

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL
YEAR ENDED
JUNE 30, 2023**



ALBEMARLE COUNTY SERVICE AUTHORITY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023

ALBEMARLE COUNTY SERVICE AUTHORITY
CHARLOTTESVILLE, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

*For the Fiscal Year Ended
June 30, 2023*

Prepared by:

Department of Finance
168 Spotnap Road
Charlottesville, Virginia 22911
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ALBEMARLE COUNTY SERVICE AUTHORITY

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INTRODUCTORY SECTION



October 23, 2023

Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

Ladies and Gentlemen:

The Annual Comprehensive Financial Report of the Albemarle County Service Authority (Authority) is submitted herewith. With such modifications as apply to our status as an enterprise fund of governmental units, and as an independently chartered corporation, this report has been prepared in conformity with the reporting and accounting standards promulgated by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association's (GFOA) *Governmental Accounting, Auditing, and Financial Reporting*.

Based upon a comprehensive framework of internal control that has been established for this purpose, the Authority management assumes full responsibility for the accuracy of the data and for the completeness and reliability of the information contained in this report. The information in this report is believed by Authority management to be sufficient to fully represent the financial result of the Authority's operations for the year ended June 30, 2023, and to provide an accurate and useful picture of the Authority's status as of that date.

State law and outstanding bond resolutions require an annual audit of the books and records of the Authority. This requirement has been satisfied by the engagement of independent certified public accountants, Brown, Edwards and Company, LLP, whose opinion is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis of the basic financial statements immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Organization and Function

Located in central Virginia, 100 miles southwest of Washington, DC and less than 65 miles west of Richmond, the Authority was established in 1964, pursuant to the *Virginia Water and Waste Authorities Act*, to provide water and sewer service to those jurisdictional areas in the County of Albemarle (County) designated by the County's Board of Supervisors. The current service areas include the urbanized ring around the City of Charlottesville (City), the communities of

Organization and Function (continued)

Crozet and Scottsville, Red Hill, and the Village of Rivanna. A six-member Board of Directors, appointed by the Albemarle County Board of Supervisors for renewable four-year terms, appoints the Executive Director and governs Authority operations and policies. We have determined, after an examination of the factors involved in the Governmental Accounting Standards Board's definition of "component unit" for financial reporting purposes, that we are not a component unit of Albemarle County and will not be included in their financial report. Justification for this decision is outlined in Note 1 to the financial statements.

In June 1973, the Authority and the City entered into a Service Agreement with the Rivanna Water and Sewer Authority (RWSA), which wholesales finished water and sewer treatment services to the Authority and to the City. In 1975, the Authority purchased from the City the facilities to serve all current water and sewer customers outside the City limits; since then, it has been the sole public retailer of these services in the County.

In addition to retailing finished water distribution and sewer collection services, the Authority constructs pumping stations and line extensions; purchases, connects to the system, and upgrades private water systems; installs water supply and sewage collector systems; inspects water delivery and sanitary sewage systems installed and contributed to it by developers; and maintains these constructed and contributed facilities.

Economic Conditions

In the Albemarle Community Profile⁽¹⁾ most recent update, the Virginia Employment Commission's Economic Information Services Division (VEC) reported the County's and State 2023 unemployment rate of 2.8% as compared to the United States' rate of 3.8%. The total number of jobs in Albemarle County was 55,484. The relative stability of the local economy is attributed to positive trends in the unemployment rate compared to the National percentage. The housing market weakened compared to last year, with home sales decreasing 7% compared to a year earlier, while median home sale prices were up 11% from one year ago⁽²⁾.

Residential and commercial growth within the Authority's Urban and Crozet service areas remains robust. New connections to the Authority's system remain strong (2021 – 451 connections, 2022 – 357 connections, 2023 – 543 connections), with a three-year average of 450 new connections⁽³⁾.

⁽¹⁾ Virginia Community Profile – Albemarle County, Virginia Employment Commission, updated September 14, 2023;

⁽²⁾ CAAR (Charlottesville Area Association of REALTORS) 2023 2nd Quarter and Mid-Year Market Report

⁽³⁾ Albemarle County Service Authority Annual Financial Report 2021, 2022, 2023, Table 11

Major Initiatives and Accomplishments

- ◆ Developed an operating and capital improvement budget for fiscal year 2023 that aligned with our strategic plan and considered current and future impacts of system growth, planned maintenance, and operational needs. To that end, our goals were 1) to meet anticipated operating and capital improvement expenses by modestly increasing water and sewer volume charges, and to ensure that current operating expenses will be paid with current operating revenues; 2) to keep customer buy-in and connection charges constant while maintaining our policy of “growth paying for growth;” and 3) to maintain, improve, and extend system infrastructure through capital investments.
- ◆ The Authority proactively manages its investment in infrastructure with many projects in various stages of completion. Major capital improvement projects completed during the fiscal year include:
 - Hessian Hills Water Main Replacement
 - Oak Forrest Sewer Pump Station
 - Pantops/Hollymead Sewer Drainage Basin Improvements
- ◆ Future projects of the Authority include deployment of an automated metering infrastructure (AMI) system to benefit Authority customers; an energy audit of our operations center and all pump stations to evaluate current energy consumption and driving factors; continued addition to system redundancy and renewal; and a facility master plan which includes a satellite maintenance/office facilities on the ACSA’s Avon Street property.

Operations

For Fiscal Year 2023, Operating Revenues (\$34,230,964) from water and sewer sales and service connection fees increased by 3.9% as compared to Fiscal Year 2022. Associated operating expenses (\$39,270,035) reflected an increase of 11.2% as compared to Fiscal Year 2022, primarily driven by an increase in water/sewer treatment expenses from the Rivanna Water and Sewer Authority and departmental increases.

Unlike the revenues derived from customer buy-in and connection fees, the difference in projected and actual operating revenues and expenses is more predictable except for wastewater treatment plant charges. While weather conditions can play a large role in discretionary use of water, such as irrigation usage, domestic usage is typically more predictable. Please refer to Page 14 for detailed information related to operating and non-operating revenues and expenses.

Accounting, Budgetary Controls, and Long-term Financial Planning

The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and financial records for preparing financial statements and maintaining asset accountability are reliable. The concept of reasonable assurance recognizes that estimates and judgments made by management are required to assess the expected benefits and related costs of internal accounting control procedures and that the cost of the control should not exceed the benefits likely to be derived. Management reviews internal controls on a continuing basis.

The Authority is required by Trust Agreements for its Bond to prepare and adopt an annual operating budget. On a fiscal year basis, department heads prepare preliminary operating budgets and submit them to the Executive Director for consideration. Rates are established based upon required revenue projections and associated costs, which include operating expenses, debt service, capital projects, and reserves. An adequate operating reserve is important to furnish funds for unplanned minor or significant repairs; it can also be utilized during unusually wet years, when anticipated revenues are reduced due to lesser than anticipated consumption levels. An adequate repair, replacement, and rehabilitation reserve (3R) is important to furnish funds for unexpected major repairs, as well as planned replacement or rehabilitation of equipment or other major capital assets. The Executive Director submits a proposed budget and rate recommendation to the Board of Directors for adoption.

After adoption, increases or decreases to the budget are made only upon Board approval, and the budget lapses at the end of the fiscal year for all accounts except multi-year construction projects and specific re-appropriations for funds committed at year-end for which goods and/or services have not been received. Department heads and the Board of Directors receive monthly reports on revenues and expenses.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Albemarle County Service Authority for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the fortieth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Awards and Acknowledgements (continued)

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the help of Authority staff and the Leadership and Management team at the ACSA; their dedication is very much appreciated. We would like to especially express our gratitude and appreciation to Ms. Deanna Davenport, Ms. Tonya Foster, Ms. Jennifer Bryant, and Ms. Theresa Whiting who have each made significant contributions to the Annual Comprehensive Financial Report, and also to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Sincerely,

A handwritten signature in black ink, reading "Gary O'Connell". The signature is fluid and cursive, with the first name "Gary" and last name "O'Connell" clearly legible.

Gary B. O'Connell
Executive Director

A handwritten signature in black ink, reading "Quin Lunsford". The signature is fluid and cursive, with the first name "Quin" and last name "Lunsford" clearly legible.

Quin G Lunsford
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Albemarle County Service Authority
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

ALBEMARLE COUNTY SERVICE AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2023

BOARD MEMBERS

Mr. Clarence W. Roberts, Chairman

Mr. Charles Tolbert, Vice-Chairman

Mr. Richard Armstrong

Mr. Nathan Moore

Dr. Lizbeth Palmer

Mr. John Parcels

EXECUTIVE DIRECTOR

Mr. Gary B. O'Connell

DIRECTOR OF FINANCE

Mr. Quin G. Lunsford

TRUSTEE

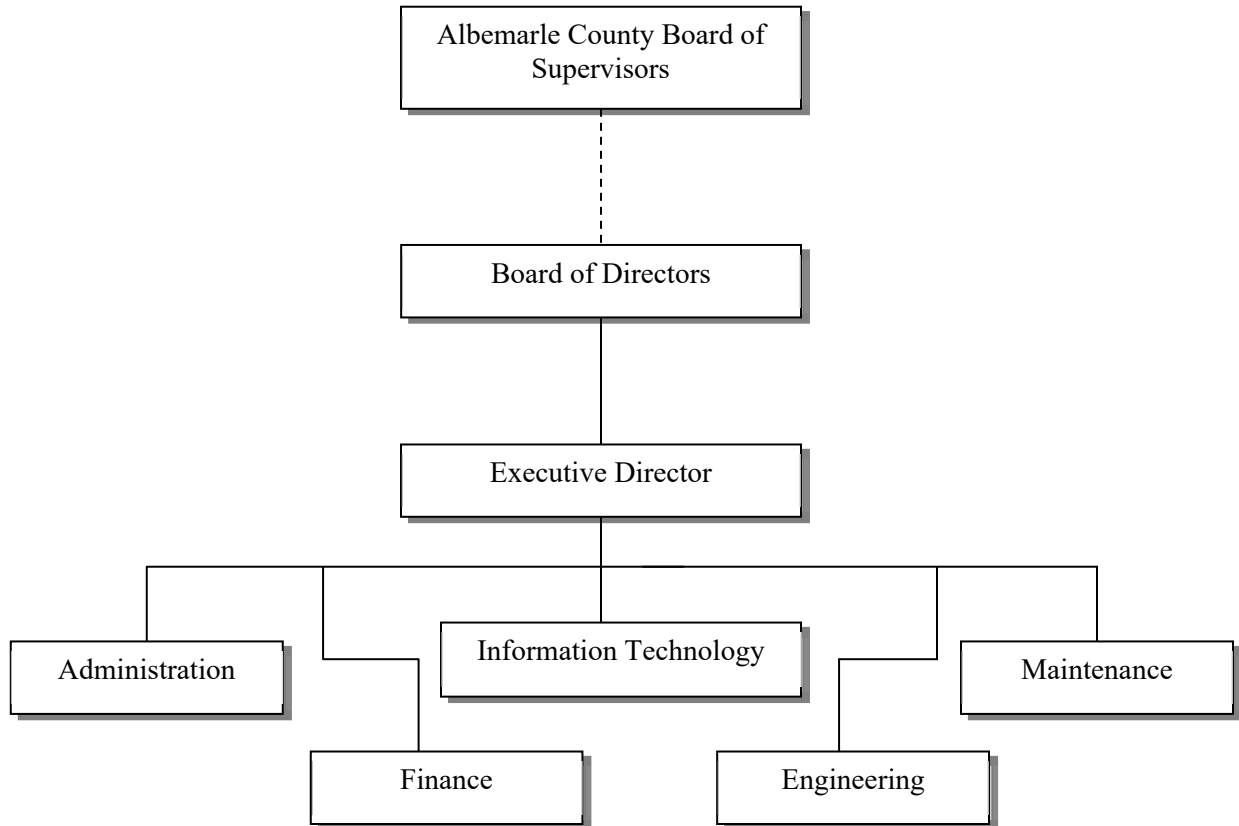
Bank of New York Mellon

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

ALBEMARLE COUNTY SERVICE AUTHORITY

ORGANIZATIONAL CHART



FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Albemarle County Service Authority (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the Authority adopted new accounting guidance, *GASB Statement No. 96, Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Authority's 2022 financial statements, and our report dated November, 2, 2022, expressed an unmodified opinion on those financial statements. The 2022 financial information is provided for comparative purposes only. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 23, 2023

Management's Discussion and Analysis

The management of the Albemarle County Service Authority (the "Authority") presents this analysis of the Authority's financial performance during the fiscal year ended June 30, 2023, as a supplement to the Authority's basic financial statements. This analysis should be read in conjunction with the basic financial statements that follow, as well as the Letter of Transmittal, which can be found on pages i through vi of this financial report.

Overview of the Financial Statements

The annual financial report is presented in four sections: introductory, financial, statistical, and compliance.

The introductory section includes a letter of transmittal submitted by the Authority's Executive Director and Director of Finance, a listing of the Authority's Board of Directors and organizational chart as of the end of the past fiscal year, and a copy of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting that has been awarded to the Authority for the fiscal year ended June 30, 2022.

The financial section consists of the Independent Auditor's Report, Management's Discussion and Analysis, and the Authority's basic financial statements, including notes to the statements and required supplementary information, which are discussed below.

The *Statement of Net Position* reports the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, providing information about the nature and amounts of investments in resources (assets), consumption of net assets that applies to future periods (deferred outflows), obligations to creditors (liabilities), an acquisition of net assets that applies to future periods (deferred inflows). These statements may be used to evaluate the capital structure, liquidity, and financial flexibility of the Authority. The *Statement of Revenues, Expenses and Changes in Fund Net Position* reflect revenue and expense activity of the Authority for the fiscal year. This statement allows the user to measure the Authority's profitability and credit worthiness by the financial performance of the Authority's operations, and to determine whether the Authority has successfully recovered its operating costs through user fees and other charges. The *Statement of Cash Flows* presents the Authority's inflows and outflows of cash during the financial reporting period, by reporting cash receipts, cash payments, and the net changes in cash. Cash flows are categorized by operating, non-capital financing, capital and related financing, and investing activities. The *Notes to the Financial Statements* and the *Required Supplementary Information* provide necessary disclosures that are essential to a full understanding of the data provided in the aforementioned basic financial statements.

