

Western Tidewater Water Authority

County of Isle of Wight, Virginia

City of Suffolk, Virginia

Annual Financial Report

As of and for the Year Ended June 30, 2023

Western Tidewater Water Authority

***County of Isle of Wight, Virginia
City of Suffolk, Virginia***

***Annual Financial Report
As of and for the Year Ended June 30, 2023***

WESTERN TIDEWATER WATER AUTHORITY

ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION

Authority Officials	i
---------------------------	---

FINANCIAL SECTION

Report of Independent Auditor.....	1
Management's Discussion and Analysis	4

Basic Financial Statements:

Exhibit 1: Statement of Net Position	8
Exhibit 2: Statement of Revenues, Expenses and Changes in Net Position	9
Exhibit 3: Statement of Cash Flows	10
Notes to Financial Statements	11

OTHER INFORMATION SECTION

Table 1: Schedule of Net Position.....	17
Table 2: Schedule of Revenues, Expenses, and Changes in Net Position	18

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
---	----

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

WESTERN TIDEWATER WATER AUTHORITY

Authority Officials

June 30, 2023

BOARD MEMBERS

Richard L Grice, Chairman

Timothy J. Johnson, Vice Chairman

Joel Acree

John T. Rector

Albert S. Moor. II

Randy Keaton

ALTERNATE AUTHORITY MEMBERS

Robert W. Jones Jr.

William Hutchings Jr.

OFFICIALS

Paul Retel., Secretary

Tealen Hansen, CPA, Treasurer

FINANCIAL SECTION

*Financial Section contains the
Basic Financial Statements.*

Report of Independent Auditor

To the Board of Directors
Western Tidewater Water Authority
Suffolk, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Western Tidewater Water Authority (the "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 respective financial position of the Authority, as of June 30, 2023, and the respective changes in financial position, and cash flows 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 "GAAS"), the standards applicable to the financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in GAAS, *Government Auditing Standards*, and the Specifications 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 the GAAS, *Government Auditing Standards*, and the Specifications, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The script is cursive and fluid, with the letters "Cherry" and "Bekaert" being more prominent than "LLP".

Virginia Beach, Virginia
October 13, 2023

WESTERN TIDEWATER WATER AUTHORITY

Management's Discussion and Analysis

This section of the Western Tidewater Water Authority's ("Authority") annual financial report presents a discussion and analysis of the Authority's financial performance as of and for the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's financial statements and notes to financial statements following this discussion.

Financial Highlights

- Net position decreased by \$454,152 or 2.0%, as a result of this year's activity, due to non-cash expenses related to the annual depreciation of capital assets. The unrestricted net position increased by \$133.
- The Authority has a solid cash financial position at June 30, 2023 with \$653,223 in cash and cash equivalents.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements.

The Statement of Net Position presents information on all Authority assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how net position has changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event takes place, thus giving rise to the changes, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows discloses the net cash provided for or used by operating activities, capital and related financing activities, and noncapital.

The Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

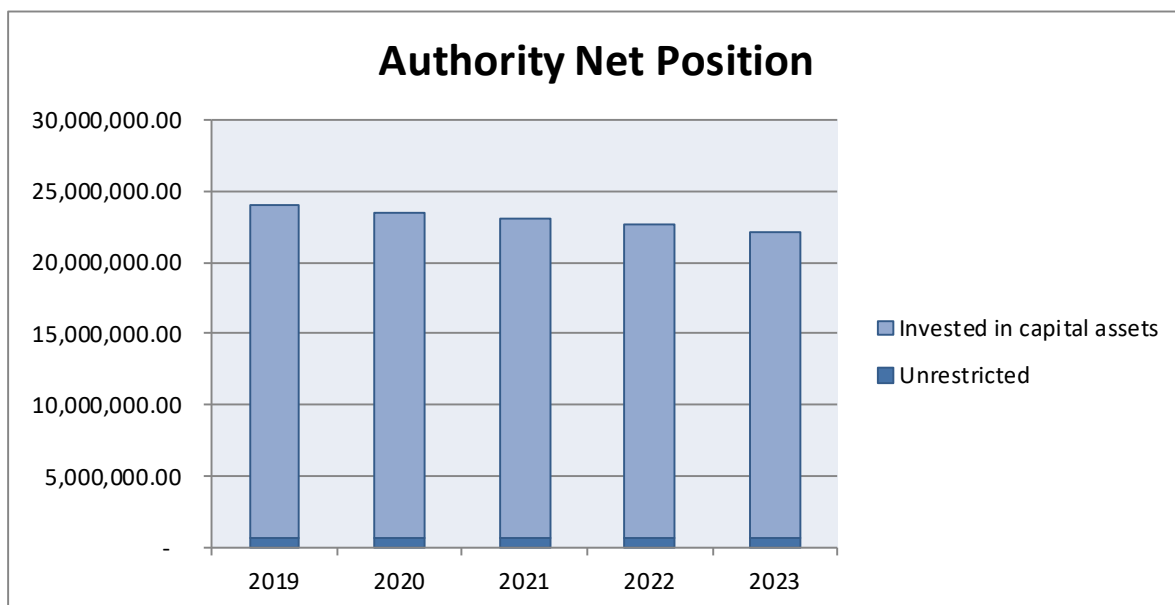
The Other Information section following the financial section contains several tables showing financial trends.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. Assets exceeded liabilities at June 30, 2023 by \$22.2 million. The Authority's investment in capital assets represents 96.97% of the total net position. The Authority uses these capital assets to provide services to the participating localities; consequently, these assets are not available for future spending.

