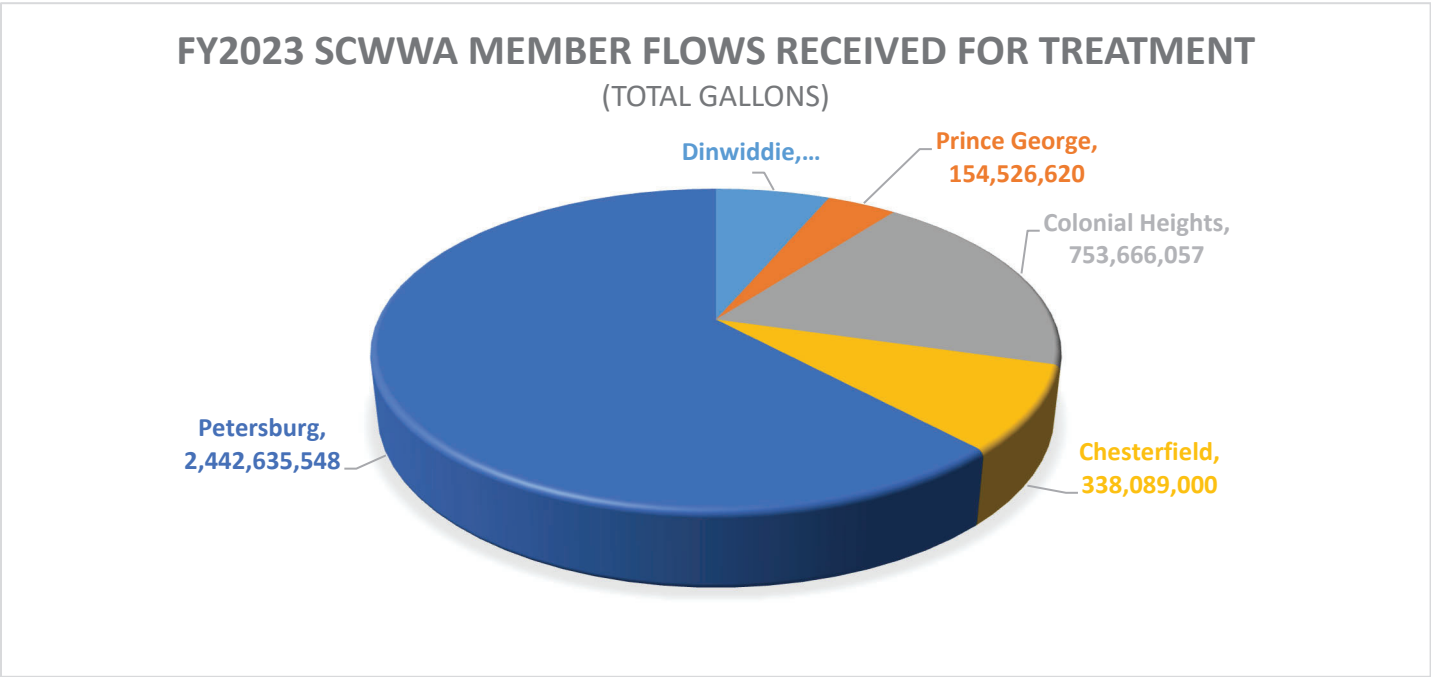
Refer to the table of contents for the basic enterprise fund financial statements.

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.