The statistical section includes selected financial, operational, and demographic information presented on a multi-year basis.

The Authority operates as an enterprise fund. Enterprise funds are a type of proprietary fund and function similar to a private business in that user charges and fees are expected to cover costs. The Authority's basic financial statements are presented using the accrual basis of accounting, which provides for revenue recognition in the period in which water and reclamation services are provided and expense recognition when goods and services are received. Additionally, the Authority's basic financial statements utilize the flow of economic resources measurement focus, in which all assets and liabilities are reflected on the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position includes all transactions, such as revenues and expenses that increase or decrease net position.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$229,521,670 (*net position*). Of this amount \$53,942,334 (*unrestricted net position*) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total liabilities as a percentage of net position increased from 6.1% at June 30, 2022, to 6.5% at June 30, 2023.
- Fiscal year 2023 operating revenues increased 3.9% to \$34,230,964 as compared to fiscal year 2022 while operating expenses increased 11.2% to \$39,270,035 during the same period.
- System development and capacity charges were robust during the fiscal year and totaled \$11,988,935 for fiscal year 2023. This is an increase of \$3,116,222 or 35.1% compared to the prior fiscal year. The Authority's service area continues to develop, and this activity is the main driver in the increase of these charges.
- The Authority realized a gain on investments in the current fiscal year, totaling \$1,084,854. This is a considerable increase in comparison to the prior fiscal year due to improvements in investment markets.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the Authority's activities to determine if, overall, the financial position improved over the year. These two statements report the net position of the Authority and changes in them. Analyzing the Authority's net position is one way to measure financial health. Non-financial factors such as economic conditions, population growth and new or changed government legislation need to be considered as well. The Authority improved its financial position in fiscal year 2023.

Net Position

The Authority's net position increased by \$9,432,451 during fiscal year 2023, which represents a 4.3% increase from the beginning of the fiscal year net position. At June 30, 2023, total net position was \$229,521,670 as compared to the prior year net position of \$220,089,219.

FINANCIAL ANALYSIS (continued)

The following table depicts the Authority's condensed summary of net position at June 30, 2023, and 2022.

Condensed Statement of Net Position

| | 2023 | 2022 |
|---------------------------------------|-----------------------|-----------------------|
| Current Assets | \$ 34,485,215 | \$ 28,757,624 |
| Investments | 29,800,672 | 29,391,611 |
| Noncurrent lease receivable | 43,439 | - |
| Capital assets, net | 180,006,860 | 177,075,725 |
| Total Assets | 244,336,186 | 235,224,960 |
| Deferred Outflows of Resources | 1,188,047 | 1,187,861 |
| Current Liabilities | 6,367,083 | 6,357,165 |
| Long-term Liabilities | 8,530,527 | 7,086,179 |
| Total Liabilities | 14,897,610 | 13,443,344 |
| Deferred Inflows of Resources | 1,104,953 | 2,880,258 |
| Net investment in capital assets | 175,247,805 | 172,031,606 |
| Restricted for debt service | 331,531 | 314,718 |
| Unrestricted | 53,942,334 | 47,742,895 |
| Total Net Position | \$ 229,521,670 | \$ 220,089,219 |

FINANCIAL ANALYSIS (continued)

The following table summarizes changes in revenues and expenses between fiscal year 2023 and 2022.

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position

| | 2023 | 2022 |
|-----------------------------------|-----------------------|-----------------------|
| Revenues: | | |
| Operating Revenues: | | |
| Water Sales | \$ 18,720,236 | \$ 17,545,859 |
| Sewer Service | 15,332,086 | 15,279,189 |
| Other | 178,642 | 131,415 |
| Non-operating Revenue: | | |
| Investment income (loss) | 1,084,854 | (631,795) |
| Rental income | 270 | 18,357 |
| Miscellaneous revenues | 409,305 | 143,870 |
| Lease revenue | 16,036 | - |
| Fed. Grant – CARES Act/ARPA | 36,465 | 215,925 |
| Fed. Subsidy, Build America Bonds | - | 3,774 |
| Total Revenues | <u>\$ 35,777,894</u> | <u>\$ 32,706,594</u> |
| Expenses: | | |
| Operating Expenses: | | |
| Purchase of bulk water | \$ 13,987,522 | \$ 12,403,735 |
| Purchase of sewer treatment | 10,202,217 | 9,520,032 |
| Depreciation | 4,305,016 | 4,114,076 |
| Administration | 1,275,341 | 1,026,017 |
| Engineering | 2,177,495 | 1,883,689 |
| Finance | 2,357,460 | 2,056,401 |
| Information Technology | 1,247,752 | 1,122,024 |
| Maintenance | 3,717,232 | 3,183,142 |
| Non-operating Expenses: | | |
| Interest and fiscal charges | 108,674 | 235,937 |
| Miscellaneous expenses | 213,043 | 325,933 |
| Total Expenses | <u>\$ 39,270,035</u> | <u>\$ 35,870,986</u> |
| Loss before capital contributions | \$ (3,813,858) | \$ (3,164,392) |
| Capital Contributions | 13,246,309 | 11,292,904 |
| Change in net position | 9,432,451 | 8,128,512 |
| Net position – beginning of year | 220,089,219 | 211,960,707 |
| Net position – end of year | <u>\$ 229,521,670</u> | <u>\$ 220,089,219</u> |

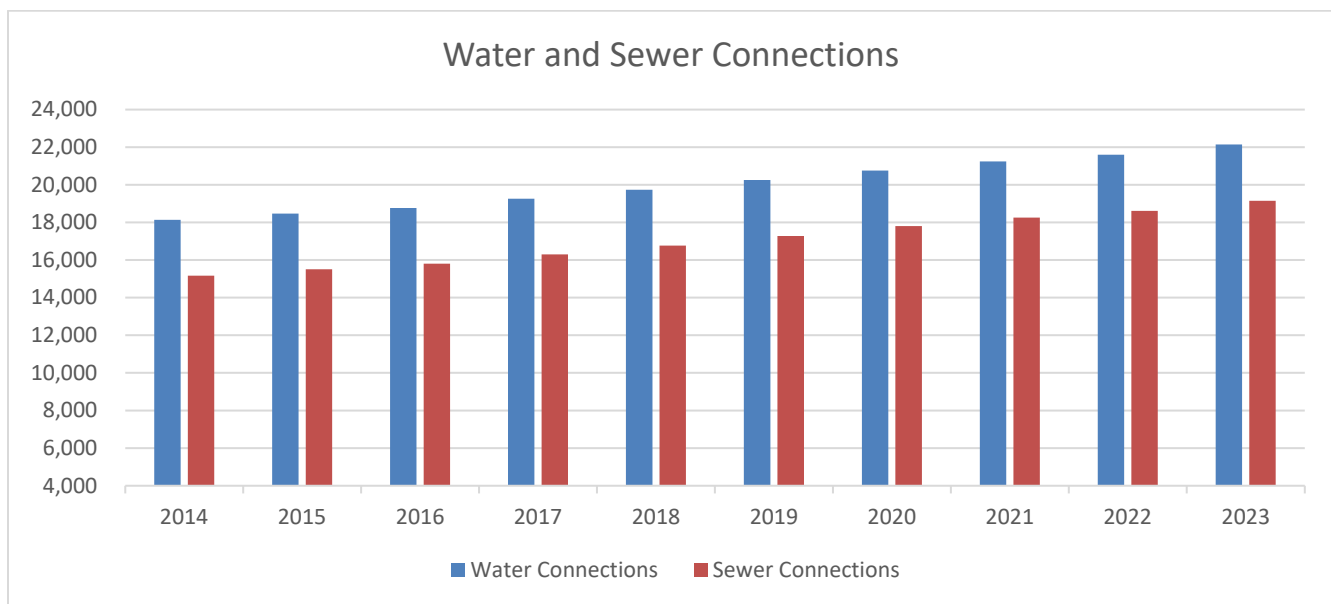
Operating Revenues and Expenses

Operating revenues totaled \$34,230,964 in fiscal year 2023, a slight increase of \$1,274,501 from 2022. Operating expenses totaled \$39,270,035 in 2023, an increase of \$3,960,919 largely driven by increases in purchased water and sewer treatment costs from the Rivanna Water and Sewer Authority (RWSA).

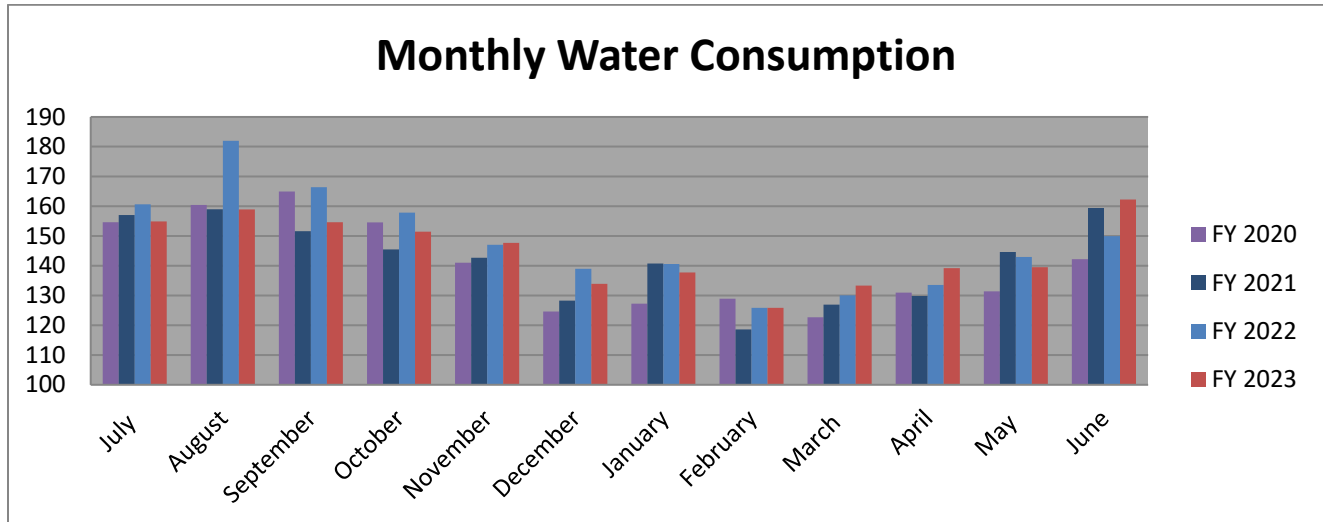
Review of Operations

The Authority's water customer base grew to 22,138 accounts by the end of the 2023 fiscal year, an increase from the prior year total of 21,595. Considering multiple units behind master meters, as in apartment complexes, the Authority now serves approximately 36,105 housing units, businesses, industries, and institutions, which is an increase of 2.87%.

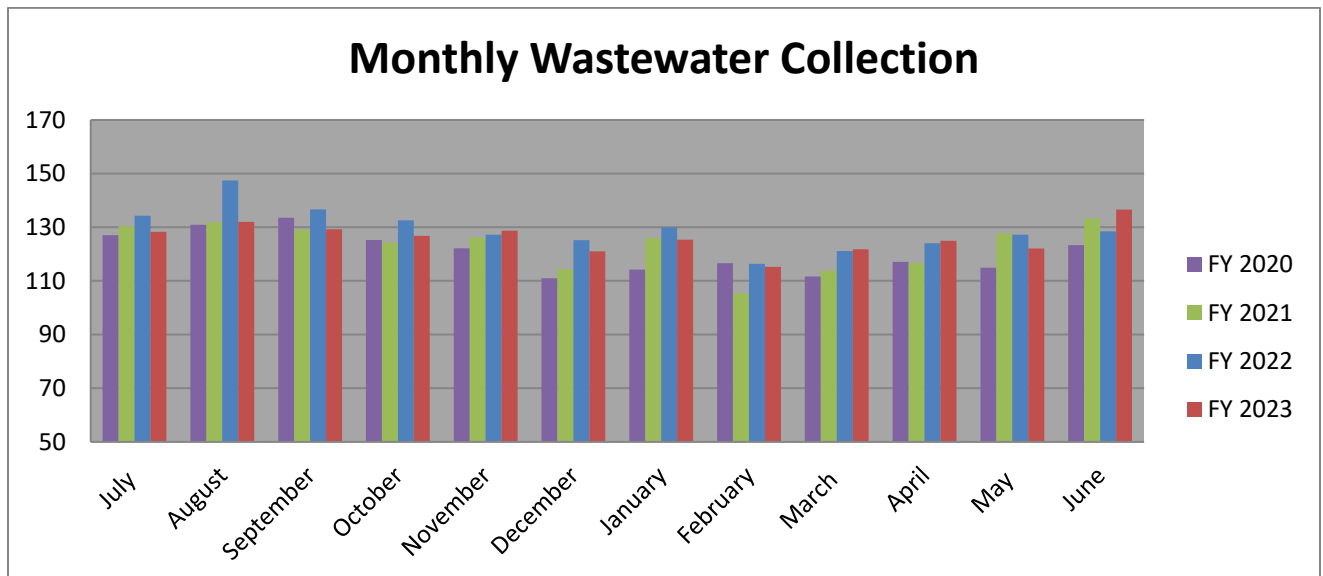
The Authority's system grew in water connections for 2023 with 543 new connections. The connections for 2023 are 26% higher than the Authority's ten-year average annual increase in new connections. Growth is attributable to the continued expansion of existing residential neighborhoods and continued commercial and multi-family development.