Schedule of Net Position		
	2023	2022
Current assets	\$ 1,235,850	\$ 1,775,851
Capital assets, net	21,496,491	21,950,776
Total assets	22,732,341	23,726,627
Liabilities	564,475	1,104,609
Net Position:		
Investment in capital assets	21,496,491	21,950,776
Unrestricted	671,375	671,242
Total net position	\$ 22,167,866	\$ 22,622,018

The following chart shows the trend in the net position of the Authority over a five-year period. The downward trend is a result of the depreciation of the capital assets owned by the Authority. The unrestricted net position has maintained stability while the decrease in overall net position is a result of the net position invested in capital assets decreasing over time due to depreciation. The Operating activity consists of pass-through activity for the water sales and purchases and other operating activities. The participating localities share the costs according to the 2009 WTW regional water agreement.



Financial Analysis (continued)

The changes in the Authority's net position can be determined by reviewing the following condensed schedule.

Schedule of Revenues, Expenses and Changes in Net Position		
	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 8,406,900	\$ 7,763,344
Operating expenses	<u>8,917,365</u>	<u>8,311,678</u>
Operating loss	<u>(510,465)</u>	<u>(548,334)</u>
Nonoperating revenues	<u>56,313</u>	<u>105,429</u>
Change in net position	(454,152)	(442,905)
Net position beginning of year	<u>22,622,018</u>	<u>23,064,923</u>
Net position end of year	<u><u>\$ 22,167,866</u></u>	<u><u>\$ 22,622,018</u></u>

Operating revenues are currently water sales to County of Isle of Wight, Virginia ("County") using a rate established on a utility basis of City of Suffolk, Virginia's ("Suffolk") water operations as well as pass-through revenues for each locality to pay for the City of Norfolk, Virginia ("City") water rights. Operating revenues increased by 8.29% between fiscal year 2022 and 2023. This represents an increase in the charges for the water purchases, related to the charges to the City's contract. There are increases built into the contract over time. Operating expenses increased related to the City contract as well.

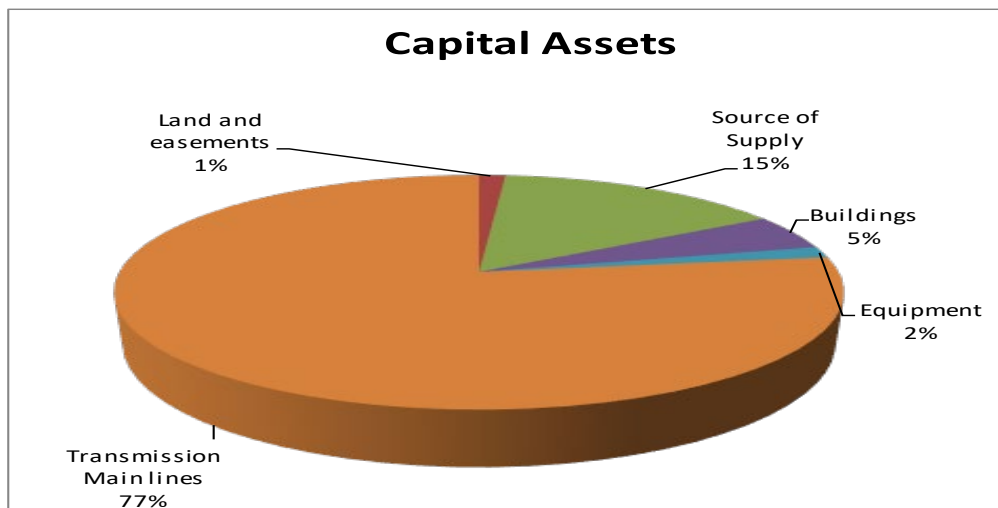
Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, totals \$21,496,491 as of June 30, 2023. This investment in assets includes assets related to the Crittenden well, including land, buildings, transmission lines, equipment and the Virginia Department of Environmental Quality groundwater permit. The following table provides for a breakdown of capital assets and infrastructure receivable.