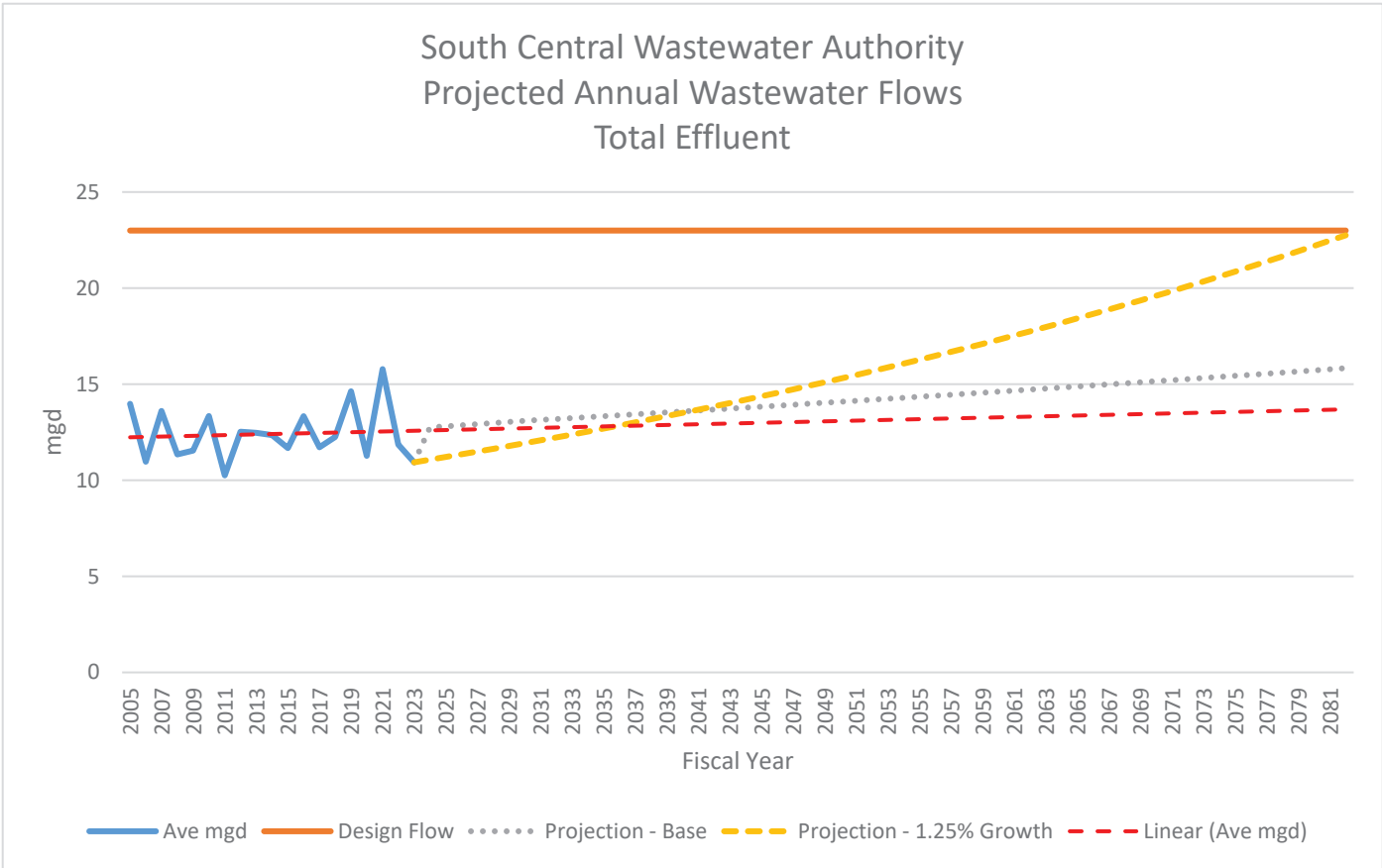
Summary of South Central Wastewater Authority Operations

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 SCWWA wastewater treatment facility discharges to the Appomattox River, a tributary of the James River, a major watershed of the Chesapeake Bay. In fiscal year 2023, we saw a slight decrease in precipitation compared to fiscal year 2022. The flow for treated wastewater followed the same trend, decreasing in fiscal year 2023 when compared to fiscal year 2022. 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. Growth projections based off the Base Hazen 2014 projections and the linear flow projections show flows remaining <15 mgd in 2045.



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 \$43,176,201 (net position). Of this amount, \$23,935,868 is reported as unrestricted net position.
- The Authority's total net position increased by \$3,009,286.
- The Authority's total long-term debt increased by \$73,492 during the current fiscal year. The Authority's investment in capital assets increased during the year by \$779,762 after recording depreciation expense of \$1,325,354. Details of these items can be found under the heading "*Capital Asset and Debt Administration*".
- Total revenues decreased by \$890,992 (net of loss on disposal of capital assets). Total expenses increased by \$1,112,728.
- Due from member localities for fiscal year 2023 totals \$27,705.

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 \$43,176,201 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (44.56%) 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	
	2023	2022
Current and other assets	\$ 24,524,329	\$ 23,133,081
Capital assets	19,245,152	18,465,390
Total assets	\$ 43,769,481	\$ 41,598,471
Deferred outflows - pension related items	\$ 245,399	\$ 193,272
Deferred outflows - OPEB related items	63,340	74,384
Total deferred outflows	\$ 308,739	\$ 267,656
Long-term liabilities	\$ 577,473	\$ 503,981
Other liabilities	68,498	431,743
Total liabilities	\$ 645,971	\$ 935,724
Deferred inflows - pension related items	\$ 187,323	\$ 710,932
Deferred inflows - OPEB related items	68,725	52,556
Total deferred inflows	\$ 256,048	\$ 763,488
Investment in capital assets	\$ 19,240,333	\$ 18,384,679
Restricted	-	443,152
Unrestricted	23,935,868	21,339,084
Total net position	\$ 43,176,201	\$ 40,166,915