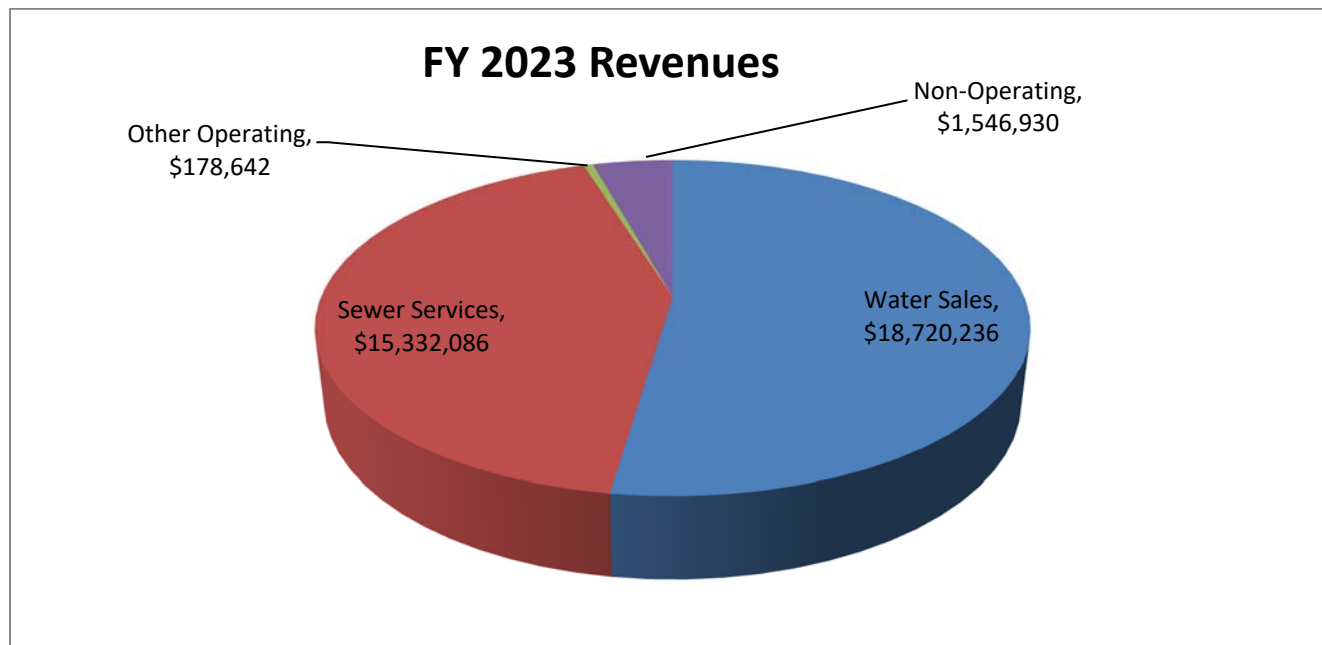
Billed water usage in fiscal year 2023 decreased by 36 million gallons as compared to fiscal year 2022. Billed water usage in fiscal year 2023 was 1.74 billion gallons and was 2.05% less than billed water usage in fiscal year 2022 (1.78 billion gallons). Seasonal variations in water consumption can be seen in the chart below.



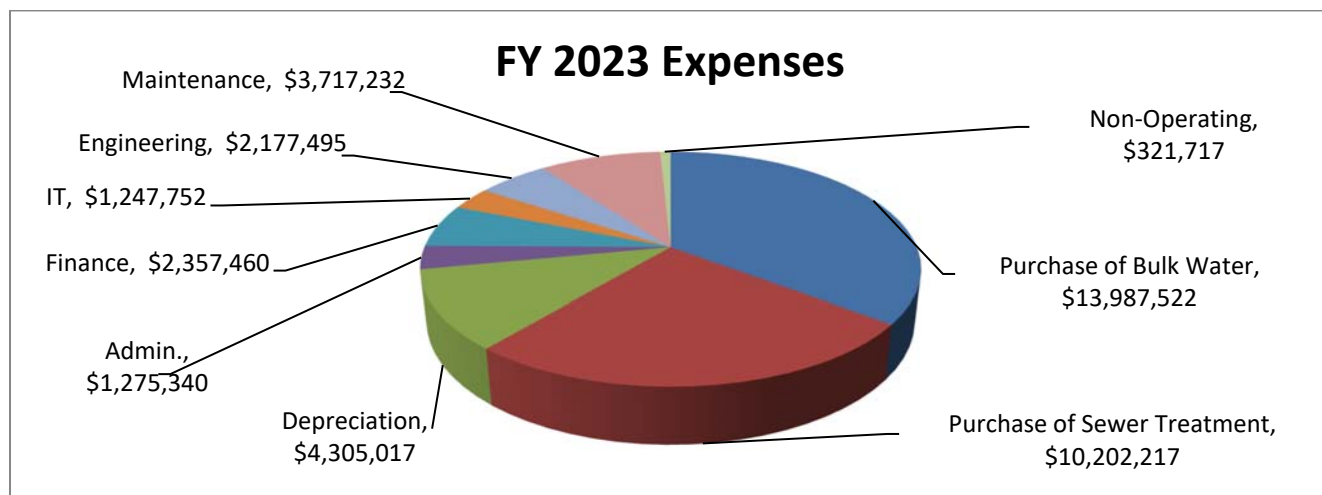
The Authority's wastewater customer base grew to 19,146 by the end of the fiscal year, up from 18,611 connections at the end of the fiscal year 2022. Billed wastewater collections decreased by nearly 39 million gallons as compared to fiscal year 2022. Billed wastewater collections in fiscal year 2023 was 1.51 billion gallons and 2.6% less than billed wastewater collections in fiscal year 2022 (1.55 billion gallons). Seasonal variations in wastewater collections can be seen in the chart below.



Revenues. Revenues for fiscal year 2023 increased in comparison with fiscal year 2022. Total revenues for 2023 were \$35,777,894 as compared to \$32,706,594 in 2022, a 9.4% increase year to year. This increase is due largely to increases in water/sewer rates charged to customers, increases in consumption, and slightly mitigated by investment losses in the current fiscal year when compared to the prior fiscal year.



Expenses. Total expenses for fiscal year 2023 were \$39,591,752 as compared to \$35,870,986 in 2022, a 10.4% increase, which was primarily due to increases in the cost of purchased water/wastewater treatment from the Rivanna Water and Sewer Authority and increases in departmental expenses. In 2023, the total cost of purchased water was \$13,987,522 which is 12.8% greater than the 2022 total of \$12,403,735. The total cost of sewer treatment in fiscal year 2023 was \$10,202,217 and increased 7.2% in comparison to fiscal year 2022. These costs are based on a variety of factors and can vary significantly based upon Authority consumption for a given period and the Authority's proportional allocation of costs based on our flow in comparison to the Authority's water/wastewater treatment provider's other customer. The increases in RWSA expenses were largely driven by RWSA's cost allocation which is calculated using Authority and the City of Charlottesville billed consumption, continued investment in water/wastewater infrastructure, and operational cost increases.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority's investment in capital assets as of June 30, 2023, amounted to \$180,006,860 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, equipment, construction in progress, leased equipment, and subscription assets. The total increase in the Authority's investment in capital assets for the current fiscal year was 1.7%. Additional information related to capital assets can be located in Note 4.

Capital Assets

| | <u>2023</u> | <u>2022</u> |
|--|------------------------------|------------------------------|
| Land (including easements) | \$ 1,914,876 | \$ 1,914,876 |
| Structures and improvements | 229,253,021 | 218,693,300 |
| Equipment | 6,416,934 | 6,180,968 |
| Equipment - Leases | 56,744 | - |
| Subscription right-to-use | 231,119 | - |
| Construction in progress | <u>11,563,825</u> | <u>15,581,064</u> |
| Total book value | 249,436,519 | 242,370,208 |
| Less accumulated depreciation and amortization | <u>(69,429,659)</u> | <u>(65,294,483)</u> |
| Net capital assets | <u><u>\$ 180,006,860</u></u> | <u><u>\$ 177,075,725</u></u> |

Long-Term Debt. Outstanding debt includes one Taxable Water and Sewer System Revenue Refunding Bond that was issued in August of 2021 (refunded the Water and Sewer System Revenue Bond (Taxable – Build America Bond) that was issued in November of 2010) for \$4,495,000. Revenue bond coverage, the ratio of gross revenues less direct operational expenses to debt service requirements, was 24.30 in fiscal year 2023. The minimum coverage required by outstanding bond indentures is 1.20. At June 30, 2023, outstanding long-term debt of the refunded bond, including the current amount payable, totaled \$3,785,000. Details of this indebtedness may be found in Note 5 of the financial statements. The refunding issuance resulted in a realized net budgetary savings of \$1,242,262.

RESERVES

Operating Reserve. The Authority has established an operating reserve to provide funds for unplanned minor repairs or significant cash outlays. This type of reserve is also valuable when less than anticipated water consumption occurs, during unusually wet years (less outdoor watering occurs), which generally results in less revenue. As part of the budgeting process, a review of the reserve is performed. This reserve, combined with the 3R Reserve, the Capacity/System Development Reserve and unrestricted cash and investments is to maintain a days cash on hand floor of 270 days of operating expenses as calculated from the previous fiscal year. Water and wastewater rates are to be set accordingly to ensure these reserves maintain this 270-day target.

Capital Costs and 3R Reserve. The Authority has established a Repair, Replacement and Rehabilitation (3R) Reserve to provide funds to pay for unexpected major repairs and planned replacement or rehabilitation of equipment or other major capital assets. This reserve is calculated based on the estimated useful life and replacement cost of equipment held by the Authority. For fiscal year 2023, the Authority budgeted \$362,000 for this purpose.

Capacity and System Development Reserve. The Authority has established a Capacity and System Development Reserve to provide funds for capacity or growth-related system development costs or charges. These reserves are funded by the RWSA Capacity Charge and the ACSA System Development Charge which have been designed to

offset growth related capital costs of backbone capacity in the ACSA water and sewer system and costs associated with the RWSA's charges to the ACSA that are related to increases in capacity.

LONG-TERM TRENDS

Operations. Careful planning and budgeting in combination with the use of established reserves has been a stabilizing factor in our rate-setting process for many years. This process has allowed our customers (through the years) to realize relatively low rates for the provision of their water and sewer service, particularly as compared to other regional utilities.

With new development, in combination with aging infrastructure, comes the challenge of meeting both the water supply and the sewer treatment needs and requirements of the growing Albemarle community. Since the Authority employs a "pay-as-you-go" methodology of recovering the costs of operations and most capital projects, increased costs will be passed on to our customers through higher rates and fees. Current customers bear the current cost of operations, while future customers, through new development, bear the cost of expansion through connection, development, and capacity fees.

The Authority team is actively engaged in the development of a long-term financial plan which will focus on financial sustainability and affordability for our customers while continuing to address infrastructure and operational needs.

Capital Program. Water capital improvement project cost projections per year for the next five years range from \$7,200,000 to \$11,000,000 and sewer capital improvement project cost projections per year for the next five years range from \$2,000,000 to \$7,200,000. The Authority intends to fund these projects using established reserves while evaluating possible debt funding opportunities.

Requests for Information. This financial report is designed to provide a general overview of the Albemarle County Service Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at 168 Spotnap Road, Charlottesville, Virginia 22911, through our website www.serviceauthority.org or by telephone (434) 977-4511.

BASIC FINANCIAL STATEMENTS

ALBEMARLE COUNTY SERVICE AUTHORITY
STATEMENT OF NET POSITION
June 30, 2023

Exhibit 1

| | 2023 | (For Comparative Purposes Only) 2022 |
|--|-----------------------|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$ 27,793,220 | \$ 22,513,718 |
| Accounts receivable (Note 3) | 5,085,418 | 4,746,369 |
| Lease receivable (Note 3) | 18,418 | - |
| Inventory | 568,695 | 546,056 |
| Prepays | 277,101 | 264,967 |
| Cash and cash equivalents, restricted (Notes 1,2) | 742,363 | 686,514 |
| Total current assets | <u>34,485,215</u> | <u>28,757,624</u> |
| Noncurrent assets | | |
| Investments (Note 2) | 29,800,672 | 29,391,611 |
| Non-current lease receivable (Note 3) | 43,439 | - |
| Capital assets: (Note 4) | | |
| Nondepreciable | 13,478,701 | 17,495,940 |
| Depreciable and amortizable, net | 166,528,159 | 159,579,785 |
| Total noncurrent assets | <u>209,850,971</u> | <u>206,467,336</u> |
| Total assets | <u>244,336,186</u> | <u>235,224,960</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charges on refunding | 12,196 | 13,721 |
| Deferred outflows related to pensions (Note 7) | 1,025,324 | 994,725 |
| Deferred outflows related to other postemployment benefits (Notes 8,9) | 150,527 | 179,415 |
| Total deferred outflows of resources | <u>1,188,047</u> | <u>1,187,861</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 3,391,428 | 3,021,303 |
| Accrued liabilities | 20,569 | 92,572 |
| Customer deposits | 284,201 | 241,816 |
| Interest payable | 32,330 | 35,533 |
| Compensated absences (Note 5) | 102,838 | 100,232 |
| Unearned revenues | 1,952,788 | 2,390,949 |
| Current maturities of long-term debt (Note 5) | 582,929 | 474,760 |
| Total current liabilities | <u>6,367,083</u> | <u>6,357,165</u> |
| Long-term liabilities | | |
| Compensated absences (Note 5) | 643,657 | 663,237 |
| Net pension liability (Note 7) | 2,454,029 | 695,494 |
| Net other post-employment benefits liability (Notes 8,9) | 1,244,519 | 1,144,368 |
| Long-term debt – due in more than one year (Note 5) | 4,188,322 | 4,583,080 |
| Total long-term liabilities | <u>8,530,527</u> | <u>7,086,179</u> |
| Total liabilities | <u>14,897,610</u> | <u>13,443,344</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to pensions (Note 7) | 560,286 | 2,170,200 |
| Deferred inflows related to other postemployment benefits (Notes 8,9) | 484,185 | 710,058 |
| Deferred inflows - leases | 60,482 | - |
| Total deferred inflows of resources | <u>1,104,953</u> | <u>2,880,258</u> |
| NET POSITION | | |
| Net investment in capital assets | 175,247,805 | 172,031,606 |
| Restricted for debt service | 331,531 | 314,718 |
| Unrestricted | 53,942,334 | 47,742,895 |
| Total net position | <u>\$ 229,521,670</u> | <u>\$ 220,089,219</u> |

The Notes to Financial Statements are
an integral part of this statement.