Capital Assets (Net of Depreciation)		
	<u>2023</u>	<u>2022</u>
Land and easements	\$ 297,098	\$ 297,098
Source of Supply	3,250,634	3,382,331
Buildings	1,044,673	1,072,531
Equipment	329,200	372,285
Transmission Main lines	<u>16,574,885</u>	<u>16,826,531</u>
Total	<u><u>\$ 21,496,491</u></u>	<u><u>\$ 21,950,776</u></u>

Suffolk constructs all of the assets for the Authority while the County pays for their share of the costs to the Authority, which provides reimbursement of the County's share of the costs to Suffolk once received. Once the assets are completed, ownership will be turned over to the Authority and will be shown as capital assets on its records.

Additional information on the Authority's capital assets can be found in Note 4.



Economic Factors

The Authority continues to develop new facilities and evaluate its future water supply options due to significant contributions from the participating localities. The Board of Directors and Authority management are ever mindful of the strain the continuing economic recession places on funds available from Suffolk and the County and their citizens and utility customers.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning the information provided in this report or any requests for additional information should be addressed to the Treasurer who is the Director of Finance for Suffolk, 442 West Washington St, Suffolk, Virginia 23439.

Basic Financial Statements

EXHIBIT 1**WESTERN TIDEWATER WATER AUTHORITY****Statement of Net Position****June 30, 2023****ASSETS**

Current assets

Cash and cash equivalents	\$	653,223
Due from City of Suffolk, Virginia		471,576
Due from County of Isle of Wight, Virginia		111,051
Total current assets		1,235,850

Noncurrent assets

Capital assets (net)		21,496,491
Total noncurrent assets		21,496,491
Total assets		22,732,341

LIABILITIES

Current liabilities

Accounts payable		5,481
Due to City of Norfolk, Virginia		396,938
Due to County of Isle of Wight, Virginia		162,056
Total current liabilities		564,475
Total liabilities		564,475

NET POSITION

Investment in capital assets		21,496,491
Unrestricted		671,375
Total net position	\$	22,167,866

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

EXHIBIT 2

WESTERN TIDEWATER WATER AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

OPERATING REVENUES

Water sales:

County of Isle of Wight, Virginia	\$ 4,834,462
City of Suffolk, Virginia	3,572,438
Total operating revenues	<u>8,406,900</u>

OPERATING EXPENSES

Water purchases:

City of Norfolk, Virginia	4,763,250
City of Suffolk, Virginia	3,643,649
Professional fees	56,119
Other miscellaneous	63
Depreciation	<u>454,284</u>
Total operating expenses	<u>8,917,365</u>
Operating loss	<u>(510,465)</u>

NONOPERATING REVENUES

Contributions from member jurisdictions:

County of Isle of Wight, Virginia	28,090
City of Suffolk, Virginia	28,090
Insurance recovery	<u>133</u>
Total nonoperating revenues	<u>56,313</u>

Change in net position	(454,152)
------------------------	-----------

Net position beginning at July 1	<u>22,622,018</u>
---	-------------------

Net position ending at June 30	<u><u>\$ 22,167,866</u></u>
---------------------------------------	-----------------------------

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

WESTERN TIDEWATER WATER AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from water sales	\$ 8,485,603
Payments to suppliers for goods and services	<u>(8,829,270)</u>
Net cash used in operating activities	<u>(343,667)</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Insurance recovery	<u>133</u>
Net cash provided by capital and related financing activities	<u>133</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions from member jurisdictions	<u>96,501</u>
Net cash provided by non capital financing activities	<u>96,634</u>
Net decrease in cash and cash equivalents	(247,033)