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	
		2023	2022
Revenues:			
Operating revenues	\$	6,724,143	\$ 6,616,764
Gain (loss) on disposal of capital assets		(299,051)	5,556
Water Quality Improvement Fund revenue		1,186,294	2,749,846
Other nonoperating revenue		-	3,756
Investment income		595,817	26,880
Capital contributions		<u>2,500,000</u>	<u>2,500,000</u>
Total revenues	\$	<u>10,707,203</u>	\$ <u>11,902,802</u>
Expenses:			
Operating expenses (excluding depreciation)	\$	6,372,396	\$ 5,289,059
Depreciation expense		1,325,354	1,295,885
Interest expense		<u>167</u>	<u>245</u>
Total expenses	\$	<u>7,697,917</u>	\$ <u>6,585,189</u>
Increase (decrease) in net position	\$	3,009,286	\$ 5,317,613
Net position-July 1		<u>40,166,915</u>	<u>34,849,302</u>
Net position-June 30	\$	<u><u>43,176,201</u></u>	\$ <u><u>40,166,915</u></u>

The Authority's net position increased by \$3,009,286 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, 2023 amounts to \$19,245,152 (net of accumulated depreciation). Investment in capital assets increased by approximately 4.22% during the year. Below is a comparison of the items that make up capital assets as of June 30, 2023 vs. June 30, 2022.

		2023	2022
Land	\$	92,968	\$ 92,968
Sewer system plant		33,840,920	34,217,318
Plant machinery		7,406,821	7,190,152
Equipment and vehicles		2,569,833	2,573,463
Lease equipment		10,643	10,643
Accumulated depreciation		(30,039,372)	(29,292,460)
Construction in progress		<u>5,363,339</u>	<u>3,673,306</u>
Total capital assets	\$	<u><u>19,245,152</u></u>	\$ <u><u>18,465,390</u></u>

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 \$73,492, with an increase in the net pension liability partially offset by decreases in OPEB obligations, compensated absences, and lease liability. There was no net pension liability as of June 30, 2022, instead this amount was reported as a net pension asset.

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

Review of Operations

Total revenues decreased by \$1,195,599 in fiscal year 2023. This includes the amounts received from the Water Quality Improvement Fund for reimbursement of expenses related to the Nutrient Reduction Project as outlined in the agreement. Operating revenues increased by \$107,379, primarily as a result of increased usage. Operating expenses (excluding depreciation) increased by \$1,083,337 compared to fiscal year 2022 totals, which is attributed to higher process chemical and supplies costs.

Authority Highlights

- 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 2023 was 0.584 mgd less than fiscal year 2022. Rainfall measured at the treatment plant for fiscal year 2023 was 45.05 inches compared to 53.68 inches in fiscal year 2022. Precipitation in fiscal year 2023 was slightly below the average historically experienced at the Authority.

FY2023 Comparison (Total Flow numbers are Primary Effluent flow numbers)

		2023	2022
Total Annual Flow	(mg)	4,332	4,545
Minimum Day	(mgd)	8.099 (July 2022)	7.943 (Aug 2021)
Maximum Day	(mgd)	27.960 (Dec 2022)	30.239 (Aug 2021)
Annual Average Day	(mgd)	11.869	12.453

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

- Successful completion of the fiscal year 2022 audit.
- Successful in obtaining an extension on the compliance schedule for the Nutrient Reduction Project.
- Coordinated with DEQ to ensure the latest compliance schedule for the Nutrient Reduction Project was included in the Virginia Pollution Discharge Elimination (VPDES) permit.
- Awarded engineering service contract for construction administration and inspection for the Nutrient Reduction Project. The scope also included a cost benefit analysis of the existing project design. Additional task orders were added to design more cost effective and robust treatment options for the Nutrient Reduction Project.
- Replaced PLC3 (Blower/Hypochlorite).
- Industrial Pretreatment Program standards were maintained.
- The Drain Pumps Station Project was completed.
- Structural steel was replaced and new drive motors were installed at the grit collectors.
- The roof project to replace the membranes on 5 structures was completed.