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2023

| | 2023 | (For Comparative Purposes Only) 2022 |
|---|-----------------------|--|
| OPERATING REVENUES | | |
| Water sales | \$ 18,720,236 | \$ 17,545,859 |
| Sewer service | 15,332,086 | 15,279,189 |
| Water and sewer connection fees | 178,642 | 131,415 |
| Total operating revenues | 34,230,964 | 32,956,463 |
| OPERATING EXPENSES | | |
| Purchase of bulk water | 13,987,522 | 12,403,735 |
| Purchase of sewer treatment | 10,202,217 | 9,520,032 |
| Depreciation | 4,305,017 | 4,114,076 |
| Administration | 1,275,340 | 1,026,017 |
| Engineering | 2,177,495 | 1,883,689 |
| Finance | 2,357,460 | 2,056,401 |
| Information Technology | 1,247,752 | 1,122,024 |
| Maintenance | 3,717,232 | 3,183,142 |
| Total operating expenses | 39,270,035 | 35,309,116 |
| Operating loss | (5,039,071) | (2,352,653) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Miscellaneous revenues | 409,305 | 143,870 |
| Federal Grant Revenue - CARES Act/ARPA | 36,465 | 215,925 |
| Lease Revenue - GASB 87 | 16,036 | - |
| Lease/Subscription interest expense | (6,521) | - |
| Federal subsidy, Build America Bonds | - | 3,774 |
| Investment income (loss) | 1,084,854 | (631,795) |
| Rental income | 270 | 18,357 |
| Miscellaneous expenses | (213,043) | (325,933) |
| Bond interest charges | (102,153) | (235,937) |
| Total nonoperating revenues (expenses) | 1,225,213 | (811,739) |
| Loss before capital contributions | (3,813,858) | (3,164,392) |
| CAPITAL CONTRIBUTIONS (Note 6) | 13,246,309 | 11,292,904 |
| Change in net position | 9,432,451 | 8,128,512 |
| NET POSITION – BEGINNING AT JULY 1 | 220,089,219 | 211,960,707 |
| NET POSITION – ENDING AT JUNE 30 | <u>\$ 229,521,670</u> | <u>\$ 220,089,219</u> |

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

| | 2023 | (For Comparative Purposes Only) 2022 |
|---|---------------|--|
| OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 33,952,047 | \$ 33,030,752 |
| Cash paid for goods and services | (26,542,760) | (25,254,460) |
| Cash paid to employees | (7,914,547) | (6,709,273) |
| Other receipts | 473,888 | 317,028 |
| Net cash provided by (used in) operating activities | (31,372) | 1,384,047 |
| NON-CAPITAL FINANCING ACTIVITIES | | |
| Federal Grant, CARES Act/ARPA | 36,465 | 215,925 |
| Federal subsidy, Build America Bonds | - | 3,774 |
| Net cash provided by non-capital financing activities | 36,465 | 219,699 |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital contributed by developers, customers, and local governments | 11,525,488 | 9,739,952 |
| Principal collected on leases | 14,661 | - |
| Acquisition of capital assets | (6,259,627) | (8,057,639) |
| Proceeds from debt refunding | - | 5,492,600 |
| Payment to escrow agent on bond refunding | - | (5,966,000) |
| Principal paid on long-term borrowings | (460,630) | (335,000) |
| Interest paid on long-term borrowings | (216,634) | (439,668) |
| Proceeds from sale of capital assets | 34,873 | - |
| Net cash provided by capital and related financing activities | 4,638,131 | 434,245 |
| INVESTING ACTIVITIES | | |
| Purchase of investment securities | (18,332,309) | (21,231,595) |
| Proceeds from sale and maturity of investment securities | 17,605,485 | 19,960,519 |
| Lease income | 16,334 | - |
| Interest received | 1,402,617 | 683,866 |
| Net cash provided by (used in) investing activities | 692,127 | (587,210) |
| Net increase in cash and cash equivalents | 5,335,351 | 1,450,781 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning at July 1 | 23,200,232 | 21,749,451 |
| Ending at June 30 | \$ 28,535,583 | \$ 23,200,232 |
| RECONCILIATION TO STATEMENT OF NET POSITION | | |
| Cash and cash equivalents | \$ 27,793,220 | \$ 22,513,718 |
| Cash and cash equivalents, restricted | 742,363 | 686,514 |
| | \$ 28,535,583 | \$ 23,200,232 |

(Continued)

ALBEMARLE COUNTY SERVICE AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

| | 2023 | (For Comparative Purposes Only) 2022 |
|--|---------------------|--|
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating loss | \$ (5,039,071) | \$ (2,352,653) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | 4,305,017 | 4,114,076 |
| Excess of employer contributions over pension expense | 118,022 | (187,445) |
| Excess of employer contributions over other postemployment benefits expense | (96,834) | (102,635) |
| Other nonoperating revenues/expenses | 262,038 | 1,464 |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (339,049) | 118,800 |
| Inventory | (22,639) | (84,878) |
| Prepays | (12,134) | (85,080) |
| Increase (decrease) in: | | |
| Accounts payable | 822,123 | (69,695) |
| Accrued liabilities | (72,003) | 6,406 |
| Customer deposits | 42,385 | (76,231) |
| Compensated absences | (16,974) | 70,198 |
| Unearned connection fees | 17,747 | 31,720 |
| Net cash provided by operating activities | <u>\$ (31,372)</u> | <u>\$ 1,384,047</u> |
| NONCASH CAPITAL, INVESTING AND RELATED FINANCING ACTIVITIES | | |
| Contributions of capital assets | <u>\$ 1,257,374</u> | <u>\$ 2,420,191</u> |
| Lease and subscription assets financed through long term liability | <u>\$ 287,863</u> | <u>\$ -</u> |
| Capital asset additions financed by accounts payable | <u>\$ 404,091</u> | <u>\$ 856,089</u> |
| Decrease in fair value of investments | <u>\$ (317,763)</u> | <u>\$ (1,315,661)</u> |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Albemarle County Service Authority (the Authority) was created by a resolution of the Board of Supervisors (BOS) of Albemarle County, Virginia (the County) in April 1964. The Authority is chartered by the State Corporation Commission and is an independent public body responsible for undertaking projects as may be specified for the distribution and sale of potable water to retail customers and for the collection of wastewater from retail customers and delivery of such wastewater to the Rivanna Water and Sewer Authority (RWSA). The management of the Authority is vested in a board of six members appointed by the County's BOS.

To determine the appropriate reporting entity for the Authority, its relationship with the County was considered. Although the members of the Authority's Board of Directors are appointed by the Board of County Supervisors, the County is not financially accountable for the Authority. In addition, there is no potential for the Authority to provide specific financial benefits to, or impose specific financial burdens on, the County, and the Authority is not fiscally dependent on the County. Accordingly, based on these criteria, the Authority is not included as a component unit in the County's financial statements.

The following is a summary of the Authority's significant accounting policies:

(b) Basis of Presentation and Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary-type fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The Authority's intent is that the costs of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control and accountability.

The Authority follows the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned and expenses are recorded when incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for water consumption and wastewater treatment. Operating expenses consist of bulk water purchases, sewer treatment, administrative expenses, and depreciation of capital assets. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary services.

When an expense is incurred for purposes in which both restricted and unrestricted net assets are available, it is the Authority's policy to first apply restricted resources.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

(c) Cash and Investments

Cash and temporary investments include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Restricted cash and temporary investments include amounts held in money market funds as well as short-term investments with an original maturity of three months or less. These amounts consist of reserves for debt service and deposits from customers for service.

Investments include United States government, agency obligations of the Commonwealth of Virginia and its subdivisions, municipal bonds, and commercial paper. All investments are stated at fair value. Interest income from investments is recorded in the year earned.

(d) Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- 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.

(e) Accounts Receivable

All continuing service receivables are recognized when earned, net of an allowance for uncollectible accounts of \$50,000 at June 30, 2023.

An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year.

(f) Inventory

Inventory is valued using the weighted-average method. Inventories are recorded as an operating expense when consumed rather than when purchased.

(g) Restricted Assets

Restricted assets represent resources designated for specific purposes and include developers' advances and customer deposits.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

(h) Capital Assets

The Authority capitalizes all property and permanent right-of-way easements, equipment, infrastructure assets, leases, and subscription assets with a cost greater than \$5,000 and an estimated useful life of more than one year.

Capital assets are stated at historical cost. Donated assets are recorded at acquisition value at the time received. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

Depreciation and amortization for both purchased and contributed assets is recorded as depreciation and amortization expense on a straight-line basis over the following estimated useful lives:

| | |
|-----------------------------|-------------|
| Land improvements | 10-20 years |
| Structures and improvements | 10-60 years |
| Equipment | 3-10 years |

Intangible right of use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. In leases where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is non-depreciable, in which the intangible right of use leased asset is not amortized.

Intangible right of use subscription assets are recorded under GASB Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITAs)*, net of accumulated amortization. SBITAs are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Capital assets, which include lease and subscription assets, are reported in the financial statements.

(i) Construction in Progress

Construction in progress includes design and construction costs that accumulate until completion of the respective project, at which time the total cost is transferred to depreciable capital assets.

(j) Compensated Absences

Authority employees are granted annual leave in varying amounts based on years of service. In the event of termination, an employee is reimbursed for accumulated annual leave in full. Annual leave is considered a liability and is accrued as earned. The Authority does not accrue sick pay when earned since its employees do not have vested rights to receive such pay except to the extent of time not worked due to sickness.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

(k) Unearned Revenues

Unearned connection fees consist of advances to the Authority under prescribed conditions by developers in exchange for credit vouchers to be used to pay facility fees (both water and sewer) in order to connect to the Authority's system. The Authority recognizes the revenue when the credit voucher is redeemed. Also included in unearned revenues are over payments by customers that will be recognized as revenue as charges for water/sewer treatment are incurred.

(l) Deferred outflows/inflows of resources

In addition to assets, the statement that presents net position reports a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share that will be recognized in the OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or deferred inflow as appropriate.
- Lease-related amounts are recognized at the inception of leases in which the Agency is lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that relates to future periods, less any lease incentives paid to on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

(m) Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pensions and OPEB plans information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Plans 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.

(n) Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

(o) Capital Contributions

Capital contributions are recorded for the receipt of funds, property, lines and improvements by developers, customers, or other governments.

(p) Comparative Information

The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the prior year from which the summarized information was derived.

(q) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the 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.

(r) Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

(s) Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In April 2022, the GASB issued **Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases and PPPs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100, Accounting Changes and Error Corrections**. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101, Compensated Absences**. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Note 2. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2. Deposits and Investments (Continued)

collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The fair value of the position in LGIP is the same as the value of the pool shares. As the pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with GASB Statement No. 79. Due to the nature of LGIP, it is considered a cash and cash equivalent on the Statement of Net Position.

The Authority’s investments are subject to interest rate, credit, concentration of credit, and custodial credit risk as described herein.

The Authority has recurring fair value measurements as of June 30, 2023. Those include U. S. Bonds, Municipal Notes, and Commercial Paper classified in Level 2 of the fair value hierarchy and valued using prices quoted in active markets for those bonds.

Interest rate risk: Interest rate risk is the risk that the fair value of the securities in the portfolio will decline due to rising interest rates. Investments are limited to a maximum maturity of five (5) years from the transaction settlement date (with the exception of Agency Mortgage-Backed Securities (“MBS”) which must have a weighted average life (“WAL”) of no more than five (5) years). To manage the volatility of the Investment Portfolio, the Director of Finance shall determine an appropriate duration or weighted average maturity (“WAM”) target for each component of the Investment Portfolio. At no time shall the duration or WAM of any component of the Investment Portfolio exceed three (3) years.

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to repay its obligations and may also apply where there is a loss of fair value of the investment due to a deterioration of an issuer’s credit rating.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investments held from a single issuer. The Authority’s investment portfolio as of June 30, 2023, is concentrated in securities issued by the U.S. Treasury (42%), Federal Agencies (13%), Federal Agency Mortgage-Backed Securities (2%), Federal Agency Collateralized Mortgage Obligations (1%), Federal Agency Commercial Mortgage-Backed Security (8%), Supranational (1%), Municipal Notes (2%), Commercial Paper (8%), Certificate of Deposit (7%), and Corporate Note (16%).