CASH AND CASH EQUIVALENTS

Beginning July 1	<u>900,256</u>
Ending June 30	<u><u>\$ 653,223</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

Operating loss	\$ (510,465)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	454,284
Changes in assets and liabilities:	
Decrease in due from localities	248,659
Decrease in prepaid expenses	3,988
Decrease in accounts payable and due to localities	<u>(540,133)</u>
Net cash used in operating activities	<u><u>\$ (343,667)</u></u>

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

WESTERN TIDEWATER WATER AUTHORITY

Notes to Financial Statements June 30, 2023

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Western Tidewater Water Authority (“Authority”) was created March 18, 1998 by the City Council of the City of Suffolk (“Suffolk”), Virginia and the Board of Supervisors of the County of Isle of Wight (“Isle of Wight”), Virginia pursuant to the Virginia Water and Sewer Authorities Act, Chapter 51, Title 15.2, *Code of Virginia*.

The Authority was formed for the purpose of acquiring, financing, constructing, leasing, operating, and maintaining facilities for the production, impoundment, treatment and transmission of potable and non-potable water. Those facilities may include, but are not limited to, sources of water supply, water intakes, reservoirs, filtration, and purification plants, pumping stations, transmission lines, storage facilities, and all other facilities deemed appropriate for fulfilling the purpose of the Authority together with all appurtenant equipment and appliances necessary or suitable therefore and all properties, rights, easements, or franchises relating thereto and deemed necessary, convenient, or appropriate by the Authority for its operation.

Since the Authority is engaged in business-type activities, it is required to present the financial statements required for enterprise funds. Currently, the Authority’s operations are limited to the purchase of water from the Cities of Suffolk and Norfolk, Virginia (“Norfolk”) and sales of water to Isle of Wight and Suffolk as well as determining how best to meet higher water demands in the future. This business-type activity relies to a significant extent on fees and charges for support.

Measurement Focus and Basis of Accounting

The accompanying financial statements report the financial position and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Because the Authority is a political subdivision of the Commonwealth of Virginia, the preparation of these financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (“GASB”). The Authority’s financial statements are prepared on an enterprise fund basis and present operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Authority’s operations are accounted for on an economic resources measurement focus wherein all assets and liabilities, whether current or noncurrent, are included in its Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in fund equity (net position) utilizing the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

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 Isle of Wight and Suffolk for water purchases. Operating expenses for the Authority include water purchases from Suffolk and Norfolk professional services and administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating consisting mainly of interest income and capital contributions from the localities.

WESTERN TIDEWATER WATER AUTHORITY

Notes to Financial Statements June 30, 2023

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The Authority currently does not have a policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred.

Cash and cash equivalents

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

Revenue Recognition and Allowance for Uncollectible Accounts

Water sales are computed based on a locality's water consumption and fixed charges. These charges are recognized as revenue when billed. Unbilled revenues through June 30 of each fiscal year are accrued at year end. No allowance for uncollectible accounts is deemed necessary.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., water lines and pump stations) with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed on behalf of the Authority. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Source of supply	10-40
Buildings	50
Equipment	20
Transmission main lines	75

Net Position

Net position is the difference between assets and deferred outflows of resources, if any, and liabilities and deferred inflows of resources, if any. Investment in capital assets represents the resources spent on the acquisition, construction or improvement of capital assets, less accumulated depreciation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

WESTERN TIDEWATER WATER AUTHORITY

Notes to Financial Statements June 30, 2023

Note 1. Summary of Significant Accounting Policies (continued)

Change in Accounting Principles:

The following GASB statements are effective for the year ending June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issue and eliminates diversity in practice. The implementation of this standard has no impact on the financial statements for the Authority.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, the primary objective of which is to improve financial reporting by addressing issues related to the Public-private and Public-public partnership arrangements. Implementation of this standard did not have any impact on the financial statements of the Authority.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscriptions-based information technology arrangements for government end users. Implementation of this standard did not have any impact on the financial statements of the Authority.

GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial report and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Implementation of this standard did not have any impact on the financial statements of the Authority.

Note 2. Deposits

Deposits with banks are covered by the Federal Depository Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (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 amounts insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending on that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and the reporting requirements of the Act.