Authority Highlights: (Continued)

- Several process and facility improvements were performed during fiscal year 2023. The following were reviewed and approved by the Board of Directors in the fiscal year 2023 budget.
 - New scrubber media was installed in the headworks scrubber.
 - Return Activated Sludge flowmeter signal converters were installed and set up.
 - Provided engineer with a preferred design for the alum feed system in the upgrade. Staff has elected to perform this work inhouse.
 - Installed new caustic feed pumps.
 - Rebuilt and painted grit pumps.
 - Replaced alum storage tank piping. Lines were heat traced and insulated.
 - The Emergency Action Plan was updated.
 - All blower motor monitoring PLCs were updated.
 - Two blower motors were sent out for repair and put back in service.
 - Return Activated Sludge pump replacements were ordered and received.
 - The Belt Filter Presses (BFPs) were maintained in operation. Units received bearing replacements, roller repairs, and belt replacements throughout the year.
 - Additional cameras were put into service for plant security.
 - New phosphate analyzer was installed and is operational.
 - Cleaned up storm damage and repaired fence damaged by falling trees. Trees have been trimmed back to limit future damage.
 - ORP meters were put in service for operators. These will be placed throughout the process in the Nutrient Reduction Project.
 - Completed the installation of the pig pump in headworks.
 - Purchased replacement drives for the grit collectors.

The Commonwealth of Virginia posted its final Chesapeake Bay TMDL Phase III Watershed Implementation Plan (WIP) in August 2019. SCWWA is included in the legislation, HB2129, to be upgraded to achieve 4 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 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 South Central Wastewater Authority (SCWWA) meet the nitrogen effluent limit of 4.0 mg/l and phosphorous effluent limit of 0.3 mg/l by January 1, 2030. The South Central Wastewater Authority also receive American Rescue Plan Act (ARPA) funds in the amount of \$16.43 million to use toward the Project. The incorporating subdivisions will be responsible for the local share portion of the project that is estimated to be \$30 million. The City of Petersburg also received approval for ARPA funds in the amount of \$19.29 million to cover their estimated local share of the NRP. ARPA funds must be allocated by December 30, 2024 and all funds expensed by December 30, 2026. The local share portion of the project will be divided between the incorporating subdivisions by their respective percent ownership in the plant.

On January 2023, DEQ implemented a reduction in the Total Phosphorus (TP) Waste Load Allocation (WLA) for certain facilities. The SCWWA is impacted by this reduction. The WLA for the SCWWA decreases TP from 28,404 pounds to 14,011 pounds annually. The SCWWA 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 purchase TP credits from the Virginia Nutrient Exchange for 2026, 2027, and 2028.

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 57.5 MGD (2.5 times average) 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 SCWWA 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 treatment plant. The City of Petersburg has installed a wastewater equalization (holding) tank at their Poore Creek Pump Station to mitigate peak flows from this sewer-shed. The Poore Creek pump station and conveyance line to the Authority is current being upgraded and replaced.

Biosolids Handling

South Central Wastewater Authority utilizes land application for disposal of generated biosolids. For fiscal year 2023, 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 2023 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, 2023

(With Comparative Totals for the Prior Year)

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,412,482	\$ 10,234,834
Cash and cash equivalents - Board designated	14,458,228	10,925,788
Accounts receivable	19,565	16,336
Due from member localities	27,705	-
Due from other governmental units	1,667,131	480,837
Inventory	882,309	974,711
Prepaid expenses	56,909	57,423
Total Current Assets	\$ <u>24,524,329</u>	\$ <u>22,689,929</u>
Noncurrent Assets		
Restricted Assets:		
Net pension asset	\$ <u>-</u>	\$ <u>443,152</u>
Capital Assets:		
Land and land rights	\$ 92,968	\$ 92,968
Sewer system	33,840,920	34,217,318
Plant machinery	7,406,821	7,190,152
Equipment and vehicles	2,569,833	2,573,463
Lease equipment	10,643	10,643
Accumulated depreciation	<u>(30,039,372)</u>	<u>(29,292,460)</u>
Sub-total net capital assets	\$ 13,881,813	\$ 14,792,084
Construction in progress	<u>5,363,339</u>	<u>3,673,306</u>
Total net capital assets	\$ <u>19,245,152</u>	\$ <u>18,465,390</u>
Total Noncurrent Assets	\$ <u>19,245,152</u>	\$ <u>18,908,542</u>
Total Assets	\$ <u>43,769,481</u>	\$ <u>41,598,471</u>
Deferred Outflows of Resources		
Pension related items	\$ 245,399	\$ 193,272
OPEB related items	<u>63,340</u>	<u>74,384</u>
Total Deferred Outflows of Resources	\$ <u>308,739</u>	\$ <u>267,656</u>