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2. Deposits and Investments (Continued)

The table below details the fair value and rating as determined by Standard & Poor's for each issuer of the Authority's investments as well as deposits, as of June 30, 2023:

| | Deposits and Investments | | | | | | | |
|----------------------------|--------------------------|--------------------|---------------------|------------------|--------------------|-----------------------------|---------------------|---------------------|
| | <u>AAA</u> | <u>A-1</u> | <u>AA+/A+</u> | <u>AA</u> | <u>AA-</u> | <u>AAAm,AA-¹</u> | <u>Deposits</u> | <u>Total</u> |
| U.S. Treasury | \$ - | \$ - | \$12,432,396 | \$ - | \$ - | \$ - | \$ - | \$12,432,396 |
| Lcl Gov Inv Pool | - | - | - | - | - | 13,929,476 | - | 13,929,476 |
| Federal Agency | - | - | 3,942,744 | - | - | - | - | 3,942,744 |
| Fed Agency MBS | - | - | 480,250 | - | - | - | - | 480,250 |
| Fed Agency CMO | - | - | 146,226 | - | - | - | - | 146,226 |
| Fed Agency CMB | - | - | 2,506,062 | - | - | - | - | 2,506,062 |
| Supranational | 268,199 | - | - | - | - | - | - | 268,199 |
| Municipal | 249,609 | - | 289,545 | - | 80,647 | - | - | 619,801 |
| Commercial Paper | - | 2,319,407 | - | - | - | - | - | 2,319,407 |
| Cert of Deposit | - | 1,817,838 | - | - | 425,086 | - | - | 2,242,924 |
| Corporate Note | 291,051 | - | 578,622 | 805,043 | 3,167,947 | - | - | 4,842,663 |
| | | - | | | | | | |
| Money Mkt Fund | - | - | - | - | - | 108,660 | - | 108,660 |
| Cash | - | - | - | - | - | - | 14,497,447 | 14,497,447 |
| Total Cash and Investments | <u>\$808,859</u> | <u>\$4,137,245</u> | <u>\$20,375,845</u> | <u>\$805,043</u> | <u>\$3,673,680</u> | <u>\$14,038,136</u> | <u>\$14,497,447</u> | <u>\$58,336,255</u> |

Reconciliation of deposits and investments to Exhibit 1:

| | |
|---|---------------------|
| Cash and cash equivalents, unrestricted | \$27,793,220 |
| Cash and cash equivalents, restricted | 742,363 |
| Investments | <u>29,800,672</u> |
| Total Deposits and Investments: | <u>\$58,336,255</u> |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2. Deposits and Investments (Continued)

| Investment Type | <u>Investment Maturities</u> | | | | | |
|--------------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------|
| | <u>1 Year</u> | <u>2 Years</u> | <u>3 Years</u> | <u>4 Years</u> | <u>5 Years</u> | <u>>5 Years</u> |
| U.S. Treasury | \$4,182,812 | \$6,491,419 | \$1,758,165 | \$ - | \$ - | \$ - |
| Federal Agency | 2,515,124 | 1,132,903 | 294,717 | - | - | - |
| Fed. Agency MBS | - | - | - | - | - | 480,250 |
| Fed. Agency CMO | - | 146,226 | - | - | - | - |
| Federal Agency CMB | 124,015 | 1,175,401 | 760,606 | 446,040 | - | - |
| Supranational | - | - | 268,199 | - | - | - |
| Municipal | 539,154 | - | 80,647 | - | - | - |
| Commercial Paper | 2,319,407 | - | - | - | - | - |
| Certificate of Deposit | 1,817,838 | - | 425,086 | - | - | - |
| Corporate Note | - | 2,004,118 | 2,838,545 | - | - | - |
| Money Market/LGIP | 14,038,136 | - | - | - | - | - |
| Total Investments | \$25,536,486 | \$10,950,067 | \$6,425,965 | \$446,040 | \$ - | \$480,250 |

Custodial credit risk: Custodial credit risk is the risk that the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside custodial party. All securities purchased by the Authority are held in safekeeping by a third-party custodial bank or institution in the Authority's name, and therefore, the Authority is not exposed to custodial credit risk.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 3. Accounts and Leases Receivable

Accounts receivable net of allowance consists of the following:

| | <u>Billed</u> | <u>Unbilled</u> | <u>Total</u> |
|-----------------------|----------------------------|----------------------------|----------------------------|
| Receivables, current: | | | |
| Water | \$ 1,594,069 | \$ 1,244,657 | \$ 2,838,726 |
| Sewer | 1,107,636 | 918,907 | 2,026,543 |
| Other | <u>220,149</u> | <u>-</u> | <u>220,149</u> |
| | <u><u>\$ 2,921,854</u></u> | <u><u>\$ 2,163,564</u></u> | <u><u>\$ 5,085,418</u></u> |

An allowance for doubtful accounts has been established at June 30, 2023, to recognize estimates related to bad debt. For Fiscal Year 2023 and 2022, the allowance for doubtful accounts totals \$50,000 and \$90,020 respectively.

The Authority is a lessor for the use agreement with American Tower. This agreement will expire on March 13, 2027. An initial lease receivable was recorded in the amount of \$76,518. As of June 30, 2023, the value of the lease receivable is \$61,857. The lessee is required to make monthly fixed payments of \$1,535. The lease has an interest rate of 5%. The value of the deferred inflow of resources as of June 30, 2023, was \$60,482.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 4. Capital Assets

Changes in capital assets for the year are as follows:

| | Balance July 1, 2022 | Additions | Reductions/ Reclassifications | Balance June 30, 2023 |
|---|---------------------------------|---------------------|--|----------------------------------|
| Capital assets, not being depreciated | | | | |
| Land and land rights | \$ 1,914,876 | \$ - | \$ - | \$ 1,914,876 |
| Construction in progress | 15,581,064 | 5,464,863 | (9,482,102) | 11,563,825 |
| Total capital assets, not being depreciated | 17,495,940 | 5,464,863 | (9,482,102) | 13,478,701 |
| Capital/intangible assets being depreciated and amortized | | | | |
| Structures and improvements | 218,693,300 | 1,257,374 | 9,302,347 | 229,253,021 |
| Equipment | 6,180,968 | 342,765 | (106,799) | 6,416,934 |
| Equipment-leases | - | 56,744 | - | 56,744 |
| Subscription right-to-use assets | - | 231,119 | - | 231,119 |
| Total capital/intangible assets being depreciated | 224,874,268 | 1,888,002 | 9,195,548 | 235,957,818 |
| Less accumulated depreciation and amortization for: | | | | |
| Structures and improvements | (61,146,350) | (3,827,165) | - | (64,973,515) |
| Equipment | (4,148,133) | (401,212) | 169,841 | (4,379,504) |
| Equipment-lease | - | (15,008) | - | (15,008) |
| Subscription right-to-use assets | - | (61,632) | - | (61,632) |
| Total accumulated depreciation/amortization | (65,294,483) | (4,305,017) | 169,841 | (69,429,659) |
| Total capital assets being depreciated/amortization, net | 159,579,785 | (2,417,015) | 9,365,389 | 166,528,159 |
| Total capital assets, net | <u>\$ 177,075,725</u> | <u>\$ 3,047,848</u> | <u>\$ (116,713)</u> | <u>\$ 180,006,860</u> |

Construction commitments:

The Authority's active construction projects as of June 30, 2023, are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|--|----------------------|---------------------------------|
| Water line replacements | \$ 1,306,834 | \$ 172,837 |
| Wastewater line rehabilitations or relinings | 22,735 | - |
| Other | 1,041,371 | 2,456,734 |
| | <u>\$ 2,370,940</u> | <u>\$ 2,629,571</u> |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

| | Balance July 1, 2022 | Additions | Reductions | Balance June 30, 2023 | Amounts Due Within One Year |
|------------------------|-------------------------------------|-------------------|-----------------------|--------------------------------------|--|
| Refunding bond | \$4,160,000 | \$ - | \$(375,000) | \$3,785,000 | \$395,000 |
| Issuance Premiums | 897,840 | - | (99,760) | 798,080 | 99,760 |
| Lease Equipment | - | 52,753 | (13,970) | 38,783 | 14,505 |
| Subscription Liability | - | 221,048 | (71,660) | 149,388 | 73,664 |
| Compensated absences | 763,469 | 487,413 | (504,387) | 746,495 | 102,838 |
| | <u>\$ 5,821,309</u> | <u>\$ 761,214</u> | <u>\$ (1,064,777)</u> | <u>\$ 5,517,746</u> | <u>\$ 685,767</u> |

A single revenue bond for \$10,357,000 was issued as a Build America Bond (BAB) on November 1, 2010. Proceeds from the sale were used to (1) provide new money funding for the North Fork Regional Pump Station project and to (2) pay the cost of issuance. This issuance was refunded on July 21, 2021, through the Virginia Resources Authority (VRA) and its 2021B Pooled Bond issuance. All water and sewer revenues are pledged equally and ratably to secure payment of the principal and interest on the revenue bond. This Bond bears interest at the rate of 5.125%, payable semiannually.

The revenue bond, equipment lease, and subscription liability debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30, | Revenue Bond | | Leases | | Subscription | |
|--|---------------------|-------------------|------------------|-----------------|---------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 395,000 | \$ 183,859 | \$ 14,505 | \$ 244 | \$ 73,664 | \$ 4,177 |
| 2025 | 415,000 | 163,103 | 15,060 | 143 | 75,724 | 2,117 |
| 2026 | 435,000 | 141,322 | 9,218 | 53 | - | - |
| 2027 | 460,000 | 118,388 | - | - | - | - |
| 2028 | 480,000 | 94,300 | - | - | - | - |
| 2029-2032 | 1,600,000 | 125,819 | - | - | - | - |
| | <u>\$ 3,785,000</u> | <u>\$ 826,791</u> | <u>\$ 38,783</u> | <u>\$ 440</u> | <u>\$ 149,388</u> | <u>\$ 6,294</u> |

Lease Liability:

VA Carrol Creek CCI 801475 – Tower Site

The Authority is the lessee for land use at VA Carroll Creek CCI 801475. An initial lease liability was recorded in the amount of \$21,502. As of June 30, 2023, the value of the lease liability is \$15,315. The Authority is required to make fixed monthly payments of \$500 through October 31, 2025 that increase by 4% each year. The Authority uses their incremental borrowing rate to measure their lease liability.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5. Long-Term Liabilities – Lease Liability (Continued)

Norfolk Southern – Tower Site

The Authority is the lessee for land use at Norfolk Southern. An initial lease liability was recorded in the amount of \$26,024. As of June 30, 2023, the value of the lease liability is \$19,969. The Authority is required to make a fixed annual payment of \$6,240 through November 26, 2026. The Authority uses their incremental borrowing rate to measure their lease liability.

Pitney Bowes

The Authority is the lessee for the use of a Pitney Bowes Postage & Mailing Machine. An initial lease liability was recorded in the amount of \$5,227. As of June 30, 2023, the value of the lease liability is \$3,499. The Authority is required to make fixed quarterly payments of \$442 through July 14, 2025. The Authority uses their incremental borrowing rate to measure their lease liability.

Subscription Liability:

The Authority has a subscription liability for a software platform expiring in 2026. The value of the right-to-use subscription asset and related accumulated amortization as of year-end is disclosed in Note 4. The related debt, as well as principal and interest requirements to maturity are disclosed in Note 5. The Authority uses its estimated incremental borrowing rate as the discount rate for subscriptions.

Debt covenants and Federal arbitrage regulations:

The Authority is required to deliver to the Trustee for deposit both interest and principal amounts as prescribed in the Agreement of Trust. The Authority is in compliance with these covenants.

The Authority is required to adhere to the rebate and reporting requirements of the federal tax code pertaining to arbitrage. The Authority is in compliance with federal arbitrage regulations. Any potential liabilities arising from arbitrage have been deemed immaterial in relation to the financial statements.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 6. Capital Contributions

Capital contributions for the year are summarized as follows:

| | |
|---|-----------------------------|
| Developer and customer contributions of capital assets | \$ 1,257,374 |
| Crozet water and sewer – System/capacity fees | 1,885,800 |
| Urban water and sewer – System/capacity fees | 10,012,211 |
| Scottsville water and sewer – System/capacity fees | 20,205 |
| North Fork Regional Pump Station -- Special rate district fee | <u>70,719</u> |
| | <u><u>\$ 13,246,309</u></u> |

Note 7. Defined Benefit Pension Plan

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefits structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/member/benefits/defined-benefit/plan1.asp> ,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp> ,
- <https://www.varetirement.org/hybrid.html> .

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|----------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>40</u> |
| Inactive members: | |
| Vested inactive members | 13 |
| Non-vested inactive members | 26 |
| Inactive members active elsewhere in VRS | <u>14</u> |
| Total inactive members | 93 |
| Active members | <u>74</u> |
| Total covered employees | <u><u>167</u></u> |

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2023, was 7.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$404,845 and \$339,261 for the years ended June 30, 2023, and June 30, 2022, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

Mortality rates: General employees – 15% to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

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

General Employees - Largest 10 – Non-Hazardous Duty and all Others (Non 10 Largest): Updated mortality table; adjusted retirement rates, adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale, and no change to discount rate.

Long-Term Expected Rate of Return

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

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------------|--------------------------------------|---|---|
| Public Equity | 34.00 % | 5.71 % | 1.94 % |
| Fixed Income | 15.00 | 2.04 | 0.31 |
| Credit Strategies | 14.00 | 4.78 | 0.67 |
| Real Assets | 14.00 | 4.47 | 0.63 |
| Private Equity | 14.00 | 9.73 | 1.36 |
| MAPS – Multi-Asset Public Strategies | 6.00 | 3.73 | 0.22 |
| PIP – Private Investment Partnership | 3.00 | 6.55 | 0.20 |
| Total | 100.00 % | | <u>5.33 %</u> |
| | Inflation | | <u>2.50 %</u> |
| | * Expected arithmetic nominal return | | <u>7.83 %</u> |

*The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 6.72%, including expected inflation of 2.5%. On October 10, 2019, 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 at that time, providing a median return of 7.11% including expected inflation of 2.50%.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2021 | \$ 20,655,312 | \$ 19,959,818 | \$ 695,494 |
| Changes for the year: | | | |
| Service cost | 351,756 | - | 351,756 |
| Interest | 1,397,239 | - | 1,397,239 |
| Benefit changes | - | - | - |
| Assumption changes | - | - | - |
| Differences between expected and actual experience | 538,017 | - | 538,017 |
| Contributions – employer | - | 327,839 | (327,839) |
| Contributions – employee | - | 239,518 | (239,518) |
| Net investment income | - | (27,011) | 27,011 |
| Benefit payments, including refunds of employee contributions | (614,462) | (614,462) | - |
| Administrative expenses | - | (12,336) | 12,336 |
| Other changes | - | 467 | (467) |
| Net changes | 1,672,550 | (85,985) | 1,758,535 |
| Balances at June 30, 2022 | \$ 22,327,862 | \$ 19,873,833 | \$ 2,454,029 |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | <u>1.00% Decrease (5.75%)</u> | <u>Current Discount Rate (6.75%)</u> | <u>1.00% Increase (7.75%)</u> |
|--|--|---|--|
| Political subdivision's net pension liability (asset) | \$ 5,552,196 | \$ 2,454,029 | \$ (30,612) |

