



**SOUTHEASTERN PUBLIC SERVICE
AUTHORITY OF VIRGINIA**

FINANCIAL REPORT

***As of and for the Year Ended June 30, 2024
(With Comparative Totals for 2023)***

And Report of Independent Auditor

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
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Report of Independent Auditor

To the Board of Directors
Southeastern Public Service Authority of Virginia
Chesapeake, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Southeastern Public Service Authority of Virginia (the "Authority"), as of and for the year ended June 30, 2024, 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 Authority, as of June 30, 2024, and the changes in its financial position and its 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 standards applicable to the 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* (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 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 accordance with auditing standards generally accepted in the United States of America, *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 auditing standards generally accepted in the United States of America, *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 information and the Required Supplementary Information, 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 generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, 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.



Virginia Beach, Virginia
September 27, 2024

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

This discussion and analysis of Southeastern Public Service Authority of Virginia (the "Authority" or "SPSA") provides an overview and analysis of the financial activities for the fiscal year ending June 30, 2024. This discussion and analysis should be read in conjunction with the basic financial statements.

Financial and Operating Highlights

- The net position of the Authority at the close of fiscal year 2024 was \$93.8 million, representing an increase of \$12.3 million from fiscal year 2023.
- The municipal tipping fee increased by \$2 to \$67 per ton.
- Capital assets increased by \$4.5 million in fiscal year 2024.

Overview of the Financial Report

The Southeastern Public Service Authority is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private-sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which include comparative Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and notes to the financial statements.

The Statements of Net Position present information on the Authority's 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 present information showing how the Authority's net position changed during the fiscal year. This statement measure the success of the Authority's operations and can be used to determine the Authority's profitability, credit worthiness, and whether it has successfully recovered all of its costs through user fees and other charges.

The Statement of Cash Flows present the change in the Authority's cash and cash equivalents during each fiscal year. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

Summary of Net Position

As described earlier, the net position may serve over time as a useful indicator of the Authority's financial position. At the close of the fiscal year, the Authority's assets exceeded its liabilities by \$93,844,742 as compared to the previous year's net position of \$81,492,572. The Authority continues to set aside funds to absorb the cost of the flyover, currently under construction at the entrance of the Landfill. Capital assets shown below represent the acquisition cost less accumulated depreciation, not fair value.

The following table presents a condensed summary of net position as of June 30, 2024 and 2023:

	2024	2023
Assets and Deferred Outflows of Resources:		
Current and other assets	\$ 75,665,489	\$ 67,644,154
Capital assets - net	49,052,022	44,580,277
Deferred outflows of resources	123,180	115,526
Total Assets and Deferred Outflows of Resources	124,840,691	112,339,957
Liabilities and Deferred Inflows of Resources:		
Current liabilities	5,581,489	5,298,822
Long-term liabilities	22,967,820	21,652,069
Deferred inflows of resources	2,446,640	3,896,494
Total Liabilities and Deferred Inflows of Resources	30,995,949	30,847,385
Net Position:		
Net investment in capital assets	48,931,075	44,448,391
Restricted - environmental trust fund	1,038,384	985,897
Restricted - pension	7,989,367	7,987,976
Restricted - OPEB	5,000	2,000
Unrestricted	35,880,916	28,068,308
Total Net Position	93,844,742	81,492,572
Total Liabilities and Deferred Inflows of Resources and Net Position	\$ 124,840,691	\$ 112,339,957

Net investment in capital assets, such as land, buildings and equipment, net of related debt is approximately \$48.9 million as compared to \$44.4 million in the prior fiscal year. The increase in capital assets can be attributed to costs associated with permitting the proposed expansion of the Regional Landfill and additional equipment required for that project.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

The unrestricted portion of net position increased to \$35,880,916 as compared to \$28,068,308 in the prior year. The increase in unrestricted funds is primarily due to funds set aside for the Landfill flyover. Although they are not considered restricted funds, they are explicitly earmarked for that project.

Summary of Revenues, Expenses, and Changes in Net Position

The Authority's total net position increased in fiscal year 2024 by approximately \$12.3 million.

Operating revenue increased by approximately \$1.1 million as compared to the previous year due to increases in revenue from commercial waste. In fiscal year 2024, revenue from the sale of methane gas increased by \$195 thousand due to the completion of the Renewable Natural Gas Facility, collocated at the regional landfill.

The change in the Authority's net position can be determined by reviewing the following condensed statements of revenues, expenses, and changes in net position:

	2024	2023
Operating Revenue:		
Municipal tipping fees	\$ 31,931,536	\$ 31,285,172
Other tipping fees	21,631,295	21,388,837
Other operating revenue	1,871,257	1,694,085
Total Operating Revenue	<u>55,434,088</u>	<u>54,368,094</u>
Operating Expenses:		
Personnel	9,610,072	7,691,694
Depreciation and amortization	4,356,021	3,860,385
Routine maintenance operations	3,638,058	3,209,438
Waste hauling and disposal	20,918,447	22,444,225
Other operating expenses	8,385,001	6,568,093
Total Operating Expenses	<u>46,907,599</u>	<u>43,773,835</u>
Operating Income	<u>8,526,489</u>	<u>10,594,259</u>
Nonoperating Revenue (Expense):		
Gain on sale of assets	139,705	45,000
Insurance recoveries	-	108,440
Gain on investments, net	2,752,617	251,028
Lease income	101,639	179,675
Interest expense	(11,350)	(13,238)
Other revenues	843,070	138,694
Total Nonoperating Revenues, Net	<u>3,825,681</u>	<u>709,599</u>
Change in Net Position	<u>12,352,170</u>	<u>11,303,858</u>
Net Position:		
Beginning of year	<u>81,492,572</u>	<u>70,188,714</u>
End of year	<u>\$ 93,844,742</u>	<u>\$ 81,492,572</u>

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS

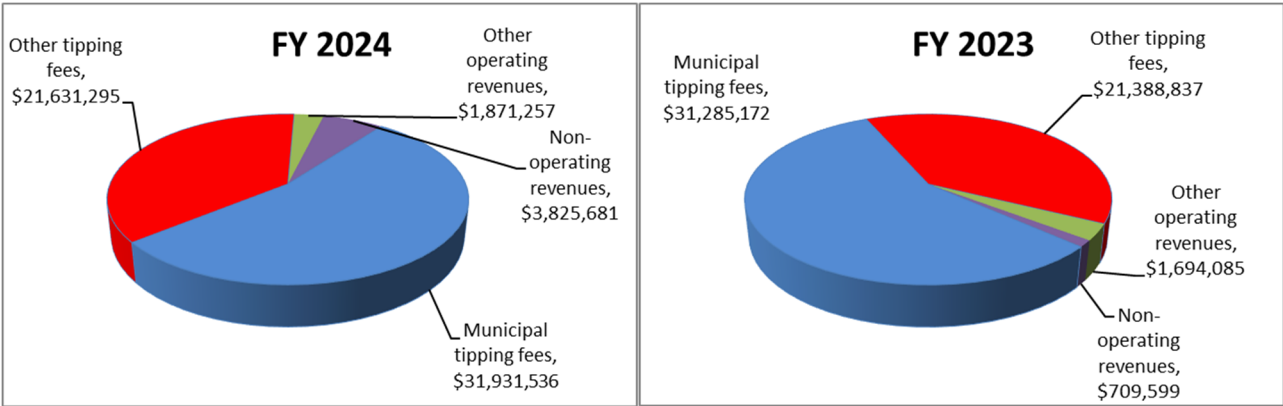
JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

The Municipal tipping fee rate increased in fiscal year 2024 by \$2 to \$67 per ton. Although, the total municipal tonnage decreased by 3,112 tons, the rate increase resulted in a \$646 thousand dollar increase in Municipal tipping fee revenue as compared to the previous fiscal year.

Other tipping fees include Navy Waste, Sludge, contract and non-contract waste, and ash from Wheelabrator. Although commercial tonnages saw an increase in fiscal year 2024, there was a reduction in ash revenue due to the decrease in tonnages being processed at Wheelabrator. Overall, Other Tipping Fees increased by \$242 thousand in fiscal year 2024.

Other operating revenue represents approximately 3% of total operating revenues during 2024 and includes charges for services to dispose of household hazardous waste, tires, white goods, the sale of methane gas generated at the Regional Landfill, and other miscellaneous fees.

The following graphs illustrate major revenues by source for the fiscal years ending June 30, 2024 and 2023:



The Authority’s operating expenses increased approximately 7.2% or \$3.1 million in comparison to the prior fiscal year.

In fiscal year 2024, SPSA completed an extensive salary study and, based on the results, adjusted pay for several positions. In addition to adjustments from the salary study, all SPSA employees received a Cost of Living pay increase of 5% on July 1, 2023. The Authority recognized a credit adjustment of \$1.1 million to the pension plan in fiscal year 2024, as a result of the current investment market.

Depreciation expense increased \$495 thousand in fiscal year 2024 due to the purchase of several new assets, as SPSA continues to prepare for expansion of the landfill and adding an additional transfer station in the city of Portsmouth.

The costs associated with the Wheelabrator Disposal Service Contract reflect a decrease of approximately \$545 thousand as compared to the prior year. In December 2022, a fire at the Wheelabrator Waste to Energy facility resulted in Wheelabrator limiting the amount of waste they were able to process. As a solution, the Authority began utilizing RDS and Waste Management to dispose of some waste, as well as continuing to dispose at the Regional Landfill at a greater than anticipated volume. As of June 30, 2024, Wheelabrator is no longer in operation and the Authority will be disposing most waste at area landfills. Through an RFP, the Authority is researching new disposal methods for the future that will reduce the amount of waste being landfilled.