SOUTH CENTRAL WASTEWATER AUTHORITY

Statement of Net Position

June 30, 2023 (continued)

(With Comparative Totals for the Prior Year)

	<u>2023</u>	<u>2022</u>
Liabilities		
Current Liabilities		
Accounts payable and other accrued expenses	\$ 65,478	\$ 61,857
Refunds due to member localities	-	293,994
Total Current Liabilities	<u>\$ 65,478</u>	<u>\$ 355,851</u>
Current Liabilities Payable from Restricted Assets		
Accounts payable	\$ -	\$ 68,573
Retainage payable	-	4,380
Lease liabilities - current portion	3,020	2,939
Total Current Liabilities Payable from Restricted Assets	<u>\$ 3,020</u>	<u>\$ 75,892</u>
Total Current Liabilities	<u>\$ 68,498</u>	<u>\$ 431,743</u>
Noncurrent Liabilities		
Net OPEB liabilities	\$ 210,862	\$ 250,227
Net pension liability	119,429	-
Lease liabilities - net of current portion	1,799	4,819
Compensated absences	245,383	248,935
Total Noncurrent Liabilities	<u>\$ 577,473</u>	<u>\$ 503,981</u>
Total Liabilities	<u>\$ 645,971</u>	<u>\$ 935,724</u>
Deferred Inflows of Resources		
Pension related items	\$ 187,323	\$ 710,932
OPEB related items	68,725	52,556
Total Deferred Inflows of Resources	<u>\$ 256,048</u>	<u>\$ 763,488</u>
Net Position		
Net investment in capital assets	\$ 19,240,333	\$ 18,384,679
Restricted for net pension asset	-	443,152
Unrestricted	23,935,868	21,339,084
Total Net Position	<u>\$ 43,176,201</u>	<u>\$ 40,166,915</u>

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, 2023 (With Comparative Totals for the Prior Year)

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Charges for services	\$ 6,549,522	\$ 6,099,606
Septage and miscellaneous	<u>174,621</u>	<u>517,158</u>
Total Operating Revenues	<u>\$ 6,724,143</u>	<u>\$ 6,616,764</u>
Operating Expenses		
Operating and maintenance:		
Salaries	\$ 2,149,532	\$ 1,940,013
Employee benefits	837,815	663,941
Contractual services	191,705	229,722
Chemicals	865,335	592,322
Materials and supplies	1,038,920	729,953
Sludge disposal	408,019	389,680
Other charges	793,570	611,054
Nutrient credit purchases	87,500	132,374
Depreciation	<u>1,325,354</u>	<u>1,295,885</u>
Total Operating Expenses	<u>\$ 7,697,750</u>	<u>\$ 6,584,944</u>
Net Operating Income (Loss)	<u>\$ (973,607)</u>	<u>\$ 31,820</u>
Nonoperating Revenues (Expenses)		
Contributions from member localities:		
Capital reserve	\$ 2,500,000	\$ 2,500,000
Water Quality Improvement Fund revenue	1,186,294	2,749,846
Interest income	595,817	26,880
Interest expense	(167)	(245)
Litigation proceeds	-	1,532
Other revenue (expense)	-	2,224
Gain (Loss) on disposal of equipment	<u>(299,051)</u>	<u>5,556</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 3,982,893</u>	<u>\$ 5,285,793</u>
Change in net position	\$ 3,009,286	\$ 5,317,613
Net position, beginning of year	<u>40,166,915</u>	<u>34,849,302</u>
Net position, end of year	<u><u>\$ 43,176,201</u></u>	<u><u>\$ 40,166,915</u></u>