WESTERN TIDEWATER WATER AUTHORITY

Notes to Financial Statements June 30, 2023

Note 3. Related Party Transactions

On September 30, 2009, the Authority entered into an agreement with Norfolk, Suffolk, and Isle of Wight wherein the Authority currently purchases raw water capacity rights from Norfolk and pays for necessary pump station upgrades in order to meet the future water needs of Suffolk and Isle of Wight. These capacity rights are passed to the two localities who record these “water rights” as intangible assets. Starting in fiscal year 2018, the authority pays for a combination of actual water and future water rights. The agreement expires on June 30, 2048.

The Authority also purchases water from Suffolk, which is billed using Hampton Roads Utility Billing Service.

Related party transactions at June 30, 2023 were as follows:

	Due from Suffolk	Due from Isle of Wight	Accounts Payable	Related party balances
Due to Isle of Wight:				
FY2022 "true-up"	\$ 162,056	\$ -	\$ -	\$ 162,056
Other Expenses:				
Capacity Charges - City of Norfolk	297,703	99,235	-	396,938
Operating expense subsidy	11,817	11,817	-	23,634
Total	\$ 471,576	\$ 111,051	\$ -	\$ 582,628
 REVENUES/EXPENSES:	From Suffolk	From Isle of Wight	From City of Norfolk	TOTAL
Water Sales	\$ 3,572,438	\$ 4,834,462	\$ -	\$ 8,406,900
Operating contributions	28,090	28,090	-	56,180
Total related party revenues	<u>\$ 3,600,528</u>	<u>\$ 4,862,552</u>	<u>\$ -</u>	<u>\$ 8,463,080</u>
 Water purchases	<u>\$ 3,643,649</u>	<u>\$ -</u>	<u>\$ 4,763,250</u>	<u>\$ 8,406,899</u>

WESTERN TIDEWATER WATER AUTHORITY

Notes to Financial Statements June 30, 2023

Note 4. Capital Assets

Capital Assets were as follows:

	Beginning Balance July 1, 2022	Increases	Decreases	Ending Balance June 30, 2023
Capital Assets, not depreciated:				
Land and Easements	\$ 297,098	\$ -	\$ -	\$ 297,098
Capital Assets, depreciated				
Source of Supply	4,559,365	-	-	4,559,365
Buildings	1,392,898	-	-	1,392,898
Equipment	853,023	-	-	853,023
Transmission main lines	18,873,334	-	-	18,873,334
Total Capital Assets, depreciated	25,678,620	-	-	25,678,620
Less Accumulated Depreciation for:				
Source of Supply	(1,177,034)	(131,697)	-	(1,308,731)
Buildings	(320,367)	(27,858)	-	(348,225)
Equipment	(480,737)	(43,084)	-	(523,820)
Transmission main lines	(2,046,805)	(251,645)	-	(2,298,451)
Total Accumulated Depreciation	(4,024,942)	(454,284)	-	(4,479,227)
Total Capital Assets, depreciated, net	21,653,678	(454,284)	-	21,199,393
Total Capital Assets, net	\$ 21,950,776	\$ (454,284)	\$ -	\$ 21,496,491

Note 5. Commitments and Contingencies

Based on the 2009 WTW Regional Water agreement, the Authority rates for water treatment and transmission by Suffolk and charged to the Isle of Wight are recalculated annually using the utility basis of cost of service for estimated operating and maintenance costs, depreciation and a rate of return based on Suffolk's utility fund bond interest rates. As part of the agreement, an annual cost true-up is required based upon actual audited costs of the Suffolk water system. The Authority's policy is to recognize the pass-through true-up expense and revenue in the year calculated. Therefore, the true-up for June 30, 2022 that was approved by the participating localities during fiscal year 2023 was \$162,056, which will simultaneously reduce water sales revenues and water purchase expenses in the fiscal year 2024. The agreement expires June 30, 2048 and may continue thereafter, with early termination permitted by Isle of Wight as of July 1, 2038 and Suffolk as of July 1, 2033.

WESTERN TIDEWATER WATER AUTHORITY

Notes to Financial Statements

June 30, 2023

Note 5. Commitments and Contingencies (continued)

Any entity wishing to withdraw 300,000 or more gallons of ground water per month in the Eastern Virginia Ground Water Management Area or the Eastern Shore Ground Water Management Area must have a Virginia Department of Environmental Quality (DEQ) ground water withdrawal permit. The Authority had a new permit issued in April 2017, which is set for renewal in April 2027. The permit allows for average daily withdrawal of 4.2 million gallons per day (MGD) with an increase to 7.6 MGD over the permit life and achieving the reduction to 4.2 MGD in 15 years from the date of the permit.