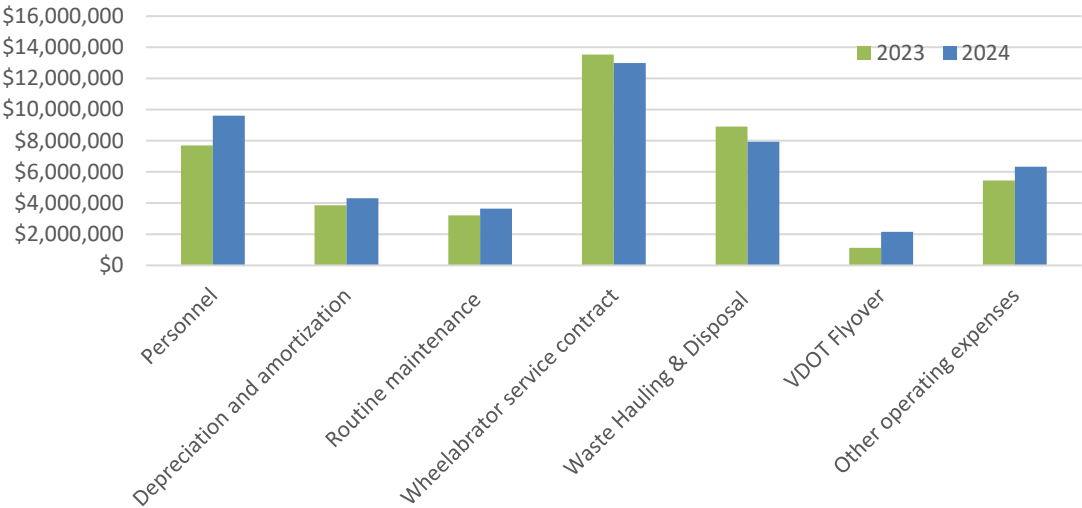
SOUTHEASTERN PUBLIC SERVICE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

In April 2023, the Authority terminated the Waste Hauling and Disposal contract with Wheelabrator and entered into a contract with MBI to haul commercial waste. Although the total cost of waste hauling and disposal increased by \$969 thousand in fiscal year 2023 as compared to the prior year, the total cost decreased in fiscal year 2024 by \$981 thousand.

Total costs for the Landfill flyover increased in fiscal year 2024 by \$1.0 million as compared to the prior year. As the flyover project begins to take shape, we expect those costs to be higher in fiscal year 2025. The overall projected flyover cost is \$46.5 million, which is projected to be paid in full by the end of fiscal year 2026.

The following graph illustrates the expenses by category for the fiscal years ending June 30, 2024 and 2023:



SOUTHEASTERN PUBLIC SERVICE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

Capital Assets

At the end of 2024, the Authority had \$49.0 million (net of accumulated depreciation and depletion) invested in a broad range of capital assets, including the Regional Landfill, transfer stations, heavy equipment, and rolling stock. This and deductions of amount represents a net increase (net of additions approximately \$4.4 million, or approximately 10.0% more than last year. During fiscal year 2024, the Authority purchased equipment and continued progress on the proposed expansion of the Regional Landfill. The majority of assets under construction include expenses associated with landfill expansion, permitting cells VIII and IX, and the leachate evaporation system. The details of capital asset values for the various categories are included in Note 5 of the basic financial statements. A summary of capital assets for fiscal years 2023 and 2024 is presented below:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Assets under construction	\$ 7,867,388	\$ 3,939,416	\$ (283,037)	\$ 11,523,767
Land	5,050,756	-	-	5,050,756
Intangible assets	6,097,000	-	-	6,097,000
Improvements (Regional Landfill)	64,415,852	-	-	64,415,852
Other land improvements	495,511	-	-	495,511
Buildings	38,799,446	365,064	-	39,164,510
Tractors, trailers, trucks, and equipment	39,427,620	4,898,076	(528,498)	43,797,198
Right-to-use leased equipment	36,744	-	-	36,744
Right-to-use subscriptions assets	183,663	8,682	-	192,345
Total Capital Assets	162,373,980	9,211,238	(811,535)	170,773,683
Accumulated depreciation	117,793,703	4,356,021	(428,063)	121,721,661
Net Capital Assets	\$ 44,580,277	\$ 4,855,217	\$ (383,472)	\$ 49,052,022

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information regarding the Authority, contact the Executive Director or the Director of Finance at 723 Woodlake Drive, Chesapeake, Virginia 23320.

BASIC FINANCIAL STATEMENTS

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
STATEMENT OF NET POSITION

JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 2,363,705	\$ 1,349,634
Investments (Note 3)	57,359,844	50,511,793
Accounts Receivable:		
Authority members	2,546,957	3,839,483
Other customers	2,658,159	1,188,889
Allowance for doubtful accounts	(5,000)	(5,000)
Prepaid expenses	192,007	268,788
Inventory, maintenance parts	247,604	175,383
Accrued interest receivable (Note 3)	122,939	117,942
Lease receivable, current portion (Note 7)	10,901	38,414
Total Current Assets	<u>65,497,116</u>	<u>57,485,326</u>
Noncurrent Assets:		
Restricted assets, investments (Note 3)	1,038,384	985,897
Capital assets, net of accumulated depreciation, amortization, and depletion (Note 4)	49,052,022	44,580,277
Net pension asset (Note 12)	7,989,367	7,987,976
Net OPEB asset, VLDP (Note 14)	5,000	2,000
Lease receivable, net of current portion (Note 7)	1,135,622	1,182,955
Total Noncurrent Assets	<u>59,220,395</u>	<u>54,739,105</u>
Total Assets	<u>124,717,511</u>	<u>112,224,431</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension amounts (Note 12)	13,232	-
Deferred PMBP OPEB amounts (Note 15)	9,948	25,526
Deferred GLIP OPEB amounts (Note 14)	73,000	70,000
Deferred VLDP OPEB amounts (Note 14)	27,000	20,000
Total Deferred Outflows of Resources	<u>123,180</u>	<u>115,526</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 124,840,691</u></u>	<u><u>\$ 112,339,957</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 2,880,394	\$ 2,675,766
Accrued expenses	1,224,019	1,270,866
Lease payable, current portion (Note 7)	5,675	8,340
Subscription liability, current portion (Note 8)	43,530	36,110
Landfill closure and postclosure liability, current portion (Note 5)	1,427,871	1,307,740
Total Current Liabilities	<u>5,581,489</u>	<u>5,298,822</u>
Noncurrent Liabilities:		
Net OPEB liability, PMBP (Note 15)	812,729	781,024
Net OPEB liability, GLIP (Note 14)	321,000	329,000
Lease payable, net of current portion (Note 7)	11,694	17,684
Subscription liability, net of current portion (Note 8)	60,048	69,752
Landfill closure and postclosure care liability, noncurrent (Note 5)	21,762,349	20,454,609
Total Noncurrent Liabilities	<u>22,967,820</u>	<u>21,652,069</u>
Total Liabilities	<u>28,549,309</u>	<u>26,950,891</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - leases (Note 7)	1,063,063	1,129,149
Deferred pension amounts (Note 12)	1,003,753	2,166,274
Deferred PMBP OPEB amounts (Note 15)	302,824	496,071
Deferred GLIP OPEB amounts (Note 14)	73,000	99,000
Deferred VLDP OPEB amounts (Note 14)	4,000	6,000
Total Deferred Inflows of Resources	<u>2,446,640</u>	<u>3,896,494</u>
Total Liabilities and Deferred Inflows of Resources	<u>30,995,949</u>	<u>30,847,385</u>
NET POSITION		
Net investment in capital assets	48,931,075	44,448,391
Restricted - environmental trust fund (Note 3)	1,038,384	985,897
Restricted - pension	7,989,367	7,987,976
Restricted - OPEB	5,000	2,000
Unrestricted	35,880,916	28,068,308
Total Net Position	<u>93,844,742</u>	<u>81,492,572</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 124,840,691</u>	<u>\$ 112,339,957</u>

The accompanying notes to the financial statements are an integral part of these statements.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
Operating Revenues:		
Municipal tipping fees	\$ 31,931,536	\$ 31,285,172
Other tipping fees	21,631,295	21,388,837
Charges for household waste and tire program	1,580,664	1,601,049
Sale of methane gas	284,839	89,404
Other revenues	5,754	3,632
Total Operating Revenues	<u>55,434,088</u>	<u>54,368,094</u>
Operating Expenses:		
Compensation and related payroll costs	9,610,072	7,691,694
Depreciation,depletion, and amortization (Note 4)	4,356,021	3,860,385
Postage, printing, and supplies	65,274	91,885
Rental and utilities	474,309	399,526
Equipment fuel	1,349,739	1,487,276
Routine maintenance and vehicle operations	3,638,058	3,209,438
Nonroutine maintenance and repairs	86,138	2,014
Insurance	257,630	214,983
Legal and professional services	754,970	695,646
Landfill closure and postclosure care cost accrual (Note 5)	1,427,871	1,307,740
Wheelabrator service contract (Note 9)	12,988,690	13,533,369
Waste Hauling and Disposal Contract (Note 10)	7,929,757	8,910,856
Host Community and Good Neighbor Agreement (Note 11)	1,350,900	815,896
Virginia Department of Transportation flyover	2,150,098	1,125,429
Other	468,072	427,698
Total Operating Expenses	<u>46,907,599</u>	<u>43,773,835</u>
Operating Income	<u>8,526,489</u>	<u>10,594,259</u>
Nonoperating Revenues (Expenses):		
Gain on sale of assets	139,705	45,000
Insurance recoveries	-	108,440
Gain on investments, net	2,752,617	251,028
Lease income (Note 7)	101,639	179,675
Interest expense	(11,350)	(13,238)
Other revenues	843,070	138,694
Total Nonoperating Revenues, net	<u>3,825,681</u>	<u>709,599</u>
Change in net position	12,352,170	11,303,858
Net position, beginning of year	<u>81,492,572</u>	<u>70,188,714</u>
Net position, end of year	<u>\$ 93,844,742</u>	<u>\$ 81,492,572</u>