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

For the year ended June 30, 2023, the political subdivision recognized pension expense of \$511,445. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ 521,717 | \$ 4,391 |
| Change of assumptions | 98,762 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 555,895 |
| Employer contributions subsequent to the measurement date | <u>404,845</u> | <u>-</u> |
| Total | <u>\$ 1,025,324</u> | <u>\$ 560,286</u> |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$404,845 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, 2023 | Increase (Reduction) to Pension Expense |
|-------------------------------------|--|
| 2024 | \$ 186,318 |
| 2025 | (42,117) |
| 2026 | (358,469) |
| 2027 | 274,461 |
| 2028 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Authority also participates in a cost-sharing and agent multi-employer other postemployment benefit plan, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time employees of the Authority are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

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 GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

Contributions

Contributions to the VRS OPEB program was based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program is as follows:

Group Life Insurance Program

| | |
|----------------------------|---|
| Governed by: | <i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i> |
| Total rate: | 1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution. |
| June 30, 2023 Contribution | \$30,677 |
| June 30, 2022 Contribution | \$27,102 |

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

The net OPEB liabilities were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

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

Group Life Insurance Program

| | |
|--|------------|
| June 30, 2023 proportionate share of liability | \$ 277,785 |
| June 30, 2022 proportion | .02307% |
| June 30, 2021 proportion | .02254% |
| June 30, 2023 expense | \$ 15,653 |

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 21,997 | \$ 11,144 |
| Change of assumptions | 10,361 | 27,057 |
| Net difference between projected and actual earnings on | | |
| OPEB plan investments | - | 17,357 |
| Changes in proportionate share | 19,543 | 36 |
| Employer contributions subsequent to the measurement date | 30,677 | - |
| Total | <u>\$ 82,578</u> | <u>\$ 55,594</u> |

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program

| Year Ended June 30, | Increase/(Reduction) to OPEB Expense |
|--------------------------------|---|
| 2024 | \$ 1,913 |
| 2025 | 1,698 |
| 2026 | (10,387) |
| 2027 | 3,933 |
| 2028 | (850) |
| Thereafter | - |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

| | |
|--|--------------|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| • Locality- general employees | 3.50 – 5.35% |
| Healthcare cost trend rates: | |
| • Under age 65 | 7.00 – 4.75% |
| • Ages 65 and older | 5.25 – 4.75% |
| Investment rate of return, net of expenses, including inflation | GLI: 6.75% |

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

Net OPEB Liabilities

The net OPEB liabilities represent the total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

| | Group Life Insurance Program |
|---|-------------------------------------|
| Total OPEB Liability | \$ 3,672,085 |
| Plan fiduciary net position | 2,467,989 |
| Employers' net OPEB liability (asset) | 1,204,096 |
| Plan fiduciary net position as a percentage of total OPEB liability | 67.21% |

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

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

Long-Term Expected Rate of Return

Group Life Insurance

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

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------------|--|---|---|
| Public Equity | 34.00 % | 5.71 % | 1.94 % |
| Fixed Income | 15.00 | 2.04 | 0.31 |
| Credit Strategies | 14.00 | 4.78 | 0.67 |
| Real Assets | 14.00 | 4.47 | 0.63 |
| Private Equity | 14.00 | 9.73 | 1.36 |
| MAPS – Multi-Asset Public Strategies | 6.00 | 3.73 | 0.22 |
| PIP – Private Investment Partnership | 3.00 | 6.55 | 0.2 |
| Total | 100.00 % | | 5.33 % |
| | Inflation | | 2.50 % |
| | *Expected arithmetic nominal return | | 7.83 % |

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 6.72%, including expected inflation of 2.50%. On October 10, 2019, 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 at that time, providing a median return of 7.11%, including inflation of 2.50%.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plan (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB 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 Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

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

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|------------------------|------------------------------|-------------------------------------|------------------------------|
| GLI Net OPEB liability | \$ <u>404,210</u> | \$ <u>277,785</u> | \$ <u>175,617</u> |

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9. Other Post-Employment Benefits Liability – Local Plan

Plan description:

The Authority offers other post-employment benefits (OPEB) under a single employer plan by allowing qualifying retirees to continue to participate in the Authority's health insurance plan. Retirees must pay the cost of the premium but receive an implicit rate subsidy by virtue of participating in the Authority's plan. No assets are accumulated in a trust to pay benefits to the plan.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Plan description (Continued):

The Authority's Voluntary Early Retirement Incentive Program (VERIP) provides an additional health insurance subsidy for up to five years for employees who retire and meet the requirements of the plan.

VERIP participants may choose to apply this subsidy to Authority sponsored health insurance premiums or to purchase other insurance. For fiscal year 2023, the Authority's health and benefit contribution was \$616 per month. VERIP benefits are paid monthly for a period of five years after retirement or until age 65, whichever comes first.

Participants in the Authority's VERIP must meet the following requirements: employees must be eligible for early or full retirement under the provisions of the VRS, must have been employed by the Authority for 10 years prior to retirement, and must be at least 50 years of age. Any employees retiring under the disability provisions of VRS and/or Social Security will not be eligible for VERIP.

Employees Covered by Benefit Terms:

As of the June 30, 2023 measurement date, the following employees were covered by the benefit terms of the plan:

| | <u>Number</u> |
|--|----------------------|
| Inactive employees or beneficiaries: | |
| Currently receiving benefits | 1 |
| Entitled to but not yet receiving benefits | <u>-</u> |
| Total inactive employees | 1 |
| Active plan members | <u>76</u> |
| Total employees covered by benefit terms | <u><u>\$ 77</u></u> |

Total OPEB Liability:

The Authority's total OPEB liability of \$966,734 was measured as of June 30, 2023 and was determined based on an actual valuation performed as of July 1, 2022.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Actuarial Assumptions and other inputs:

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

| | |
|--|---|
| Salary increases, including inflation | 3.50% plus the salary merit increases, which are based on the VRS actuarial valuation as of June 30, 2022 |
| Healthcare cost trend rates | 4.50% - 7.00% |
| Retirees' share of benefit-related costs | Retirees are responsible for the full cost of coverage less the VERIP subsidy for those who qualify |
| Mortality rates | Active employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2022; Surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2022; Disabled employees and retirees: SOA Pub-2010 Non-Safety Disability Headcount Weighted Mortality Table fully generational using Scale MP-2022 |

The actuarial assumptions used in the July 1, 2022, valuation was based on the results of an actuarial experience study for the period from July 1, 2022, through June 30, 2023. There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2022.

Changes in assumptions and other inputs:

- The Discount rate as of the Measurement Date has been updated from 4.09% as of July 1, 2022, to 4.13% as of June 30, 2023, based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). This change has caused a significant decrease in the Authority's liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.
- The mortality improvement scales for all mortality tables were updated from MP-2019 to MP-2021. This resulted in a slight increase in liabilities.
- Health care trend rates have been updated to an initial trend of 7.0% decreasing by 0.5% annually to an ultimate rate of 4.5% according to the schedule in the Health Care Trend Rates section of the Actuarial Methods and Assumptions. This change caused an increase in the Authority's liabilities.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Actuarial Assumptions and other inputs (Continued):

- The updated census data resulted in a decrease in liabilities, mainly due to early termination of active participants who were retirement eligible, and changes in coverage tiers that resulted in additional gains.

Changes in the Total OPEB Liability:

| | |
|--|-------------------|
| Balance at June 30, 2022 | |
| Changes for the year: | \$ 881,941 |
| Service Cost | 49,323 |
| Interest | 37,490 |
| Benefit Changes | - |
| Assumptions or other input changes | (3,117) |
| Differences between expected and actual experience | 30,645 |
| Benefit payments | (29,548) |
| Balance at June 30, 2023 | <u>\$ 966,734</u> |

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

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 a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current discount rate:

| | <u>1.00% Decrease (3.13%)</u> | <u>Current Discount Rate (4.13%)</u> | <u>1.00% Increase (5.13%)</u> |
|----------------------|---------------------------------------|--|---------------------------------------|
| Total OPEB liability | \$ 1,047,715 | \$ 966,734 | \$ 892,207 |

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rates:

| | <u>1.00% Decrease (6.00%)</u> | <u>Current Healthcare Cost Trend Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
|----------------------|---------------------------------------|---|---------------------------------------|
| Total OPEB liability | \$ 850,204 | \$ 966,734 | \$ 1,105,452 |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

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

For the year ended June 30, 2023, the Authority recognized OPEB expense of (\$45,238). At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 26,267 | \$ 341,325 |
| Change in assumptions | 41,682 | 87,266 |
| Employer contributions subsequent to the measurement date | N/A | N/A |
| Total | <u>\$ 67,949</u> | <u>\$ 428,591</u> |

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

| Year Ending June 30, | Increase (Reduction) to OPEB Expense |
|---------------------------------|---|
| 2024 | \$ (159,369) |
| 2025 | (124,564) |
| 2026 | (25,217) |
| 2027 | (25,218) |
| 2028 | (30,204) |
| Thereafter | 3,930 |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9. Other Post-Employment Benefits Liability – Local Plan (Continued)

Summary of Other Postemployment Benefit Elements

Deferred outflows of resources - OPEB

| | |
|--|-------------------|
| Differences between expected and actual experience | |
| VRS-Group Life Insurance | \$ 21,997 |
| Local Plan | 26,267 |
| Changes in proportion | |
| VRS-Group Life Insurance | 19,543 |
| Employer contributions subsequent to the measurement date | |
| VRS-Group Life Insurance | 30,677 |
| Changes of assumptions | |
| VRS-Group Life Insurance | 10,361 |
| Local Plan | 41,682 |
| Net difference between projected and actual earnings on plan investments | |
| VRS-Group Life Insurance | |
| Total deferred outflows of resources - OPEB | <u>\$ 150,527</u> |

Net OPEB liability

| | |
|--------------------------|---------------------|
| VRS-Group Life Insurance | \$ 277,785 |
| Local Plan | 966,734 |
| Total net OPEB liability | <u>\$ 1,244,519</u> |

Deferred inflows of resources - OPEB

| | |
|--|-------------------|
| Differences between expected and actual experience | |
| VRS- Group Life Insurance | \$ 11,144 |
| Local Plan | 341,325 |
| Changes of assumptions | |
| VRS-Group Life Insurance | 27,057 |
| Local Plan | 87,266 |
| Changes in proportion | |
| VRS-Group Life Insurance | 36 |
| Net difference between projected and actual earnings on plan investments | 17,357 |
| Total deferred inflows of resources - OPEB | <u>\$ 484,185</u> |

OPEB Expense/(Income)

| | |
|-----------------------------|--------------------|
| VRS-Group Life Insurance | \$ 15,653 |
| Local Plan | (45,238) |
| Total OPEB Expense/(Income) | <u>\$ (29,585)</u> |

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 10. Service Contracts

The Authority purchases all water and sewage treatment services from RWSA. These purchases amounted to \$13,987,522 for water and \$10,202,217 for sewage treatment services for the current year.

RWSA was formed in 1972 as a joint venture of the City of Charlottesville, the County of Albemarle, and the Authority. The RWSA operates under the terms of a Service Agreement which was signed in 1973 and is expected to continue indefinitely. Under the terms of the agreement, as well as several supplemental agreements since that time, the City of Charlottesville and the Authority have covenanted to purchase water and sewer services from RWSA. RWSA constructs and maintains the capital assets necessary to provide these water and sewer services and has issued debt to fund these projects. RWSA's charges to the Authority included a component for operations as well as a component for current and future estimated debt service.

In the current year, the charges that were associated with debt service were \$11,913,324.

Note 11. Risk Management

The Risk Management Programs of the Authority are as follows:

The Authority is a member of the Virginia Risk Sharing Association (V.R.S.A.). The liability coverage includes local government liability, auto, property, boiler/machinery, Cyber Liability, fidelity/crime, workers compensation and general liability coverages. VML Insurance program is a self-administered risk pool which, for premiums paid, protects Virginia State and local government entities. Settlement amount under these policies have not exceeded insurance coverage for the last three fiscal years.

The limits of the pools' liability to the Authority are as follows:

- Local Government Liability – \$1,000,000
- Auto – \$1,000,000
- Property – \$21,840,464
- Boiler/Machinery – \$15,000,000
- Cyber Liability - \$1,000,000
- Fidelity/Crime – \$250,000
- General Liability – \$1,000,000 (plus Excess of \$4,000,000)
- Workers Compensation – Specific excess limits as per statute, aggregate excess limits up to the limits of the Aggregate Excess Loss Fund. Employers' Liability: \$1,000,000 for each bodily injury accident for each employee.