Litigation

At any point in time, various claims and lawsuits are pending against the Authority. In the opinion of legal counsel, resolution of these cases would not involve a material liability.

Note 6. 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; and natural disasters. Currently, the Authority participates with other localities in a public entity risk pool, the Virginia Municipal Leagues, for their coverage of property damage.

Note 7. New Accounting Standards

The GASB has issued the following requirements potentially relevant to the Authority, which are not yet effective.

GASB Statement No. 100, *Accounting Changes and Error Corrections* – *An Amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This is effective for the fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, the primary objective of which is to better meet the needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for the fiscal year ending June 30, 2025.

Management has not yet evaluated the effects, if any, of adopting these standards, but does not expect them to have a material effect on the financial statements.

THIS PAGE INTENTIONALLY BLANK

OTHER INFORMATION SECTION

The following tables contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. They are derived from audited financial reports for the relevant year.

WESTERN TIDEWATER WATER AUTHORITY

Table 1

SCHEDULE OF NET POSITION

Last Ten Fiscal Years

Unaudited

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assets										
Current assets:										
Operating cash	\$ 891,585	\$ 628,538	\$ 606,117	\$ 615,132	\$ 623,068	\$ 666,420	\$ 1,301,783	\$ 646,829	\$ 900,256	\$ 653,223
Due from City of Suffolk, Virginia	315,414	450,993	415,598	270,665	534,540	433,846	460,995	428,453	651,522	471,576
Due from County of Isle of Wight, Virginia	75,778	625,593	107,186	91,172	92,392	91,343	101,997	107,140	220,085	111,051
Prepaid expenses	-	-	-	-	-	-	-	3,595	3,988	-
Capital asset receivable	8,111,433	14,590,892	-	-	-	-	-	-	-	-
Capital assets, net	8,562,449	8,553,603	24,606,282	24,192,700	23,740,163	23,313,627	22,859,343	22,405,059	21,950,776	21,496,491
Total Assets	<u>17,956,659</u>	<u>24,849,620</u>	<u>25,735,183</u>	<u>25,169,669</u>	<u>24,990,163</u>	<u>24,505,236</u>	<u>24,724,118</u>	<u>23,591,076</u>	<u>23,726,627</u>	<u>22,732,341</u>
Liabilities										
Accounts payable	55,024	18,011	35,777	8,199	1,843	2,419	4,902	32,948	11,572	5,481
Due to the City of Norfolk, Virginia	448,950	228,125	260,747	260,747	294,281	298,844	1,016,297	343,784	761,026	396,938
Due to City of Suffolk, Virginia	9,920	545,449	-	-	-	-	-	-	-	-
Due to County of Isle of Wight, Virginia	110,016	254,673	173,509	49,155	295,007	193,081	189,615	149,421	332,011	162,056
Total Liabilities	<u>623,909</u>	<u>1,046,258</u>	<u>470,033</u>	<u>318,101</u>	<u>591,131</u>	<u>494,344</u>	<u>1,210,814</u>	<u>526,153</u>	<u>1,104,609</u>	<u>564,475</u>
Net Position										
Investment in Capital Assets	8,562,449	8,553,603	24,606,282	24,192,700	23,740,163	23,313,627	22,859,343	22,405,059	21,950,776	21,496,491
Unrestricted	8,770,301	15,249,759	658,868	658,868	658,868	697,265	653,961	659,864	671,242	671,375
Total net Position	<u>\$ 17,332,750</u>	<u>\$ 23,803,362</u>	<u>\$ 25,265,150</u>	<u>\$ 24,851,568</u>	<u>\$ 24,399,032</u>	<u>\$ 24,010,892</u>	<u>\$ 23,513,304</u>	<u>\$ 23,064,923</u>	<u>\$ 22,622,018</u>	<u>\$ 22,167,866</u>

Notes:

Source: WTTWA audited financial statements.