The accompanying notes to the financial statements are an integral part of these statements.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
Cash flows from operating activities:		
Receipts from customers	\$ 55,257,344	\$ 53,884,478
Payments to suppliers for operations	(31,240,540)	(33,790,605)
Payments to employees for compensation	(11,095,113)	(9,949,488)
Net cash flows from operating activities	<u>12,921,691</u>	<u>10,144,385</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(9,211,238)	(16,593,654)
Lease income	101,639	179,675
Proceeds from sale of capital assets	523,177	45,000
Proceeds from insurance recoveries	-	108,440
Net cash flows from capital and related financing activities	<u>(8,586,422)</u>	<u>(16,260,539)</u>
Cash flows from noncapital financing activities:		
Other income	843,070	138,694
Interest expense	(11,350)	(13,238)
Net cash flows from noncapital financing activities	<u>831,720</u>	<u>125,456</u>
Cash flows from investing activities:		
Proceeds from maturity and sale of investments	13,069,801	21,071,279
Payments for investments purchased	(17,199,723)	(18,087,956)
Net (gain) loss on investments	(1,631,820)	365,324
Interest and dividends received from investments	1,608,824	280,403
Net cash flows from investing activities:	<u>(4,152,918)</u>	<u>3,629,050</u>
Change in cash and cash equivalents	1,014,071	(2,361,648)
Cash and cash equivalents, beginning of year	1,349,634	3,711,282
Cash and cash equivalents, end of year	<u>\$ 2,363,705</u>	<u>\$ 1,349,634</u>

The accompanying notes to the financial statements are an integral part of these statements.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 8,526,489	\$ 10,594,259
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation, depletion, and amortization	4,356,021	3,860,385
Landfill closure and postclosure care cost accrual	1,427,871	1,307,740
Changes in operating assets and liabilities:		
Accounts receivable	(176,744)	(483,616)
Prepaid expenses	76,781	(132,266)
Inventory, maintenance parts	(72,221)	115,533
Net pension asset	(1,391)	2,331,457
Net OPEB asset	(3,000)	(2,000)
Deferred outflows of resources related to pension and OPEB	(7,654)	509,448
Lease receivable	74,846	10,910
Accounts payable	204,628	(2,785,430)
Accrued expenses	(46,847)	(297,226)
Net OPEB liabilities	23,705	(141,494)
Deferred inflows of resources related to pension and OPEB	(1,449,854)	(4,657,979)
Lease liabilities	(8,655)	(7,535)
Subscription liabilities	(2,284)	(77,801)
Net cash flows from operating activities	<u>\$ 12,921,691</u>	<u>\$ 10,144,385</u>
Supplemental disclosure of noncash investing and financing activities:		
Right-to-use lease assets obtained in exchange for operating lease liability	<u>\$ -</u>	<u>\$ 26,989</u>
Right-to-use subscriptions assets obtained in exchange for subscription liability	<u>\$ -</u>	<u>\$ 183,663</u>

The accompanying notes to the financial statements are an integral part of these statements.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Nature of business and significant accounting policies

Nature of Business – Southeastern Public Service Authority of Virginia (“Authority” or “SPSA”) is a public body politic and corporation created pursuant to the Virginia Water and Waste Authorities Act. The Authority is a special purpose government entity engaged in business-type activities with no component units. The members of the Authority are the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk, and Virginia Beach and the Counties of Isle of Wight and Southampton (collectively, the “Members”).

Prior to January 25, 2018, all eight of the Members had entered into Agreements for Use and Support of a Solid Waste Disposal System (“Solid Waste Disposal Agreements”) with the Authority. These operations are referred to as the Disposal System. More specifically, each Member community has agreed to deliver or cause to be delivered to the Authority at least 95% of all disposable solid waste generated within, collected by, or otherwise under the control of the contracting community. Each of the Members is assessed a per ton tipping fee (with the exception of the City of Suffolk), as established under fee schedules imposed by the Authority in accordance with the Virginia Water and Waste Authorities Act, for the disposal of solid waste delivered to any of the Authority’s specified delivery points.

For seven of the Members, the Solid Waste Disposal Agreements became effective on January 22, 1985, the date on which the Authority’s landfill (“Regional Landfill”) began accepting solid waste. In the case of the City of Virginia Beach, the Solid Waste Disposal Agreement became effective on the date fixed under a contract with the U.S. Navy that began in 1984 (the “Navy Contract”) as the start-up of a Refuse Derived Fuel (“RDF”) plant. Under the Navy Contract, RDF produced at the RDF Plant was to be provided to the Navy to produce steam and electricity at the U.S. Navy’s power plant (“Power Plant”). The RDF and Power Plants are collectively referred to as the waste to energy (“WTE”) facilities. The Solid Waste Disposal Agreements remained in effect until January 24, 2018.

Effective July 1, 1999, in a modification of the Navy Contract, the Navy transferred to the Authority all the assets of the Power Plant. These assets included \$105.2 million of property and equipment, \$3.6 million of materials and supplies, and \$0.8 million of cash restricted for power plant improvements. In addition, unamortized costs related to the contract were eliminated and long-term obligations and payables were satisfied. These transactions resulted in \$100.1 million of capital contributions to the Authority’s net position.

On April 29, 2010, the Authority sold its WTE facilities and related equipment to Wheelabrator Portsmouth, Inc. (“Wheelabrator”), formerly an affiliate of Waste Management Inc. The Authority’s recycling services were terminated in May 2010.

In 2009, legislation was enacted, commonly referred to as House Bill 1872, which established a new Board of Directors and imposed a series of actions required by the Authority. Effective January 1, 2010, the governing Board of Directors consists of 16 members of which eight (one representative of each member community) are appointed by the Governor and eight members are employed and appointed by the respective Member communities. Elected officials are no longer eligible to serve on the Board of Directors. Alternate board members may be selected in the same manner as board members. As of June 30, 2024, the Governor had not appointed any such alternates and each of the eight member communities had appointed alternate board members.

In 2016, the Members entered into new Use and Support Agreements with the Authority effective January 25, 2018. More specifically, each Member community agreed to deliver or cause to be delivered to the Authority 100% of its municipal solid waste, which is defined as all solid waste the collection of which is controlled by the Member community. Each of the Members is assessed a per ton tipping fee as established under fee schedules imposed by the Authority in accordance with the Virginia Water and Waste Authorities Act, for the disposal of solid waste delivered to any of the Authority’s specified delivery points. The term of the contract is January 25, 2018 to June 30, 2027 and will automatically renew for successive additional terms of 10 years each.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Nature of business and significant accounting policies (continued)

The Authority continues to operate nine transfer stations, the Regional Landfill located in Suffolk, a fleet maintenance facility, a household hazardous waste program, a tire shredder processing facility, and a white goods program serving its purpose of the management of the safe and environmentally sound disposal of regional waste.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. The Authority reports as a special purpose government entity engaged in business-type activities, as defined by the Governmental Accounting Standards Board (“GASB”). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Authority’s activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses are accounted for through an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated with current assets. All expenses related to operating the Disposal System are reported as operating expenses. Charges for services provided by the Authority are reported as operating revenues. Interest income, gain on disposal of capital assets, net increase in fair value of investments and nonrecurring items including insurance recoveries are reported as nonoperating revenues.

Net Position – Net position represents the residual interest in the Authority’s assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of three sections: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation and depletion, reduced by outstanding debt attributable to capital expenses, net of unspent bond proceeds. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority’s restricted net positions are expendable and relate to amounts restricted for environmental trust funds, the net pension asset, and the net OPEB asset, VLDP. Unrestricted amounts may be designated for specific purposes by action of management or the Board of Directors.

Cash and Cash Equivalents – Cash and cash equivalents are defined as being cash and short-term, interest bearing investments consisting of certificates of deposit and other income producing securities of less than or equal to three months maturity when purchased. These investments are readily convertible to cash, and are stated at cost, which approximates fair value.

Investments – The Authority reports its investment securities at fair value. Fair value is determined as of the statement of net position date, based on quoted market prices.

Restricted Assets – Restricted assets are principally restricted for the payment of obligations under the Authority’s environmental trust funds (see Note 3), the net pension asset (see Note 12), and the net other postemployment benefits asset (see Note 14), and are recorded as noncurrent assets in the accompanying financial statements. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first.