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, 2023 (With Comparative Totals for the Prior Year)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 6,426,920	\$ 6,846,049
Payments to suppliers and vendors	(3,292,895)	(3,012,924)
Payments to and on behalf of employees	(3,016,206)	(2,737,154)
Net cash provided by (used for) operating activities	<u>\$ 117,819</u>	<u>\$ 1,095,971</u>
Cash flows from capital and related financing activities:		
Intergovernmental revenue - capital reserve	\$ 2,500,000	\$ 2,500,000
Proceeds from capital grants	-	2,269,009
Acquisition of plant and equipment	(2,472,737)	(2,731,417)
Proceeds from sale of equipment	-	6,300
Principle paid on lease liability	(2,939)	(2,885)
Interest paid on lease liability	(167)	(245)
Net cash provided by (used for) capital and related financing activities	<u>\$ 24,157</u>	<u>\$ 2,040,762</u>
Cash flows from noncapital financing activities:		
Litigation proceeds	\$ -	\$ 1,532
Other revenue (expense)	-	2,224
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 3,756</u>
Cash flows from investing activities:		
Interest received	\$ 595,817	\$ 26,880
Net cash provided by (used for) investing activities	<u>\$ 595,817</u>	<u>\$ 26,880</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 737,793</u>	<u>\$ 3,167,369</u>
Cash and cash equivalents at beginning of year	<u>\$ 21,160,622</u>	<u>\$ 17,993,253</u>
Cash and cash equivalents at end of year	<u><u>\$ 21,898,415</u></u>	<u><u>\$ 21,160,622</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (973,607)	\$ 31,820
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,325,354	1,295,885
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in receivables	(3,229)	40,017
(Increase) decrease in inventories	92,402	(37,208)
(Increase) decrease in prepaid expenses	514	(10,510)
(Increase) decrease in net pension asset	443,152	(443,152)
(Increase) decrease in pension deferred outflows of resources	(52,127)	157,215
(Increase) decrease in OPEB deferred outflows of resources	11,044	11,724
Increase (decrease) in operating accounts payable and accrued expenses	3,618	(284,481)
Increase (decrease) in retainage payable	(4,380)	4,380
Increase (decrease) in refunds due to member localities	(293,994)	189,268
Increase (decrease) in compensated absences	(3,552)	(10,213)
Increase (decrease) in net pension liability	119,429	(517,245)
Increase (decrease) in pension deferred inflows of resources	(523,609)	694,183
Increase (decrease) in OPEB deferred inflows of resources	16,169	19,931
Increase (decrease) in OPEB liabilities	(39,365)	(45,643)
Net cash provided by (used for) operating activities	<u><u>\$ 117,819</u></u>	<u><u>\$ 1,095,971</u></u>

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2022 (Continued)

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2023 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	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>14,576,207</u>
Total	\$ <u><u>14,576,207</u></u>

Interest Rate Risk:

Investment Maturities (in years)		
	<u>Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ <u>14,576,207</u>	\$ <u>14,576,207</u>
	\$ <u><u>14,576,207</u></u>	\$ <u><u>14,576,207</u></u>

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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	3,673,306	1,983,280	293,247	5,363,339
Total capital assets not being depreciated	<u>\$ 3,766,274</u>	<u>\$ 1,983,280</u>	<u>\$ 293,247</u>	<u>\$ 5,456,307</u>
Other capital assets, being depreciated:				
Sewer system	\$ 34,217,318	\$ 303,192	\$ 679,590	\$ 33,840,920
Plant machinery	7,190,152	319,355	102,686	7,406,821
Equipment and vehicles	2,573,463	91,585	95,215	2,569,833
Lease equipment	10,643	-	-	10,643
Total other capital assets being depreciated	<u>\$ 43,991,576</u>	<u>\$ 714,132</u>	<u>\$ 877,491</u>	<u>\$ 43,828,217</u>
Accumulated depreciation:				
Sewer system	\$ (21,522,948)	(874,967)	(404,266)	\$ (21,993,649)
Plant machinery	(5,801,647)	(316,217)	(92,842)	(6,025,022)
Equipment and vehicles	(1,964,895)	(131,200)	(81,334)	(2,014,761)
Lease equipment	(2,970)	(2,970)	-	(5,940)
Total accumulated depreciation	<u>\$ (29,292,460)</u>	<u>(1,325,354)</u>	<u>(578,442)</u>	<u>\$ (30,039,372)</u>
Other capital assets being depreciated, net	<u>\$ 14,699,116</u>	<u>\$ (611,222)</u>	<u>\$ 299,049</u>	<u>\$ 13,788,845</u>
Capital assets, net	<u>\$ 18,465,390</u>	<u>\$ 1,372,058</u>	<u>\$ 592,296</u>	<u>\$ 19,245,152</u>

Depreciation expense for the fiscal year totaled \$1,325,354.