The Authority continues to carry commercial insurance for all other risks of loss, namely employee health insurance. Claims have not exceeded coverage for the last three fiscal years.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 12. Deferred Compensation Plan

Since 1988 the Authority has offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a maximum of 100% of their salary or \$22,500 per year, whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 13. Contingency – Off-Site Extensions

Off-site extensions of water and/or sanitary sewer lines to serve new developments shall be the responsibility of the developer. An off-site extension is defined as an extension of a water and/or sanitary sewer line by a developer from the developer's property boundary as determined by the Authority to existing Authority facilities. Under specific circumstances, upon completion of the project and acceptance into the Authority's system, the Authority shall enter into a written agreement granting the developer credit against future water and/or sewer system development charges. The credit can only be used for the property for which the off-site extension is constructed. The credit does not constitute a priority for water or sewer service. As water and/or sewer connections are made, the developer must use its existing credit first. The credit shall expire ten years after acceptance of the off-site water and/or sewer line extension into the Authority's system. If all requirements for use of credits are met, the total amount of unrecorded but potential credits is \$909,035 at June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

ALBEMARLE COUNTY SERVICE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2023

| | Fiscal Years | | | | | | | | |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | | | | | | |
| Service cost | \$ 351,756 | \$ 337,400 | \$ 334,646 | \$ 288,386 | \$ 282,089 | \$ 302,117 | \$ 306,250 | \$ 319,994 | \$ 303,515 |
| Interest on total pension liability | 1,397,239 | 1,287,748 | 1,177,200 | 1,117,629 | 1,062,604 | 1,021,852 | 971,270 | 945,438 | 891,399 |
| Changes in benefit terms | - | - | - | - | - | - | - | - | - |
| Changes in assumptions | - | 264,750 | - | 511,046 | - | (261,995) | - | - | - |
| Difference between expected and actual experience | 538,017 | (11,769) | 713,793 | 132,308 | 19,186 | 57,961 | (77,660) | (456,292) | - |
| Benefit payments, including refunds of employee contributions | (614,462) | (601,130) | (574,638) | (576,372) | (579,237) | (496,301) | (458,221) | (421,994) | (423,861) |
| | | | | | | | | | |
| Net change in total pension liability | 1,672,550 | 1,276,999 | 1,651,001 | 1,472,997 | 784,642 | 623,634 | 741,639 | 387,146 | 771,053 |
| | | | | | | | | | |
| Total pension liability – beginning | 20,655,312 | 19,378,313 | 17,727,312 | 16,254,315 | 15,469,673 | 14,846,039 | 14,104,400 | 13,717,254 | 12,946,201 |
| | | | | | | | | | |
| Total pension liability – ending | 22,327,862 | 20,655,312 | 19,378,313 | 17,727,312 | 16,254,315 | 15,469,673 | 14,846,039 | 14,104,400 | 13,717,254 |
| | | | | | | | | | |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions – employer | 327,839 | 303,643 | 245,116 | 234,877 | 244,563 | 235,653 | 330,458 | 317,575 | 326,450 |
| Contributions – employee | 239,518 | 222,626 | 219,505 | 207,077 | 188,757 | 181,895 | 177,386 | 171,283 | 170,882 |
| Net investment income | (27,011) | 4,326,251 | 297,306 | 983,842 | 1,024,636 | 1,516,452 | 217,142 | 535,330 | 1,576,735 |
| Benefit payments, including refunds of employee contributions | (614,462) | (601,130) | (574,638) | (576,372) | (579,237) | (496,301) | (458,221) | (421,994) | (423,861) |
| Administrative expenses | (12,336) | (10,552) | (10,040) | (9,615) | (8,793) | (8,670) | (7,476) | (7,154) | (8,347) |
| Other | 467 | 410 | (354) | (620) | (913) | (1,352) | (91) | (110) | 84 |
| | | | | | | | | | |
| Net change in plan fiduciary net position | (85,985) | 4,241,248 | 176,895 | 839,189 | 869,013 | 1,427,677 | 259,198 | 594,930 | 1,641,943 |
| | | | | | | | | | |
| Plan fiduciary net position – beginning | 19,959,818 | 15,718,570 | 15,541,675 | 14,702,486 | 13,833,473 | 12,405,796 | 12,146,598 | 11,551,668 | 9,909,725 |
| | | | | | | | | | |
| Plan fiduciary net position – ending | 19,873,833 | 19,959,818 | 15,718,570 | 15,541,675 | 14,702,486 | 13,833,473 | 12,405,796 | 12,146,598 | 11,551,668 |
| | | | | | | | | | |
| Net pension liability – ending | \$ 2,454,029 | \$ 695,494 | \$ 3,659,743 | \$ 2,185,637 | \$ 1,551,829 | \$ 1,636,200 | \$ 2,440,243 | \$ 1,957,802 | \$ 2,165,586 |
| | | | | | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 89% | 97% | 81% | 88% | 90% | 89% | 84% | 86% | 84% |
| | | | | | | | | | |
| Covered payroll | \$ 5,018,813 | \$ 4,653,342 | \$ 4,596,106 | \$ 4,325,421 | \$ 3,922,995 | \$ 3,757,862 | \$ 3,635,900 | \$ 3,474,178 | \$ 3,355,469 |
| | | | | | | | | | |
| Net pension liability as a percentage of covered payroll | 49% | 15% | 80% | 51% | 40% | 44% | 67% | 56% | 65% |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2023

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a percentage of Covered Payroll |
|-------------------------------|--|---|---|----------------------------|---|
| 2015 | \$ 311,615 | \$ 311,615 | \$ - | \$ 3,474,178 | 8.97% |
| 2016 | 330,458 | 330,458 | - | 3,635,900 | 9.09% |
| 2017 | 235,653 | 235,653 | - | 3,757,862 | 6.27% |
| 2018 | 244,561 | 244,561 | - | 3,922,995 | 6.23% |
| 2019 | 234,877 | 234,877 | - | 4,325,421 | 5.43% |
| 2020 | 245,110 | 245,110 | - | 4,596,106 | 5.33% |
| 2021 | 313,643 | 313,643 | - | 4,653,342 | 6.74% |
| 2022 | 339,261 | 339,261 | - | 5,018,813 | 6.76% |
| 2023 | 404,845 | 404,845 | - | 5,681,014 | 7.13% |

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

ALBEMARLE COUNTY SERVICE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS - LOCAL PLAN
June 30, 2023

| | <u>Plan Year 2023</u> | <u>Plan Year 2022</u> | <u>Plan Year 2021</u> | <u>Plan Year 2020</u> | <u>Plan Year 2019</u> | <u>Plan Year 2018</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 49,323 | \$ 65,346 | \$ 57,968 | \$ 74,812 | \$ 68,079 | \$ 69,786 |
| Interest on total OPEB liability | 37,490 | 24,509 | 27,390 | 55,438 | 67,654 | 56,003 |
| Changes in benefit terms | - | - | - | - | - | - |
| Difference between expected and actual experience | 30,645 | (120,515) | (4,522) | (632,618) | (250,714) | 173,501 |
| Changes in assumptions | (3,117) | (118,432) | 39,416 | 36,551 | 41,846 | (9,554) |
| Benefit payments | <u>(29,548)</u> | <u>(45,269)</u> | <u>(31,166)</u> | <u>(102,307)</u> | <u>(102,268)</u> | <u>(106,141)</u> |
| Net change in total OPEB liability | 84,793 | (194,361) | 89,086 | (568,124) | (175,403) | 183,595 |
| Total OPEB liability - beginning | <u>881,941</u> | <u>1,076,302</u> | <u>987,216</u> | <u>1,555,340</u> | <u>1,730,743</u> | <u>1,547,148</u> |
| Total OPEB liability - ending | <u>\$ 966,734</u> | <u>\$ 881,941</u> | <u>\$ 1,076,302</u> | <u>\$ 987,216</u> | <u>\$ 1,555,340</u> | <u>\$ 1,730,743</u> |
| Covered employee payroll | <u>\$ 5,916,996</u> | <u>\$ 5,262,437</u> | <u>\$ 4,686,463</u> | <u>\$ 4,583,540</u> | <u>\$ 4,404,509</u> | <u>\$ 3,899,735</u> |
| Total OPEB liability as a percentage of covered payroll | <u>16.3%</u> | <u>16.8%</u> | <u>23.0%</u> | <u>21.5%</u> | <u>35.3%</u> | <u>44.4%</u> |

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2023

| Fiscal Year Ended June 30 | Actuarially Determined Employer Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a percentage of Covered Payroll |
|---|---|---|---|----------------------------|---|
| VRS - Group Life Insurance - General Employees | | | | | |
| 2018 | \$ 20,401 | \$ 20,401 | \$ - | \$ 3,922,995 | 0.52% |
| 2019 | 22,492 | 22,492 | - | 4,325,421 | 0.52% |
| 2020 | 23,898 | 23,898 | - | 4,596,106 | 0.52% |
| 2021 | 25,130 | 25,130 | - | 4,653,342 | 0.54% |
| 2022 | 27,102 | 27,102 | - | 5,018,813 | 0.54% |
| 2023 | 30,677 | 30,677 | - | 5,681,014 | 0.54% |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

ALBEMARLE COUNTY SERVICE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2023

| Entity Fiscal Year Ended June 30 | Employer's Proportion of the Net OPEB Liability (Asset) | Employer's Proportionate Share of the Net OPEB Liability (Asset) | Covered Payroll | Employer's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|--|---|----------------------------|--|--|
| VRS - Group Life Insurance - General Employees | | | | | |
| 2018 | 0.02038% | \$ 307,000 | \$ 3,757,862 | 8.17% | 48.86% |
| 2019 | 0.02063% | 313,000 | 3,922,995 | 7.98% | 51.22% |
| 2020 | 0.02206% | 358,975 | 4,325,421 | 8.30% | 52.00% |
| 2021 | 0.02233% | 372,651 | 4,596,106 | 8.11% | 52.64% |
| 2022 | 0.02254% | 262,427 | 4,653,342 | 5.64% | 67.45% |
| 2023 | 0.02307% | 277,785 | 5,018,813 | 5.53% | 67.21% |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

ALBEMARLE COUNTY SERVICE AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdraw rates to better fit experience at each age and service through 9 years of service.
- No change in disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdraw rates to better fit experience at each age and service through 9 years of service.
- No change in disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

STATISTICAL SECTION

The statistical section of the Authority's annual comprehensive financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures, and required supplementary information say about the Authority's overall financial health. This information has not been audited by the independent auditor.

Contents

Financial Trends

Tables 1-4

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

Tables 5-6

These schedules contain information to help the reader assess the Authority's most significant revenue sources.

Debt Capacity

Table 7

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

Demographic and Economic Information

Tables 8-9

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

Tables 10-17

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Table 1

**ALBEMARLE COUNTY SERVICE AUTHORITY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2015* | 2016 | 2017 | 2018** | 2019 | 2020 | 2021 | 2022 | 2023*** |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 115,617,250 | \$ 119,714,145 | \$ 126,311,674 | \$ 131,997,020 | \$ 140,238,885 | \$ 148,180,254 | \$ 156,610,823 | \$ 165,640,741 | \$ 172,031,606 | \$ 175,247,805 |
| Restricted for debt service | 229,688 | 234,890 | 240,591 | 247,015 | 255,835 | 264,343 | 269,790 | 272,895 | 314,718 | 331,531 |
| Unrestricted | 22,782,549 | 22,276,215 | 24,423,916 | 29,077,339 | 36,007,519 | 37,580,516 | 43,394,497 | 46,047,071 | 47,742,895 | 53,942,334 |
| Total business-type activities net position | <u>\$ 138,629,487</u> | <u>\$ 142,225,250</u> | <u>\$ 150,976,181</u> | <u>\$ 161,321,374</u> | <u>\$ 176,502,239</u> | <u>\$ 186,025,113</u> | <u>\$ 200,275,110</u> | <u>\$ 211,960,707</u> | <u>\$ 220,089,219</u> | <u>\$ 229,521,670</u> |

* GASB Statement No. 68 was adopted in fiscal year 2015. Information from previous years presented is unavailable.

** GASB Statement No. 75 was adopted in fiscal year 2018. Information from previous years presented is unavailable.

*** GASB Statement No. 87 was adopted in fiscal year 2023. Information from previous years presented is unavailable.

Table 2

**ALBEMARLE COUNTY SERVICE AUTHORITY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating expenses | | | | | | | | | | |
| Operating expenses: | | | | | | | | | | |
| Water | \$ 10,262,354 | \$ 11,204,103 | \$ 11,872,889 | \$ 12,816,458 | \$ 13,029,366 | \$ 13,762,043 | \$ 14,934,749 | \$ 15,418,833 | \$ 17,649,112 | \$ 20,218,241 |
| Sewer | 10,111,833 | 9,130,743 | 9,766,413 | 9,613,692 | 9,664,393 | 12,468,623 | 12,201,559 | 13,285,061 | 13,545,928 | 14,746,778 |
| Other | 2,819,633 | 3,026,916 | 3,158,144 | 3,302,779 | 3,336,765 | 3,625,254 | 3,669,899 | 3,898,244 | 4,114,076 | 4,305,016 |
| Total operating expenses | <u>\$ 23,193,820</u> | <u>\$ 23,361,762</u> | <u>\$ 24,797,446</u> | <u>\$ 25,732,929</u> | <u>\$ 26,030,524</u> | <u>\$ 29,855,920</u> | <u>\$ 30,806,207</u> | <u>\$ 32,602,138</u> | <u>\$ 35,309,116</u> | <u>\$ 39,270,035</u> |
| Operating revenues | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | \$ 10,665,192 | \$ 12,173,073 | \$ 12,564,711 | \$ 13,916,547 | \$ 14,221,088 | \$ 14,365,666 | \$ 15,839,848 | \$ 15,919,103 | \$ 17,545,859 | \$ 18,720,236 |
| Sewer | 9,588,948 | 10,468,470 | 10,895,970 | 11,869,460 | 12,232,244 | 12,688,282 | 13,662,193 | 13,964,581 | 15,279,189 | 15,332,086 |
| Connection | 296,724 | 328,862 | 329,384 | 359,660 | 331,838 | 356,398 | 367,451 | 141,043 | 131,415 | 178,642 |
| Total operating revenues | <u>\$ 20,550,864</u> | <u>\$ 22,970,405</u> | <u>\$ 23,790,065</u> | <u>\$ 26,145,667</u> | <u>\$ 26,785,170</u> | <u>\$ 27,410,346</u> | <u>\$ 29,869,492</u> | <u>\$ 30,024,727</u> | <u>\$ 32,956,463</u> | <u>\$ 34,230,964</u> |
| Net (expense) revenue | <u>\$ (2,642,956)</u> | <u>\$ (391,357)</u> | <u>\$ (1,007,381)</u> | <u>\$ 412,738</u> | <u>\$ 754,646</u> | <u>\$ (2,445,574)</u> | <u>\$ (936,715)</u> | <u>\$ (2,577,411)</u> | <u>\$ (2,352,653)</u> | <u>\$ (5,039,071)</u> |
| Nonoperating revenues and expenses | | | | | | | | | | |
| Investment earnings | \$ 110,135 | \$ 102,469 | \$ 215,035 | \$ 59,576 | \$ 348,572 | \$ 946,599 | \$ 733,385 | \$ 82,900 | \$ (631,795) | \$ 1,084,854 |
| Miscellaneous revenues | 310,340 | 347,692 | 363,029 | 412,944 | 552,586 | 51,050 | 333,752 | 548,486 | 381,926 | 462,076 |
| Capital contributions | 10,739,627 | 7,466,312 | 9,468,629 | 9,717,312 | 15,173,477 | 11,632,967 | 14,334,718 | 14,080,638 | 11,292,904 | 13,246,309 |
| Other expenses | (221,879) | (473,424) | (288,381) | (257,377) | (293,343) | (662,168) | (215,143) | (449,016) | (561,870) | (321,717) |
| Total nonoperating revenues and expenses | <u>\$ 10,938,223</u> | <u>\$ 7,443,049</u> | <u>\$ 9,758,312</u> | <u>\$ 9,932,455</u> | <u>\$ 15,781,292</u> | <u>\$ 11,968,448</u> | <u>\$ 15,186,712</u> | <u>\$ 14,263,008</u> | <u>\$ 10,481,165</u> | <u>\$ 14,471,522</u> |
| Change in net position | <u>\$ 8,295,267</u> | <u>\$ 7,051,692</u> | <u>\$ 8,750,931</u> | <u>\$ 10,345,193</u> | <u>\$ 16,535,938</u> | <u>\$ 9,522,874</u> | <u>\$ 14,249,997</u> | <u>\$ 11,685,597</u> | <u>\$ 8,128,512</u> | <u>\$ 9,432,451</u> |