Inventory, Maintenance Parts – Inventory, maintenance parts are valued at the lower of cost (determined on the average-cost basis) or market.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Nature of business and significant accounting policies (continued)

Capital Assets – Capital assets are recorded at cost. Assets are depreciated and amortized by using the straight-line method over the estimated useful lives of the various classes as follows:

Land improvements	15 years
Buildings	30 years
Tractors, trailers, trucks, and equipment	3 – 30 years
Right-to-use leased assets	3 years
Right-to-use subscription asset	3 years

The Regional Landfill is recorded at cost and depleted based upon estimated usage of capacity.

Expenses that extend the useful lives of capital assets beyond their initial estimated useful lives or improve their efficiency or capacity are capitalized, whereas expenditures for repairs and maintenance are expensed. When an asset is retired, replaced, or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected as nonoperating income or expense.

Payables – The accounts payable balances in the accompanying basic financial statements are payable to vendors for operating expenses. The accrued expenses balances in the accompanying basic financial statements are payable to employees or for employee related expenses, including accrued annual leave. Employees accrue annual, paid time off, and sick leave on a bi-weekly basis in amounts which vary depending on years of service. A liability for unused annual leave, paid time off, and sick leave is recorded as accrued by each employee.

Landfill Closure and Post-Closure Care Liability – The Authority records landfill closure and post-closure care costs as an operating expense based on the landfill capacity used as of the fiscal year-end date and the current estimated costs for closure and post-closure care (see Note 5).

Accounts Receivable – Provisions for uncollectible accounts receivable are based on specifically identified accounts that management believes may not be collectible as well as a percentage of delinquent accounts in the year-end accounts receivable balance.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – Disposal revenues are based on quantity and weight of disposable solid waste delivered to the Authority and are recognized when billed. Unbilled revenues through June 30 of each fiscal year are accrued at year-end.

Pension and Other Postemployment Benefits (“OPEB”) – For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Authority’s plans, and the additions to/deductions from the Authority’s plan’s net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (“VRS”). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Nature of business and significant accounting policies (continued)

Deferred Outflows and Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period and so it will not be recognized as an expense until then. The Authority's deferred outflows of resources relate to pensions and OPEB and consist of the difference between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so it will not be recognized as revenue until then. Authority's deferred inflows of resources relate to leases, pensions, and OPEB, and consist of future lease income, the difference between expected and actual experience, the net difference between projected and actual earnings on OPEB plan investments, changes of assumptions, and changes in proportion.

Amounts reported as deferred outflows of resources related to pensions and OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the liability in the following year. Other amounts reported as deferred inflows and deferred outflows of resources will be amortized according to the actuarial amortization calculation. See Notes 12, 14, and 15 for further details.

Leases: Lessee – The Authority is a lessee for a noncancelable lease of a facility. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Leases: Lessor – The Authority is a lessor for a noncancelable lease of office space and land. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Nature of business and significant accounting policies (continued)

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription Based Information Technology Arrangements – The Authority has recorded subscription assets and liabilities as a result of implementing GASB No. 96, *Subscription-Based Information Technology Arrangements* (“SBITA”). The right-to-use subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability, plus any payments associated with the SBITA contract made prior to the subscription term, less SBITA vendor incentives, and plus any capitalizable initial implementation costs. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related contract. SBITAs based on variable payments (or user seats) are not recorded as subscription assets or liabilities and are expensed as incurred.

Note 2—Cash and cash equivalents

At June 30, 2024, the Authority’s cash and cash equivalents balance was \$2,363,705. The deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”). 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 in the form of federal agency obligations with a third party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event the banking institution fails, the treasurer will take possession of the collateral, liquidate it, and reimburse the Authority up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. Accordingly, all deposits are considered fully collateralized.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Investments

Total investments, including restricted and designated assets, were \$58,398,228 at June 30, 2024 and were held for the purposes and in the respective accounts described below:

	Investments	Accrued Interest Receivable	Total
Unrestricted ^(a)	\$ 8,319,871	\$ 122,939	\$ 8,442,810
Landfill closure and post-closure fund (designated) ^(b)	21,762,349	-	21,762,349
Landfill expansion and flyover project (designated) ^(c)	27,277,624	-	27,277,624
Environmental trust fund accounts (restricted) ^(d)	1,038,384	-	1,038,384
	<u>\$ 58,398,228</u>	<u>\$ 122,939</u>	<u>\$ 58,521,167</u>

(a) *Unrestricted Accounts* – These funds represent a combination of operating funds and the operating reserve account.

(b) *Landfill Closure and Post-Closure Fund (designated)* – This account holds funds designated for the closure and post-closure costs for the Regional Landfill to be drawn down when funds are dispersed for expansion, closure or post-closure costs. See Note 5 for more information.

(c) *Landfill Expansion and Flyover Project (designated)* – This account holds funds designated for the expansion costs for the Regional Landfill and the Flyover to be drawn down when funds are dispersed for expansion or flyover construction costs.

(d) *Environmental Trust Fund Accounts* – These accounts were established through agreements between the Authority and the Member cities of Suffolk and Virginia Beach. The Environmental Trust Fund Accounts include the Suffolk Environmental Trust Fund and the Virginia Beach Environmental Trust Fund. The purpose of these accounts is to provide for all costs relating to legal suits and other similar claims activity relating to environmental pollution that are made against the Regional Landfill and the Virginia Beach Landfill during a 30-year period after cessation of each landfill's operations. The Authority must contribute a minimum of \$5,000 annually to the Suffolk Environmental Trust Fund. Annual contributions to the Virginia Beach Environmental Trust Fund ended simultaneously with the expiration of the Ash & Residue Agreement on December 31, 2015. Upon expiration of the 30-year period, all remaining amounts will be proportionately distributed to each of the members using the Disposal System during the terms of the Environmental Trust Funds, based upon the tipping fees generated by such Members. The Members' proportionate shares of the Environmental Trust Funds at June 30, 2024, are presented on the following page.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Investments (continued)

	Suffolk Environmental Trust Fund	Virginia Beach Environmental Trust Fund
Cities:		
Chesapeake	\$ 131,091	\$ 127,976
Franklin	6,460	6,433
Norfolk	116,980	114,189
Portsmouth	52,837	51,357
Suffolk	10,465	9,039
Virginia Beach	171,411	168,621
Counties:		
Isle of Wight	22,699	22,440
Southampton	13,303	13,083
	<u>\$ 525,246</u>	<u>\$ 513,138</u>

Investment Policy – In accordance with the Code of Virginia and other applicable law, including regulations, SPSA's investment policy (the "Policy") permits investments in U.S. government obligations (including Government Sponsored Enterprise Obligations), obligations of the Commonwealth of Virginia or political subdivisions thereof, repurchase agreements, commercial paper, bankers' acceptances, corporate notes, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the Commonwealth's Treasurer's Local Government Investment Pool (the state of Virginia LGIP, a 2a-7 like pool).

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

	<u>Maximum Percentage</u>
U.S. government obligations	100%
Federal agency or government sponsored enterprise obligations	50%
Registered money market mutual funds	100%
State of Virginia Local Government Investment Pool (LGIP)	75%
Repurchase agreements	50%
Bankers' acceptances	40%
Commercial paper	35%
Negotiable certificates of deposit/bank notes	20%
Bank deposits	25%
Corporate notes	15%

Further, the combined amount of bankers' acceptances, commercial paper, negotiable certificates of deposit/bank notes and corporate notes may not exceed 50% of the total book value of the portfolio at the date of acquisition.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Investments (continued)

Credit Risk – As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s, and Fitch’s Investors Service. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated at least “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service.

Although state statutes do not impose credit standards on repurchase agreement counterparties, bankers’ acceptances or money market mutual funds, SPSA has established certain credit standards for these investments to minimize portfolio risk.

At June 30, 2024, the credit risk of the total investments were:

	Rating	Percentage
Raymond James Money Market	A-	1.77%
Certificate of deposit	No rating	9.73%
PFM Funds - Prime Series Money Market Fund includes		
Institutional Class	AAAm	1.69%
Raymond James & Associates, Federal Government Sponsored	AA+	43.20%
Raymond James & Associates, Corporate Bonds	AA-	20.00%
Federated Treasury Obligations Funds	AAAm	0.04%
Virginia Investment Pool Money Market Deposit Account	AAAm	23.52%

Concentration of Credit Risk – The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. SPSA’s policy limits the amount that may be invested in the securities of a single issuer to 5% of the portfolio with the following exceptions:

U.S. Treasury	100% maximum
Each registered money market mutual fund	100% maximum
State of Virginia LGIP	75% maximum
Each federal agency or government sponsored enterprise obligation	50% maximum
Each repurchase agreement counterparty	25% maximum
Each bank depository	25% maximum

At June 30, 2024, SPSA’s total investments were diversified in accordance with its investment policy and fully collateralized in accordance with the Virginia Security for Public Deposits Act.