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, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Lease liabilities	\$ 7,758	\$ -	\$ 2,939	\$ 4,819
Net OPEB liabilities	\$ 250,227	\$ 83,635	\$ 123,000	\$ 210,862
Compensated absences	\$ 248,935	\$ -	\$ 3,552	\$ 245,383
Net pension liability	\$ -	\$ 307,179	\$ 187,750	\$ 119,429
Totals	<u>\$ 506,920</u>	<u>\$ 390,814</u>	<u>\$ 317,241</u>	<u>\$ 580,493</u>

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	21
Inactive members:	
Vested inactive members	7
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>11</u>
Total inactive members	32
Active members	<u>33</u>
Total covered employees	<u><u>86</u></u>

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 \$115,472 and \$103,557 for the years ended June 30, 2023 and June 30, 2022, respectively.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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

Notes to Financial Statements
June 30, 2023 (Continued)

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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, 2021	\$ 5,713,199	\$ 6,156,352	\$ (443,153)
Changes for the year:			
Service cost	\$ 163,541	\$ -	\$ 163,541
Interest	387,564	-	387,564
Differences between expected and actual experience	186,794	-	186,794
Contributions - employer	-	102,512	(102,512)
Contributions - employee	-	85,096	(85,096)
Net investment income	-	(8,627)	8,627
Benefit payments, including refunds of employee contributions	(270,089)	(270,089)	-
Administrative expenses	-	(3,806)	3,806
Other changes	-	142	(142)
Net changes	\$ 467,810	\$ (94,772)	\$ 562,582
Balances at June 30, 2022	\$ 6,181,009	\$ 6,061,580	\$ 119,429

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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)	\$ 967,704	\$ 119,429	\$ (563,415)

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$101,273. At June 30, 2023, 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	\$ 110,861	\$ 13,471
Change of assumptions	19,066	-
Net difference between projected and actual earnings on pension plan investments	-	173,852
Employer contributions subsequent to the measurement date	115,472	-
Total	\$ 245,399	\$ 187,323

\$115,472 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, 2024. 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	
2024	\$ 12,082
2025	(36,625)
2026	(117,107)
2027	84,254
2028	-
Thereafter	-

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 6 – PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-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, 2022 (measurement date), the following employees were covered by the benefit terms:

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

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Authority. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2023 was \$6,681.

Total OPEB Liability

The Authority’s total OPEB liability was measured as of June 30, 2022.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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
Discount Rate	3.69% for accounting and funding disclosures as of June 30, 2022

Discount Rate

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

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances at June 30, 2021	\$	151,497
Changes for the year:		
Service cost		11,219
Interest		2,668
Difference between expected and actual experience		10,302
Changes in assumptions		(54,265)
Benefit payments		(10,860)
Net changes	\$	<u>(40,936)</u>
Balances at June 30, 2022	\$	<u>110,561</u>

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current discount rate:

	<u>1% Decrease (2.69%)</u>	<u>Current Discount Rate (3.69%)</u>	<u>1% Increase (4.69%)</u>
\$	119,741	\$ 110,561	\$ 102,398

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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%)
	<u> </u>	<u> </u>	<u> </u>
\$	99,898	\$ 110,561	\$ 122,716

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

For the year ended June 30, 2023, the Authority recognized OPEB expense in the amount of \$9,752. At June 30, 2023, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 27,867	\$ 5,912
Changes in assumptions	5,145	36,177
Employer contributions subsequent to the measurement date	6,681	-
Total	\$ <u>39,693</u>	\$ <u>42,089</u>

\$6,681 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, 2024. 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	
	<u> </u>
2024	\$ (4,135)
2025	(4,288)
2026	(654)
2027	-
2028	-
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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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 \$8,984 as of June 30, 2023.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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, 2023 was 0.54% of covered employee compensation. This rate 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 \$10,679 and \$9,787 for the years ended June 30, 2023 and June 30, 2022, 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, 2023, the entity reported a liability of \$100,301 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021 and rolled forward to the measurement date as of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.00830% as compared to 0.00850% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$2,170. 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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,943	\$ 4,024
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,267
Change in assumptions	3,741	9,770
Changes in proportionate share	1,284	6,575
Employer contributions subsequent to the measurement date	<u>10,679</u>	<u>-</u>
Total	<u>\$ 23,647</u>	<u>\$ 26,636</u>

\$10,679 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (2,791)
2025	(3,317)
2026	(6,475)
2027	10
2028	(1,095)
Thereafter	-

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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, 2021, 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, 2022. 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

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS PLANS: (CONTINUED)

Group Life Insurance: (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		<hr/> 2,467,989
GLI Net OPEB Liability (Asset)	\$	<hr/> <hr/> 1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

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, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 145,950	\$ 100,301	\$ 63,411

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-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)	\$ 23,647	\$ 26,636	\$ 100,301	\$ 2,170
Authority's Stand-Alone Plan (Note 7)	39,693	42,089	110,561	9,752
Totals	\$ 63,340	\$ 68,725	\$ 210,862	\$ 11,922

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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

NOTE 9 – COMPENSATED ABSENCES:

Accumulated unpaid vacation, vested sick leave and other compensatory leave amounts are accrued when incurred. At June 30, 2023 and 2022 liabilities were as follows:

		<u>2023</u>	<u>2022</u>
Accumulated and compensatory leave	\$	<u>245,383</u>	<u>\$ 248,935</u>

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 2023 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 \$177,178 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 \$202,160 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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Financial Statements
June 30, 2023 (Continued)

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.