WESTERN TIDEWATER WATER AUTHORITY

Table 2

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Last Ten Fiscal Years

Unaudited

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating revenues										
Water sales:										
County of Isle of Wight, Virginia	\$ 3,197,989	\$ 3,201,802	\$ 3,333,377	\$ 3,699,503	\$ 3,208,753	\$ 3,331,374	\$ 3,426,082	\$ 3,502,798	\$ 3,197,194	\$ 3,643,650
Norfolk Water Rights pass-thru										
County of Isle of Wight, Virginia	634,142	684,375	782,241	782,241	882,844	896,531	1,016,297	1,031,353	1,141,537	1,190,812
City of Suffolk, Virginia	1,902,426	2,053,125	2,346,722	2,346,722	2,648,531	2,689,594	3,048,891	3,094,059	3,424,613	3,572,438
Total operating revenues	<u>5,734,557</u>	<u>5,939,302</u>	<u>6,462,339</u>	<u>6,828,466</u>	<u>6,740,128</u>	<u>6,917,499</u>	<u>7,491,270</u>	<u>7,628,210</u>	<u>7,763,344</u>	<u>8,406,900</u>
Operating expenses										
Water purchases:										
City of Suffolk, Virginia	2,536,568	2,737,500	3,333,377	3,699,504	3,208,753	3,331,374	3,426,082	4,125,413	3,197,193	3,643,649
City of Norfolk, Virginia	3,197,989	3,201,802	3,128,963	3,128,963	3,531,375	3,586,125	4,065,188	3,502,798	4,566,151	4,763,250
Construction Costs - City of Norfolk, Virginia	2,564,349	2,854,519	198,511	-	-	-	-	-	-	-
Professional services	91,598	123,996	124,216	71,997	80,372	62,499	60,970	68,666	93,964	56,119
Other operating expenses	5,006	120	96	600	60	60	65	58	86	63
Depreciation	192,966	192,966	188,507	449,008	452,536	452,536	454,284	454,284	454,284	454,284
Total operating expenses	<u>8,588,475</u>	<u>9,110,903</u>	<u>6,973,670</u>	<u>7,350,072</u>	<u>7,273,096</u>	<u>7,432,594</u>	<u>8,061,548</u>	<u>8,151,219</u>	<u>8,311,678</u>	<u>8,917,365</u>
Operating loss	(2,853,918)	(3,171,601)	(511,331)	(521,606)	(532,968)	(515,095)	(570,278)	(523,009)	(548,334)	(510,465)
Nonoperating revenues										
Interest income	78	-	-	-	-	-	-	-	-	-
Subsidies from participating localities:										
County of Isle of Wight, Virginia	75,000	62,057	62,156	36,299	40,216	30,069	29,274	36,814	48,487	28,090
City of Suffolk, Virginia	75,000	62,057	62,156	36,299	40,216	30,069	29,274	36,814	56,942	28,090
Miscellaneous insurance recoveries	-	-	-	-	-	40,817	14,142	1,000	-	133
Total nonoperating revenues, net	<u>150,078</u>	<u>124,114</u>	<u>124,312</u>	<u>72,598</u>	<u>80,432</u>	<u>100,955</u>	<u>72,690</u>	<u>74,628</u>	<u>105,429</u>	<u>56,313</u>
Capital contributions										
County of Isle of Wight, Virginia	1,336,951	2,379,525	462,202	8,857	-	6,500	-	-	-	-
City of Suffolk, Virginia	4,010,853	7,138,574	1,386,605	26,569	-	19,500	-	-	-	-
Total capital contributions	<u>5,347,804</u>	<u>9,518,099</u>	<u>1,848,807</u>	<u>35,426</u>	<u>-</u>	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	2,643,964	6,470,612	1,461,788	(413,582)	(452,536)	(388,140)	(497,588)	(448,381)	(442,905)	(454,152)
Net position, beginning of year	14,688,786	17,332,750	23,803,362	25,265,150	24,851,568	24,399,032	24,010,892	23,513,304	23,064,923	22,622,018
Net position, end of year	<u>\$ 17,332,750</u>	<u>\$ 23,803,362</u>	<u>\$ 25,265,150</u>	<u>\$ 24,851,568</u>	<u>\$ 24,399,032</u>	<u>\$ 24,010,892</u>	<u>\$ 23,513,304</u>	<u>\$ 23,064,923</u>	<u>\$ 22,622,018</u>	<u>\$ 22,167,866</u>

Source: WTWA audited financial statements.

COMPLIANCE SECTION

**Report of Independent Auditor 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 Board of Directors
Western Tidewater Water Authority
Suffolk, Virginia

We have audited, 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, the financial statements of the Western Tidewater Water Authority (the "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, and have issued our report thereon dated October 13, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility 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 have not been identified.

Report on Compliance and Other Matters

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

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 13, 2023