Interest Rate Risk – As a means of limiting exposure to fair value losses arising from rising interest rates, SPSA’s Policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase. The average maturity of the investment portfolio may not exceed 24 months.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years if the maturity of such investment is made to coincide as nearly as practicable with the expected use of funds.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 3—Investments (continued)

At June 30, 2024, SPSA had the following investments and maturities (excluding accrued interest):

	Investment Maturity (in Years)			
	Fair Value	Less 1 Year	1 to 3 Years	3 to 5 Years
Registered money market mutual fund:				
PFM Funds - Prime Series -				
Institutional	\$ 1,038,384	\$ 1,038,384	\$ -	\$ -
TowneBank:				
Money market	749	749	-	-
Certificate of deposit	3,313,485	3,313,485	-	-
Raymond James & Associates:	-	-	-	-
Corporate bonds	5,785,696	-	5,785,696	-
Certificate of deposit	3,363,398	-	3,363,398	-
Money market	19	19	-	-
Government sponsored	30,127,334	1,956,280	28,171,054	-
Virginia Investment Pool:				
Money market	14,769,163	14,769,163	-	-
	<u>\$ 58,398,228</u>	<u>\$ 21,078,080</u>	<u>\$ 37,320,148</u>	<u>\$ -</u>

Custodial Credit Risk –The Policy requires that all investment securities purchased by SPSA or held as collateral on deposits or investments shall be held by SPSA or by a third party custodial agent who may not otherwise be counterparty to the investment transaction. At June 30, 2024, all of SPSA's restricted asset investments were held in a bank's trust department in SPSA's name.

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

SPSA has determined that all investments within its portfolio, except for certificates of deposits, are valued using quoted market prices (Level 1 inputs). Certificates of deposit are measured in accordance with U.S. GAAP at amortized costs.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 4—Capital assets

Capital assets of the Authority as a whole as of June 30, 2024 consist of the following:

	Balance, July 1, 2023	Increases	Decreases	Balance, June 30, 2024
Capital assets not being depreciated, depleted, or amortized:				
Assets under construction	\$ 7,867,388	\$ 3,939,416	\$ (283,037)	\$ 11,523,767
Land	5,050,756	-	-	5,050,756
Intangible assets	6,097,000	-	-	6,097,000
Total capital assets not being depreciated, amortized, or depleted	19,015,144	3,939,416	(283,037)	22,671,523
Other capital assets:				
Improvements (Regional Landfill)	64,415,852	-	-	64,415,852
Other land improvements	495,511	-	-	495,511
Buildings	38,799,446	365,064	-	39,164,510
Equipment	25,570,546	2,356,714	(479,619)	27,447,641
Tractors, trailers, and trucks	13,857,074	2,541,362	(48,879)	16,349,557
Right-to-use leased assets	36,744	-	-	36,744
Right-to-use subscription assets	183,663	8,682	-	192,345
Total other capital assets	143,358,836	5,271,822	(528,498)	148,102,160
Accumulated depreciation, depletion, and amortization:				
Improvements (Regional landfill)	56,820,300	1,167,080	-	57,987,380
Other land improvements	495,511	-	-	495,511
Buildings	34,667,430	281,577	-	34,949,007
Equipment	16,703,124	1,961,872	(387,497)	18,277,499
Tractors, trailers, and trucks	9,059,175	889,031	(40,566)	9,907,640
Right-to-use leased assets amortization	10,389	525	-	10,914
Right-to-use subscription assets amortization	37,774	55,936	-	93,710
Total accumulated depreciation, depletion, and amortization	117,793,703	4,356,021	(428,063)	121,721,661
Other capital assets, net	25,565,133	915,801	(100,435)	26,380,499
	\$ 44,580,277	\$ 4,855,217	\$ (383,472)	\$ 49,052,022

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 4—Capital assets (continued)

Construction in progress consists of the following:

	Incurred through <u>June 30, 2024</u>
Cell 8/9 Permitting	\$ 3,610,192
RLF-Demo/Const Structures	79,727
RLF Design Build Project	3,276,280
RLF Leachate Evap System	4,267,440
RLF Cell VII Permit Modification	111,028
Cell V & VI Cap Redesign	156,400
Magnolia Property	16,200
Portsmouth Transfer Station	<u>6,500</u>
	<u>\$ 11,523,767</u>

Note 5—Landfill closure and post-closure care costs

State and federal laws and regulations require a final cover to be placed on a landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs are paid only near or after the date each discrete section of the landfill stops accepting waste and closure activities commence, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year-end date, in accordance with U.S. GAAP. The total landfill closure and post-closure care liabilities at June 30, 2024 are \$23,190,220. The three components are described as follows:

The first component of the liability relates to Cells I-IV, which was \$2,506,063 at June 30, 2024 and is based upon the use of all of the capacity of Cells I-IV of the Regional Landfill. The closure process of Cells I-IV was completed in 2009. The remaining amounts for Cells I-IV are based on estimates of what it would cost to perform post closure care as of June 30, 2024.

The second and third components relate to Cells V and VI. The cumulative amount of liabilities reported to date based upon the use of approximately 100% of the estimated capacity of Cell V and approximately 60% of Cell VI of the Regional Landfill is \$20,684,157 at June 30, 2024. Cell V of the Regional Landfill stopped accepting waste in 2007. The amounts for Cell V and Cell VI are based on what it would cost to perform all closure and post closure care at June 30, 2024.

Actual closure and post-closure care costs for the Regional Landfill may differ from estimates due to inflation, changes in technology, or changes in regulations. The Authority currently plans to finance the landfill closure and post-closure care costs with operating revenues. In fiscal year 2024, the Authority demonstrated its closure and post-closure care financial assurance requirements through the corporate financial test defined in the waste regulations issued by the Commonwealth of Virginia.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—Landfill closure and post-closure care costs (continued)

The following presents the changes in the combined landfill closure and post closure care liability for the year ended June 30, 2024:

Balances as of July 1, 2023	\$ 21,762,349
Revisions on estimate	1,583,311
Payments made	<u>(155,440)</u>
Balances as of June 30, 2024	23,190,220
Current portion	<u>1,427,871</u>
Noncurrent portion	<u><u>\$ 21,762,349</u></u>

Note 6—Commitments

In the normal course of operations, the Authority enters into various contracts for the purchase of goods and/or services. At June 30, 2024, total commitments under these contracts were \$3,252,918.

Note 7—Leases

Lease Receivable – The Authority leases office space and land to various third parties under multiples leases. The leases are for periods ending at various dates through July 2042 and the Authority receives monthly lease payments ranging from \$200 to \$4,641. The Authority recognized \$48,186 in lease revenue and \$53,453 in interest revenue during the current fiscal year related to these leases. As of June 30, 2024, the Authority's receivable for lease payments was \$1,146,523. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflows of resources was \$1,063,063.

Lease Payable – The Authority leases a facility and equipment from unrelated third parties under noncancelable leases. The Authority is required to make annual principal and interest payments of \$4,059 related to those leases. The leases do not have a stated interest rate; therefore, the Authority uses its incremental borrowing rate at inception of the lease as the discount rate for the leases. The Authority's incremental borrowing rate at June 30, 2023 and 2024 was 9.5%. As of June 30, 2024, the value of lease liabilities was \$17,369. The value of the right-to-use leased assets as of the end of the current fiscal year was \$36,744 and had accumulated amortization of \$10,914.

Lease liabilities and lease terms are as follows at June 30, 2024:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Obligations</u>
Lease liabilities	\$ 28,415	\$ -	\$ (11,046)	\$ 17,369	\$ 5,675

Lease liabilities debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,675	\$ 1,578	\$ 7,253
2026	6,568	1,000	7,568
2027	5,126	366	5,492
Total future payments	<u>\$ 17,369</u>	<u>\$ 2,944</u>	<u>\$ 20,313</u>

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 8—Subscription-based information technology arrangements

The Authority has entered into SBITAs for finance, reporting, and learning software for a period of one to four years and an incremental borrowing rate of 9.25%. The subscription liabilities have been recorded at the present value of the future contract payments as of the date of their inception or, for SBITAs existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2022. The value of the right-to-use subscription assets as of the end of the current fiscal year was \$192,345 and had accumulated amortization of \$93,710.

Subscription liabilities and subscription terms are as follows at June 30, 2024:

	Balance			Balance	Current
	June 30, 2023	Increases	Decreases	June 30, 2024	Obligations
Subscription liabilities	\$ 105,862	\$ -	\$ (2,284)	\$ 103,578	\$ 43,530

SBITA debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2025	\$ 43,530	\$ 6,732	\$ 50,262
2026	60,048	2,531	62,579
Total future payments	\$ 103,578	\$ 9,263	\$ 112,841

For the year ended June 30, 2024, the Authority had no SBITAs with variable payments that were based on user seats. For the year ended June 30, 2024, the Authority had no other payments, such as termination penalties, not previously included in the measurement of the subscription liability. For the year ended June 30, 2024, the Authority had no commitments under SBITAs before the commencement of the subscription term or any losses associated with an impairment.

Note 9—Service fee paid to Wheelabrator

The Authority and Wheelabrator have been engaged in various disposal agreements since 2010 when the Authority sold the waste to energy facilities to Wheelabrator. Prior to February 1, 2019, the Authority paid a flat fee of \$36 per ton for waste disposal and Wheelabrator paid \$19 per ton to dispose of ash residue at the landfill.

During fiscal year 2019, following a competitive bid process, Wheelabrator was awarded a contract to dispose of municipal solid waste at a rate of \$32 per ton. The term of the contract is February 1, 2019 to June 30, 2027 with the option to renew up to two five-year periods. In fiscal year 2024, Wheelabrator paid the Authority \$25 per ton for the disposal of qualifying ash residue and \$35 per ton for non-qualifying ash at the landfill. The contract includes an increase in both rates throughout the term.