<u>Lease Description</u>	<u>Initial Term</u>	<u>Installments</u>	<u>Discount Rate</u>
Copier - Konica Minolta	43 months	\$ 259 per month	2.70%

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

<u>Year</u>	<u>Copier</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,020	\$ 93	\$ 3,113
2025	1,799	16	1,815
	<u>\$ 4,819</u>	<u>\$ 109</u>	<u>\$ 4,928</u>

NOTE 14 – UPCOMING PRONOUNCEMENTS:

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

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.

Implementation Guide No. 2021-1, Implementation Guidance Update—2021, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, Implementation Guidance Update—2023, effective for fiscal years beginning after June 15, 2023.

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, 2022

	2022	2021	2020	2019	2018
Total pension liability					
Service cost	\$ 163,541	\$ 173,111	\$ 183,180	\$ 177,128	\$ 172,960
Interest	387,564	354,099	326,292	307,432	283,750
Differences between expected and actual experience	186,794	(65,285)	66,879	(42,917)	21,506
Changes of assumptions	-	92,400	-	145,795	-
Benefit payments	(270,089)	(174,088)	(154,688)	(136,054)	(143,735)
Net change in total pension liability	\$ 467,810	\$ 380,237	\$ 421,663	\$ 451,384	\$ 334,481
Total pension liability - beginning	5,713,199	5,332,962	4,911,299	4,459,915	4,125,434
Total pension liability - ending (a)	\$ 6,181,009	\$ 5,713,199	\$ 5,332,962	\$ 4,911,299	\$ 4,459,915
Plan fiduciary net position					
Contributions - employer	\$ 102,512	\$ 102,284	\$ 89,048	\$ 89,420	\$ 119,474
Contributions - employee	85,096	83,373	84,445	83,449	85,013
Net investment income	(8,627)	1,332,157	90,643	297,146	300,041
Benefit payments	(270,089)	(174,088)	(154,688)	(136,054)	(143,735)
Administrator charges	(3,806)	(3,217)	(3,008)	(2,820)	(2,491)
Other	142	126	(109)	(188)	(272)
Net change in plan fiduciary net position	\$ (94,772)	\$ 1,340,635	\$ 106,331	\$ 330,953	\$ 358,030
Plan fiduciary net position - beginning	6,156,352	4,815,717	4,709,386	4,378,433	4,020,403
Plan fiduciary net position - ending (b)	\$ 6,061,580	\$ 6,156,352	\$ 4,815,717	\$ 4,709,386	\$ 4,378,433
Authority's net pension (asset) liability - ending (a) - (b)	\$ 119,429	\$ (443,153)	\$ 517,245	\$ 201,913	\$ 81,482
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.07%	107.76%	90.30%	95.89%	98.17%
Covered payroll	\$ 1,812,491	\$ 1,751,639	\$ 1,766,107	\$ 1,722,725	\$ 1,742,066
Authority's net pension (asset) liability as a percentage of covered payroll	6.59%	(25.30%)	29.29%	11.72%	4.68%

This schedule is intended to report information for 10 years. Information prior to the 2014 valuation is not available. Additional years will be included when available.

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, 2022 (Continued)

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Schedule of Employer Contributions - Pension Plan For the Years Ended June 30, 2014 through June 30, 2023

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)
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%
2014	136,303	136,303	-	1,478,344	9.22%

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Required Supplementary Information - Pension Plan For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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, 2022

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

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Required Supplementary Information - Health Insurance For the Year Ended June 30, 2023

Valuation Date: January 1, 2023
Measurement Date: June 30, 2022

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
Inflation	2.50% per year as of June 30, 2022
Healthcare Trend Rate	5.80% in 2023, decreasing to an ultimate 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, 2022

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
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

For the Years Ended June 30, 2017 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
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.

SOUTH CENTRAL WASTEWATER AUTHORITY

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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 -



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of
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, 2023, 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 November 6, 2023.

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.

A handwritten signature in black ink that reads "Robinson, Farmer, Cox Associates". The script is cursive and fluid.

Charlottesville, Virginia
November 6, 2023