Approximately 28% of the Authority's operating expenses were related to the Wheelabrator Service Fee for the fiscal year ended June 30, 2024. As of June 30, 2024, approximately 25% of the Authority's accounts payable balance was due to Wheelabrator.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

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Note 10—Waste Hauling and Disposal Services Agreement

Following a Request for Proposal process, the Authority entered into an agreement with Wheelabrator Portsmouth, Inc. to haul and dispose of non-municipal waste received at the Authority's transfer stations effective January 25, 2018.

In December 2022, a fire at the Wheelabrator facility resulted in significant changes to Wheelabrator operations. As a result of these changes, the Waste Hauling and Disposal Services Agreement was terminated effective March 31, 2023. Wheelabrator ceased operations in Portsmouth, Virginia effective June 30, 2024. The Authority has publicly posted a Request for Proposal in order to seek new opportunities for alternative waste disposal.

Beginning on April 1, 2023, the Authority entered into an agreement with MBI to haul commercial waste to Wheelabrator, the Regional Landfill, and Waste Management landfills.

In fiscal year 2024, the Authority paid Wheelabrator Portsmouth \$12,988,690 to dispose of approximately 363,523 tons and paid MBI \$3,925,620 to haul approximately 225,893 tons of waste.

Note 11—Host Community and Good Neighbor Agreement

In order to ensure long term waste disposal capacity for the Members, a Good Neighbor and Host Agreement was executed with the City of Suffolk whereby certain rights and responsibilities are defined for both parties. In particular, the Authority applied for a new conditional use permit (CUP for Cell VII at the landfill as well as requesting the rezoning of the remaining parcel.) In turn, the Authority has agreed to pay the City of Suffolk a host fee of \$4 per ton for waste disposed in the landfill beginning January 25, 2018. In August 2017, the City of Suffolk approved the CUP and rezoning of the remaining parcel. In fiscal year 2024, the Authority paid the City of Suffolk \$1,350,900.

Note 12—Pension plans

Plan Description – All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the VRS 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.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

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

PLAN 1	PLAN 2	HYBRID
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.	About Plan 2 Same as Plan 1.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan ("ORP") and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an ORP and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 to April 30, 2014; the Plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

PLAN 1	PLAN 2	HYBRID
Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

PLAN 1	PLAN 2	HYBRID
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

PLAN 1	PLAN 2	HYBRID
Average Final Compensation A member's average final compensation is the average of the 36-consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60-consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the plan defined benefit component.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.00%. For members that 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. <u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS Age 65.	Normal Retirement Age VRS Normal Social Security retirement age.	Normal Retirement Age VRS <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of service credit.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> Age 60 with at least five years (60 months) of service credit. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

PLAN 1	PLAN 2	HYBRID
Cost-of-Living Adjustment (COLA) in Retirement The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility</u> Same as Plan 1. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility</u> Same as Plan 1 and Plan 2. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

PLAN 1	PLAN 2	HYBRID
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related-disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exception: Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable

Employees Covered by Benefit Terms – As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	220
Inactive members:	
Vested	72
Nonvested	147
Active elsewhere in VRS	60
Total inactive members	279
Active members	115
	614

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

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

SPSA’s contractually required contribution rate for the year ended June 30, 2024, was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2022.

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 was \$-0- for the years ended June 30, 2024 and 2023.

Net Pension Asset – The net pension asset (“NPA”) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with U.S. GAAP, less that employer’s fiduciary net position. For SPSA, the net pension asset was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – The total pension liability for employees in SPSA’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, Including inflation
Mortality Rates:	<i>All Other (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related</i>
	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.
	Postretirement:
	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
	Post-Disablement:
	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
	Beneficiaries and Survivors:
	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
	Mortality Improvement:
	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

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

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

Mortality Rates (pre-retirement, postretirement, healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return – The long-term expected rate of return on pension 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset – The following table represents the changes in net pension asset through the plan's measurement date of June 30, 2023 for the Authority:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balance at June 30, 2022	\$ 51,128,066	\$ 59,116,042	\$ (7,987,976)
Changes for the year:			
Service cost	558,274	-	558,274
Interest	3,391,199	-	3,391,199
Difference between expected and actual experience	66,159	-	66,159
Contributions - employee	-	323,329	(323,329)
Net investment income	-	3,730,802	(3,730,802)
Benefit payments, including refunds of employee contributions	(2,892,718)	(2,892,718)	-
Administrative expense	-	(38,525)	38,525
Other changes	-	1,417	(1,417)
Net changes	1,122,914	1,124,305	(1,391)
Balance at June 30, 2023	\$ 52,250,980	\$ 60,240,347	\$ (7,989,367)

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 12—Pension plans (continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate – The following represents the net pension asset of SPSA using the discount rate of 6.75%, as well as what SPSA net position asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher than the current rate (7.75%):

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Authority's net pension asset	<u>\$ (1,809,374)</u>	<u>\$ (7,989,367)</u>	<u>\$ (13,075,872)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2024, SPSA recognized a pension income of \$1,177,144. At June 30, 2024, SPSA 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
Net difference between projected and actual earnings on plan investments	\$ -	\$ 1,003,753
Differences between expected and actual experience	13,232	-
	<u>\$ 13,232</u>	<u>\$ 1,003,753</u>

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:

Years Ending June 30.

2025	\$ (689,056)
2026	(1,190,321)
2027	854,542
2028	34,314
	<u>\$ (990,521)</u>

Payables to the Pension Plan – The Authority had \$28,313 as short-term payables to VRS for legally or contractually required contributions outstanding as of June 30, 2024 and included in accounts payable on the statements of net position.

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

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 13—Employee contribution plan

During fiscal year 1993, SPSA established a deferred compensation plan through Hartford Life Insurance Company (the "Company"). In 2012, Massachusetts Mutual Life Insurance Company acquired the Hartford's Retirement Plans Group. Effective January 1, 2021 the plan is now through Empower Retirement. The plan was established under the guidelines of Section 457 of the Internal Revenue Code ("IRC"). The plan is a voluntary employee contribution plan in which employees elect a certain dollar amount to be withheld each pay period.

All of the Authority's full time employees are eligible to participate with a minimum contribution of \$10 per pay period. Maximum contributions made by an employee are subject to IRC limitations.

The plan is funded by Authority's employees. All underlying funds charge an investment management fee that varies according to the funds selected by the employee.

Note 14—Other postemployment benefits – VRS plans

The Authority participates in two multiple employer, cost-sharing plans offered by VRS: Group Life Insurance Program ("GLIP") and Political Subdivision Employee Virginia Local Disability Program ("VLDP").

Fiduciary Net Position

Detailed information about the GLIP and VLDP Fiduciary Net Position is available in the separately issued VRS 2023 Comprehensive Annual Financial Report. A copy of the 2023 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions, long-term expected rate of return, and discount rate are the same for the VRS OPEB programs as they are for VRS pension. As such, please refer to Note 12 for disclosure of the actuarial assumptions, expected rate and long-term expected rate of return of the VRS programs. Specific information for the OPEB plans will be presented after this section.

Group Life Insurance Program

Plan Description – All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS GLIP upon employment.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the GLIP OPEB.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 14—Other postemployment benefits – VRS plans (continued)

Specific information for GLIP OPEB, including eligibility, coverage, and benefits is set out in the table below:

GLIP Plan Provisions
Eligible Employees The GLIP was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance 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 benefits payable under the GLIP have several components. • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLIP 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.
Minimum Benefit Amount and COLA For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLIP. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 14—Other postemployment benefits – VRS plans (continued)

Contributions – The contribution requirements for the GLIP are governed by Sections 51.1-506 and 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLIP 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% (1.31% X 60%) and the employer component was 0.54% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024, was 0.54% of covered employee compensation. This rate was 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 GLIP from SPSA was \$34,000 and \$32,000 for the years ended June 30, 2024 and 2023, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2024, SPSA reported a liability of \$321,000 for its proportionate share of the Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2023 and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLIP OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLIP for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, SPSA's proportion was 0.02676% as compared to 0.02735% at June 30, 2022.

For the year ended June 30, 2024, SPSA recognized GLIP OPEB expense of \$1,227. Since there was a change in proportionate share between measurement dates, a portion of the GLIP OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,000	\$ 10,000
Net difference between projected and actual earnings on		
OPEB plan investments	-	13,000
Changes in assumptions	7,000	22,000
Changes in proportion	-	28,000
Employer contributions subsequent to the measurement date	34,000	-
	<u>\$ 73,000</u>	<u>\$ 73,000</u>

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 14—Other postemployment benefits – VRS plans (continued)

\$34,000 reported as deferred outflows of resources related to the GLIP OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLIP OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB will be recognized in the GLIP OPEB expense in future reporting periods as follows:

Years Ending June 30.

2025	\$ (13,000)
2026	(20,000)
2027	1,000
2028	(4,000)
2029	2,000
	<u>\$ (34,000)</u>

Net OPEB Liability: – The net OPEB liability ("NOL") for GLIP represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLIP are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,907,052
Plan fiduciary net position	<u>2,707,738</u>
Employer's net GLI OPEB liability	<u>\$ 1,199,314</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%

The total GLIP 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 GLIP OPEB liability is disclosed in accordance with requirements of U.S. GAAP in the system's notes to the financial statements and required supplementary information.

Sensitivity of SPSA's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following presents SPSA's proportionate share of the net GLIP OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLIP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Authority's proportionate share of the GLI net OPEB liability	<u>\$ 476,000</u>	<u>\$ 321,000</u>	<u>\$ 196,000</u>

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 14—Other postemployment benefits – VRS plans (continued)

Payables to the Plan

At June 30, 2024, \$8,279 was payable to the VRS for the legally required contributions related to June 2024 payroll for the GLIP.

Virginia Local Disability Program

Plan Description – All full-time, salaried general employees of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VLDP.

This plan is administered by the system, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the VLDP.

Specific information for VLDP OPEB, including eligibility, coverage and benefits is set out in the table below:

VLDP Plan Provisions
Eligible Employees The Political Subdivision Employee VLDP was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work related and work related disabilities for employees with hybrid plan retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
Benefit Amounts The Political Subdivision Employee VLDP provides the following benefits for eligible employees: <i>Short-Term Disability:</i> - The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employee become eligible for non-work related short-term disability coverage after one year of continuous participation in VLDP with their current employer. - During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work related or work related disability. - Once the eligibility period is satisfied, employees are eligible for higher income replacement levels. <i>Long-Term Disability:</i> - The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. - Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
VLDP Notes - Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. - VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 14—Other postemployment benefits – VRS plans (continued)

Contributions – The contribution requirement for active hybrid plan employees is governed by Section 51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2024, was 0.85% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 VLDP from SPSA were \$24,000 and \$16,000 for the years ended June 30, 2024 and 2023, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2024, SPSA reported an asset of \$5,000 for its proportionate share of the Net VLDP OPEB asset. The Net VLDP OPEB asset was measured as of June 30, 2023 and the total VLDP OPEB asset used to calculate the Net VLDP OPEB asset was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net VLDP OPEB asset was based on the covered employer's actuarially determined employer contributions to the VLDP for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, SPSA's proportion was 0.32737% as compared to 0.34471% at June 30, 2022.

For the year ended June 30, 2024, SPSA recognized VLDP OPEB expense of \$13,320. Since there was a change in proportionate share between measurement dates, a portion of the VLDP OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,000	\$ 3,000
Changes in assumptions	-	1,000
Changes in proportion	1,000	-
Employer contributions subsequent to the measurement date	24,000	-
	<u>\$ 27,000</u>	<u>\$ 4,000</u>

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 14—Other postemployment benefits – VRS plans (continued)

\$24,000 reported as deferred outflows of resources related to the VLDP OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB asset in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Years Ending June 30.

2025	\$ -
2026	(1,000)
2027	-
2028	-
2029	-
Thereafter	-
	<u>\$ (1,000)</u>

Net OPEB Liability: – The NOA for VLDP represents the program's total OPEB asset determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOA amounts for the VLDP are as follows (amounts expressed in thousands):

	Virginia Local Local Disability Program
Total VLDP OPEB Liability	\$ 9,525
Plan Fiduciary Net Position	11,134
Employer's Net VLDP OPEB Asset	<u>\$ (1,609)</u>
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	116.89%

The total VLDP OPEB asset is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net VLDP OPEB asset is disclosed in accordance with requirements of U.S. GAAP in the System's notes to the financial statements and required supplementary information.

Sensitivity of SPSA's Proportionate Share of the OPEB Asset to Changes in the Discount Rate – The following presents SPSA's proportionate share of the net VLDP OPEB asset using the discount rate of 6.75%, as well as what the employer's proportionate share of the net VLDP OPEB 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:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Authority's proportionate share of the net VLDP asset	<u>\$ (3,000)</u>	<u>\$ (5,000)</u>	<u>\$ (7,000)</u>

Payables to the Plan

At June 30, 2024, \$2,438 was payable to the VRS for the legally required contributions related to June 2024 payroll for the VLDP.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 15—SPSA postretirement medical benefit plan

Plan Description – At its sole discretion, SPSA offers a Postretirement Medical Benefit Plan (“PMBP”) subject to eligibility. The plan is administered by the Authority. Under the plan, SPSA will pay part of the retiree’s monthly health insurance premium up through age 65. The retiree must be approved for service or disability retirement through the VRS and must have been employed with SPSA at least 15 years.

Employees Covered by Plan – As of July 1, 2022 actuarial valuation, the following employees were covered by the PMBP:

Inactive members (and spouse if applicable) currently receiving benefits	13
Active participants	<u>106</u>
Total covered participants	<u>119</u>

Contributions – For employees that retired prior to July 1, 2011, SPSA contributes up to 50% of the amount it normally pays for active employees with the same level of coverage. The amount is calculated based on 5% per year of completed service with SPSA.

For employees that retired after July 1, 2011, SPSA contributes 50% of the amount it normally pays for active employees for the lowest tier of coverage on the least expensive plan.

Total OPEB Liability – The Authority’s total PMBP OPEB liability of \$812,729 was measured as of June 30, 2024. The total PMBP OPEB liability was determined by an actuarial valuation date as of July 1, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – The Authority does not pre-fund PMBP. Instead, it pays benefits directly from general assets on a pay-as-you-go basis. The PMBP OPEB liability was based on an actuarial valuation as of July 1, 2023, using the Entry Age Normal, level percentage of pay method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2024.

Inflation	2.5%
Salary Increases, including inflation	3.5% to 5.35%
Age Related Claims Costs	Milliman’s <i>Health Cost Guidelines</i> and actuarial judgment, consistent with the Getzen Trend Model
Healthcare Trend Rates	6.20% to 4.00% over 55 years
Retirement, Withdrawal, and Disability	Consistent with assumptions used in the June 30, 2015 valuation of the VRS.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 15—SPSA postretirement medical benefit plan (continued)

Discount Rate – The discount rate used to measure the total PMBP OPEB liability was 3.93%. The discount rates are based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates.

Changes in Total OPEB Liability

	Increase (Decrease)
Balance as of June 1, 2023	\$ 781,024
Changes during the year:	
Service costs	61,319
Interest on total OPEB liability	29,837
Effect on assumptions changes or inputs	(9,187)
Benefit payments	(50,264)
Balance as of June 30, 2024	<u>\$ 812,729</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the Authority's Total OPEB Liability, calculated using the discount rate of 3.93%. It also represents what the Authority's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.93%) and one percentage point higher (4.93%) than the current rate.

	1% Decrease 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
Total PMBP OPEB liability	<u>\$ 845,047</u>	<u>\$ 812,729</u>	<u>\$ 779,459</u>

Sensitivity of the Total PMBP 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 Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total PMBP OPEB liability	<u>\$ 733,355</u>	<u>\$ 812,729</u>	<u>\$ 902,627</u>

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

Note 15—SPSA postretirement medical benefit plan (continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OBEB – For the year ended June 30, 2024, the Authority recognized an OPEB expense of \$145,964. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 259,072
Changes of assumptions	9,948	43,752
	<u>\$ 9,948</u>	<u>\$ 302,824</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to the PMBP OPEB will be recognized in OPEB expense as follows:

Years Ending June 30.

2025	\$ (143,832)
2026	(101,911)
2027	(42,648)
2028	(4,485)
	<u>\$ (292,876)</u>

Note 16—Contingencies

SPSA is exposed to asserted and unasserted potential claims encountered in the normal course of business. The Authority intends to defend itself against these complaints and management believes the Authority will prevail and the final resolution of these complaints will not have a material, adverse effect on the Authority's financial position.

The Authority is also exposed to various risks of loss related to theft of, damage to, and destruction of assets and natural disasters for which it carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS

YEARS ENDED JUNE 30, 2014 THROUGH 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 558,274	\$ 523,707	\$ 553,911	\$ 562,558	\$ 537,854	\$ 545,095	\$ 569,856	\$ 599,791	\$ 617,774	\$ 606,013
Interest	3,391,199	3,401,938	3,162,139	3,039,126	3,038,587	2,963,914	2,972,463	2,899,576	2,805,786	2,711,110
Difference between expected and actual experience	66,159	(1,274,575)	(92,502)	818,032	(485,076)	69,662	(1,334,317)	(363,513)	(59,513)	-
Changes in assumptions	-	-	2,088,117	-	1,211,981	-	(160,511)	-	-	-
Benefit payments, including refunds of employee contributions	(2,892,718)	(2,796,743)	(2,568,860)	(2,625,732)	(2,749,562)	(2,274,266)	(2,064,980)	(2,124,248)	(1,924,126)	(2,005,095)
Net Change in Total Pension Liability	1,122,914	(145,673)	3,142,805	1,793,984	1,553,784	1,304,405	(17,489)	1,011,606	1,439,921	1,312,028
Total pension liability, beginning	51,128,066	51,273,739	48,130,934	46,336,950	44,783,166	43,478,761	43,496,250	42,484,644	41,044,723	39,732,695
Total Pension Liability, Ending ^(a)	<u>\$ 52,250,980</u>	<u>\$ 51,128,066</u>	<u>\$ 51,273,739</u>	<u>\$ 48,130,934</u>	<u>\$ 46,336,950</u>	<u>\$ 44,783,166</u>	<u>\$ 43,478,761</u>	<u>\$ 43,496,250</u>	<u>\$ 42,484,644</u>	<u>\$ 41,044,723</u>
Plan Fiduciary Net Position:										
Contributions - employer	\$ -	\$ -	\$ (14,979)	\$ 20,935	\$ 14,641	\$ 78,230	\$ 81,855	\$ 313,487	\$ 325,830	\$ 297,584
Contributions - employee	323,329	384,482	289,309	291,793	276,087	285,849	319,579	291,602	323,735	309,452
Net investment income	3,730,802	(26,330)	13,546,097	973,787	3,304,938	3,604,420	5,464,712	773,053	2,058,962	6,320,734
Benefit payments, including refunds of employee contributions	(2,892,718)	(2,796,743)	(2,568,860)	(2,625,732)	(2,749,562)	(2,274,266)	(2,064,980)	(2,124,248)	(1,924,126)	(2,005,095)
Administrative expense	(38,525)	(38,910)	(35,027)	(34,649)	(34,728)	(32,088)	(32,560)	(29,366)	(29,072)	(34,912)
Other	1,417	371	437	(1,136)	(2,066)	(2,463)	(4,816)	(334)	(430)	333
Net Change in Plan Fiduciary Net Position	1,124,305	(2,477,130)	11,216,977	(1,375,002)	809,310	1,659,682	3,763,790	(775,806)	754,899	4,888,096
Plan fiduciary net position, beginning	59,116,042	61,593,172	50,376,195	51,751,197	50,941,887	49,282,205	45,518,415	46,294,221	45,539,322	40,651,226
Plan fiduciary net position, ending ^(b)	<u>\$ 60,240,347</u>	<u>\$ 59,116,042</u>	<u>\$ 61,593,172</u>	<u>\$ 50,376,195</u>	<u>\$ 51,751,197</u>	<u>\$ 50,941,887</u>	<u>\$ 49,282,205</u>	<u>\$ 45,518,415</u>	<u>\$ 46,294,221</u>	<u>\$ 45,539,322</u>
Authority's net pension asset, ending ^{(a) - (b)}	<u>\$ (7,989,367)</u>	<u>\$ (7,987,976)</u>	<u>\$ (10,319,433)</u>	<u>\$ (2,245,261)</u>	<u>\$ (5,414,247)</u>	<u>\$ (6,158,721)</u>	<u>\$ (5,803,444)</u>	<u>\$ (2,022,165)</u>	<u>\$ (3,809,577)</u>	<u>\$ (4,494,599)</u>

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS

YEARS ENDED JUNE 30, 2014 THROUGH 2023 (CONTINUED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>115%</u>	<u>116%</u>	<u>120%</u>	<u>105%</u>	<u>112%</u>	<u>114%</u>	<u>113%</u>	<u>105%</u>	<u>109%</u>	<u>111%</u>
Covered payroll	<u>\$ 6,303,150</u>	<u>\$ 5,923,888</u>	<u>\$ 5,919,524</u>	<u>\$ 5,932,541</u>	<u>\$ 5,670,573</u>	<u>\$ 5,047,097</u>	<u>\$ 5,280,968</u>	<u>\$ 5,783,893</u>	<u>\$ 6,011,624</u>	<u>\$ 6,085,562</u>
Authority's net pension assets as a percentage of covered payroll	<u>(127%)</u>	<u>(135%)</u>	<u>(174%)</u>	<u>(38%)</u>	<u>(95%)</u>	<u>(122%)</u>	<u>(110%)</u>	<u>(35%)</u>	<u>(63%)</u>	<u>(63%)</u>
Authority's net pension assets as a percentage of covered-employee payroll	-127%	-135%	-174%	-38%	-95%	-122%	-110%	-35%	-63%	-74%

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION

YEARS ENDED JUNE 30, 2014 THROUGH 2024

	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Date	(1)	(2)	(3)	(4)	(5)
2024	\$ -	\$ -	\$ -	\$ 7,058,932	0.00%
2023	-	-	-	6,303,150	0.00%
2022	-	-	-	5,923,888	0.00%
2021	-	-	-	5,919,524	0.00%
2020	7,923	7,923	-	5,932,541	0.13%
2019	13,824	13,824	-	5,670,573	0.24%
2018	78,230	78,230	-	5,047,097	1.55%
2017	81,855	81,855	-	5,280,968	1.55%
2016	313,487	313,487	-	5,783,893	5.42%
2015	325,830	325,830	-	6,011,624	5.42%
2014	297,584	297,584	-	6,085,562	4.89%

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS

YEARS ENDED JUNE 30, 2017 THROUGH 2023

	2023	2022	2021	2020	2019	2018	2017
Group Life Insurance (GLI) Program:							
Employer's proportion of the net GLI OPEB liability	0.02676%	0.02735%	0.02867%	0.02881%	0.02893%	0.03083%	3.17300%
Employer's proportionate share of the Net GLI OPEB liability	\$ 321,000	\$ 329,000	\$ 334,000	\$ 481,000	\$ 471,000	\$ 468,000	\$ 478,000
Employer's covered payroll	\$ 6,317,398	\$ 5,923,888	\$ 5,919,524	\$ 5,932,541	\$ 5,670,573	\$ 5,047,097	\$ 5,280,968
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.08%	5.55%	5.64%	8.11%	8.31%	9.27%	9.05%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
Virginia Local Disability Program (VLDP):							
Employer's proportion of the net VLDP OPEB asset	0.32737%	0.34471%	0.39175%	0.37007%	0.31987%	0.39316%	40.37800%
Employer's proportionate share of the net VLDP OPEB (asset) liability	\$ (5,000)	\$ (2,000)	\$ (4,000)	\$ 4,000	\$ 4,000	\$ 3,000	\$ 3,000
Employer's covered payroll	\$ 2,003,580	\$ 1,608,343	\$ 1,573,788	\$ 1,379,054	\$ 988,403	\$ 954,634	\$ 741,500
Employer's proportionate share of the net VLDP OPEB (asset) liability as a percentage of its covered payroll	-0.25%	-0.12%	-0.25%	0.29%	0.40%	0.31%	0.40%
Plan fiduciary net position as a percentage of the total VLDP OPEB (asset) liability	116.89%	107.99%	119.64%	76.88%	49.21%	51.39%	38.40%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available. Per U.S. GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

YEARS ENDED JUNE 30, 2017 THROUGH 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
GROUP LIFE INSURANCE (GLI) PROGRAM					
2024	\$ 34,000	\$ 34,000	\$ -	\$ 7,098,497	0.48%
2023	32,000	32,000	-	6,317,398	0.51%
2022	32,000	32,000	-	5,923,888	0.54%
2021	32,000	32,000	-	5,919,524	0.54%
2020	31,000	31,000	-	5,932,541	0.52%
2019	29,487	29,487	-	5,670,573	0.52%
2018	26,245	26,245	-	5,047,097	0.52%
2017	29,000	29,000	-	5,280,968	0.55%
VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)					
2024	\$ 24,000	\$ 24,000	\$ -	\$ 2,994,155	0.80%
2023	16,000	16,000	-	2,003,580	0.80%
2022	13,000	13,000	-	1,608,343	0.81%
2021	13,000	13,000	-	1,573,788	0.83%
2020	10,000	10,000	-	1,379,054	0.73%
2019	7,116	7,116	-	988,403	0.72%
2018	5,728	5,728	-	954,634	0.60%
2017	4,449	4,449	-	741,500	0.60%

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB POSTEMPLOYMENT
MEDICAL BENEFIT PLAN (PMPB) AND RELATED RATIOS

YEARS ENDED JUNE 30, 2018 THROUGH 2024

	2024	2023	2022	2021	2020	2019	2018
Total PMBP OPEB Liability:							
Service cost	\$ 61,319	\$ 63,119	\$ 84,671	\$ 84,109	\$ 72,437	\$ 90,708	\$ 104,151
Interest	29,837	34,302	21,274	30,901	44,586	55,384	55,321
Effect of plan changes	-	-	-	-	(54,366)	-	-
Effect on economic/demographic gains or losses	-	(220,616)	-	(426,253)	-	(194,557)	-
Changes in assumptions	(9,187)	14,265	(58,009)	(46,249)	65,182	(155,904)	(31,024)
Benefit payments, including refunds of employee contributions	(50,264)	(31,564)	(53,071)	(59,556)	(79,254)	(70,317)	(69,619)
Net Change in Total PMBP OPEB Liability	31,705	(140,494)	(5,135)	(417,048)	48,585	(274,686)	58,829
Total PMBP liability, beginning	781,024	921,518	926,653	1,343,701	1,295,116	1,569,802	1,510,973
Total PMBP Liability, Ending (a)	<u>\$ 812,729</u>	<u>\$ 781,024</u>	<u>\$ 921,518</u>	<u>\$ 926,653</u>	<u>\$ 1,343,701</u>	<u>\$ 1,295,116</u>	<u>\$ 1,569,802</u>
Covered-employee payroll (b)	\$ 5,722,378	\$ 5,722,378	\$ 5,880,146	\$ 5,880,146	\$ 5,966,055	\$ 5,299,702	\$ 5,852,100
Authority's net PMBP OPEB liability as a percentage of covered-employee payroll (a)/(b)	14.20%	13.65%	15.67%	15.76%	22.52%	24.44%	26.82%

Schedule is intended to show information for 10 years. Since 2024 is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

Note 1—VRS Pension and OPEB plans

The benefit terms and actuarial assumptions are the same for the pension plan and the group life insurance other postemployment benefits plan. As such, the presentation of the benefit terms and actuarial assumptions are combined below.

Changes of Benefit Terms – There have been no actuarially material changes to the system benefit provisions since the prior actuarial valuation.

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

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

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

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
Southeastern Public Service Authority of Virginia
Chesapeake, 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* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the accompanying financial statements of Southeastern Public Service Authority of Virginia (the "Authority"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 27, 2024.

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 the 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 of 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 in accordance with *Government Auditing Standards* or the Specifications.

Purpose of this Report

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

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
September 27, 2024