**ALBEMARLE COUNTY SERVICE AUTHORITY
WATER AND SEWER SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS
(IN MILLIONS OF GALLONS)**

57

Table 4

**ALBEMARLE COUNTY SERVICE AUTHORITY
WATER AND SEWER RATES
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Monthly Service Charge¹ | \$ 6.15 | \$ 7.18 | \$ 7.40 | \$ 7.73 | \$ 7.92 | \$ 8.16 | \$ 8.57 | \$ 8.57 | \$ 9.00 | \$ 9.45 |
| Water Volume | | | | | | | | | | |
| Single-family/Non-Residential | | | | | | | | | | |
| 0 - 3,000 | 3.33 | 3.69 | 3.80 | 3.99 | 4.11 | 4.27 | 4.48 | 4.48 | 4.70 | 5.05 |
| 3,001 - 6,000 | 6.66 | 7.38 | 7.60 | 7.98 | 8.22 | 8.55 | 8.98 | 8.98 | 9.43 | 10.14 |
| 6,000 - 9,000 | 9.99 | 11.07 | 11.40 | 11.97 | 12.33 | 12.82 | 13.46 | 13.46 | 14.13 | 15.19 |
| Over 9,000 | 13.32 | 14.76 | 15.20 | 15.96 | 16.44 | 17.10 | 17.96 | 17.96 | 18.86 | 20.27 |
| Multi-family/Non-Residential | | | | | | | | | | |
| All Metered Consumption | 6.43 | 7.12 | 7.33 | 7.70 | 7.93 | 8.25 | 8.66 | 8.66 | 9.09 | 10.14 |
| Sewer Volume | 7.49 | 7.86 | 8.10 | 8.50 | 8.67 | 8.93 | 9.47 | 9.47 | 9.94 | 10.24 |

¹ Monthly Service charge varies based on meter size. The amount represented here is for our standard 3/4" meters.

Table 5

**ALBEMARLE COUNTY SERVICE AUTHORITY
TOP TEN REVENUE PAYERS
CURRENT YEAR AND NINE YEARS AGO**

| Customer | Fiscal Year 2023 | | | Fiscal Year 2014 | | |
|---------------------------|------------------------------|------|------------------------------------|------------------------------|------|------------------------------------|
| | Water Billed (in gallons) | Rank | Percent of Total Water Sales | Water Billed (in gallons) | Rank | Percent of Total Water Sales |
| Martha Jefferson Hospital | 23,314,946 | 1 | 1.34 % | 22,555,400 | 2 | 1.47 % |
| Abbingdon Crossing | 22,051,567 | 2 | 1.27 | - | - | - |
| Southwood Mobile Homes | 20,865,965 | 3 | 1.20 | 23,284,000 | 1 | 1.52 |
| University of Virginia | 20,209,499 | 4 | 1.16 | 18,457,900 | 5 | 1.20 |
| Four Seasons Apts. | 19,930,265 | 5 | 1.15 | 17,286,800 | 7 | 1.13 |
| SEMF Charleston | 18,427,267 | 6 | 1.06 | 18,474,875 | 4 | 1.20 |
| County of Albemarle | 18,140,382 | 7 | 1.04 | 21,664,200 | 3 | 1.41 |
| Barracks West Apts. | 17,437,796 | 8 | 1.00 | 18,134,800 | 6 | 1.18 |
| Westminster Canterbury | 16,589,490 | 9 | 0.95 | 13,910,000 | 10 | 0.91 |
| Turtle Creek Apts. | 15,620,328 | 10 | 0.90 | 15,066,600 | 9 | 0.98 |
| ACRJ | - | - | - | 16,042,000 | 8 | 1.05 |
| | 192,587,505 | | 11.07% | 184,876,575 | | 12.05% |
| Total water consumption: | 1,739,170,000 | | | 1,534,600,000 | | |

| Customer | Fiscal Year 2023 | | | Fiscal Year 2014 | | |
|---------------------------|------------------------------|------|------------------------------------|------------------------------|------|------------------------------------|
| | Sewer Billed (in gallons) | Rank | Percent of Total Sewer Sales | Sewer Billed (in gallons) | Rank | Percent of Total Sewer Sales |
| Southwood Mobile Homes | 25,440,000 | 1 | 1.68 % | 12,485,736 | 10 | 0.96 % |
| Abbingdon Crossing | 22,051,567 | 2 | 1.46 | 19,680,900 | 2 | 1.52 |
| University of Virginia | 20,165,321 | 3 | 1.33 | - | - | - |
| Four Seasons Apts. | 19,930,265 | 4 | 1.32 | 17,286,800 | 5 | 1.33 |
| SEMF Charleston | 18,427,267 | 5 | 1.22 | 18,474,875 | 3 | 1.42 |
| Barracks West Apts. | 17,437,796 | 6 | 1.15 | 18,134,800 | 4 | 1.40 |
| Westminster Canterbury | 15,841,490 | 7 | 1.05 | 13,757,000 | 9 | 1.06 |
| Turtle Creek Apts. | 15,590,128 | 8 | 1.03 | 15,066,600 | 8 | 1.16 |
| Westgate Apts. | 14,746,057 | 9 | 0.98 | - | - | - |
| Martha Jefferson Hospital | 14,559,582 | 10 | 0.96 | 21,344,400 | 1 | 1.64 |
| County of Albemarle | - | - | - | 16,769,400 | 6 | 1.29 |
| ACRJ | | | | 16,042,000 | 7 | 1.24 |
| | 184,189,473 | | 12.18% | 169,042,511 | | 13.02% |
| Total sewer usage: | 1,511,790,000 | | | 1,297,900,000 | | |

Table 6

**ALBEMARLE COUNTY SERVICE AUTHORITY
OUTSTANDING DEBT PER CONNECTION, PER CAPITA,
AND DEBT PER CAPITA AS A PERCENTAGE OF INCOME PER CAPITA
LAST TEN FISCAL YEARS**

| Fiscal Year | Outstanding Revenue Bond | Number of¹ Connections | Debt per Connection (3) = (1)/(2) | Estimated² Population Served (4) = (2) * 2.5 | Debt per Capita (5) = (1)/(4) | Income³ per Capita (6) | Debt per Capita as a % Income per Capita (7) = (5)/(6) |
|------------------------|-------------------------------------|--|--|--|--|--|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 2014 | \$ 9,212,000 | 18,132 | \$ 508.05 | 45,330 | \$ 203.22 | \$ 56,851 | 0.3575 % |
| 2015 | 8,788,000 | 18,466 | 475.90 | 46,165 | 190.36 | 58,603 | 0.3248 |
| 2016 | 8,352,000 | 18,764 | 445.11 | 46,910 | 178.04 | 60,294 | 0.2953 |
| 2017 | 7,903,000 | 19,257 | 410.40 | 48,143 | 164.16 | 60,964 | 0.2693 |
| 2018 | 7,440,000 | 19,738 | 376.94 | 49,345 | 150.78 | 67,630 | 0.2229 |
| 2019 | 6,963,000 | 20,252 | 343.82 | 50,630 | 137.53 | 74,613 | 0.1843 |
| 2020 | 6,472,000 | 20,787 | 311.35 | 51,968 | 124.54 | 74,613 | 0.1669 |
| 2021 | 5,966,000 | 21,238 | 280.91 | 53,095 | 112.36 | 77,657 | 0.1447 |
| 2022 | 5,057,840 | 21,595 | 234.21 | 53,988 | 93.69 | 77,606 | 0.1207 |
| 2023 | 4,583,080 | 22,138 | 207.02 | 55,345 | 82.81 | 85,867 | 0.0964 |

¹ Connections from Table 12

² The Virginia Department of Health estimates 2.5 residents per connection; this number is used in lieu of the population data in Table 8 which is representative of the entire county.

³ Per capita income data from Table 8 (Source: U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area)

Note: The Authority is not subject to legal debt limitations, and has issued no debt which is overlapping with other jurisdictions during the last ten fiscal years.

Table 7

**ALBEMARLE COUNTY SERVICE AUTHORITY
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

| Fiscal Year | Gross Revenue | Direct Operating Expense¹ | Net Revenue Available for Debt Service | Principal | Interest | Total | Coverage |
|------------------------|--------------------------|---|---|------------------|-----------------|--------------|-----------------|
| 2014 | \$ 31,851,830 | \$ 20,374,187 | \$ 11,477,643 | \$ 411,000 | \$ 443,993 | \$ 854,993 | 13.42 |
| 2015 | 31,021,470 | 20,334,846 | 10,686,624 | 424,000 | 414,813 | 838,813 | 12.74 |
| 2016 | 33,965,596 | 21,639,302 | 12,326,294 | 436,000 | 395,056 | 831,056 | 14.83 |
| 2017 | 36,457,609 | 22,430,150 | 14,027,459 | 449,000 | 374,726 | 823,726 | 17.03 |
| 2018 | 42,975,439 | 22,693,759 | 20,281,680 | 463,000 | 353,776 | 816,776 | 24.83 |
| 2019 | 40,149,708 | 26,230,666 | 13,919,042 | 477,000 | 332,183 | 809,183 | 17.20 |
| 2020 | 45,373,703 | 27,136,308 | 18,237,395 | 491,000 | 309,946 | 800,946 | 22.77 |
| 2021 | 44,736,751 | 28,703,894 | 16,032,857 | 506,000 | 287,044 | 793,044 | 20.22 |
| 2022 | 43,999,498 | 31,195,040 | 12,804,458 | 335,000 | 235,937 | 570,937 | 22.43 |
| 2023 | 49,024,203 | 34,965,019 | 14,059,184 | 375,000 | 102,153 | 477,153 | 29.46 |

¹Excluding depreciation and amortization

Table 8

**ALBEMARLE COUNTY SERVICE AUTHORITY
COUNTY DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

| Calendar Year | Population ¹ | Personal Income ² | Per Capita Income ² | Per Capita Income as Percent (%) of U.S. Average ² | School Enrollment ³ | Unemployment Rate ⁴ |
|--------------------------|--------------------------------|---|---|--|---|---|
| 2013 | 103,000 | \$ 8,350,340,000 | \$ 56,979 | 129 % | 13,263 | 5.4 % |
| 2014 | 104,489 | 8,420,079,000 | 56,851 | 128 | 13,677 | 4.7 |
| 2015 | 105,703 | 8,795,194,000 | 58,603 | 127 | 13,737 | 3.7 |
| 2016 | 106,878 | 9,182,721,000 | 60,294 | 125 | 13,792 | 3.5 |
| 2017 | 107,702 | 9,375,633,000 | 60,964 | 124 | 13,910 | 3.3 |
| 2018 | 108,718 | 10,531,351,000 | 67,630 | 131 | 14,013 | 2.7 |
| 2019 | 109,330 | 11,702,008,000 | 74,613 | 137 | 14,435 | 2.5 |
| 2020 | 112,395 | 12,160,701,000 | 77,657 | 138 | 13,532 | 5.4 |
| 2021 | 113,535 | 12,230,910,000 | 77,606 | 130 | 13,749 | 3.2 |
| 2022 | 114,534 | 13,670,666,000 | 85,867 | 134 | 13,970 | 2.7 |

¹ U.S. Census Bureau (estimates based on July 1)

² U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area, Personal Income, Population, Per Capita Personal Income

³ County of Albemarle, Department of Education

⁴ Virginia Labor Market Information, www.virginialmi.com

Calendar year 2023 statistics for the table above are not yet available.

Table 9

**ALBEMARLE COUNTY SERVICE AUTHORITY
TEN LARGEST EMPLOYERS (ALBEMARLE COUNTY)
CURRENT YEAR AND NINE YEARS AGO**

| Employer | Estimated Product/Service | (1) Estimated Employment in 2023 | Rank in 2023 | (1) Estimated Employment in 2014 | Rank in 2014 |
|--|--------------------------------------|---|-------------------------|---|-------------------------|
| University of Virginia/Blue Ridge Hospital | Higher education | 1,000 - over | 1 | 1,000 - over | 1 |
| Sentara Healthcare/Martha Jefferson Hospital | Health care | 1,000 - over | 2 | 1,000 - over | 3 |
| U.S. Department of Defense | National security | 1,000 - over | 3 | 500 - 999 | 6 |
| County of Albemarle | Local government | 1,000 - over | 4 | 1,000 - over | 2 |
| Crutchfield Corporation | Electronic retailers | 500 - 999 | 5 | - | - |
| Wal-Mart | Department stores | 500 - 999 | 6 | 250 - 499 | 9 |
| Piedmont Virginia Community College | Higher education | 250 - 499 | 7 | 250 - 499 | 8 |
| Northrop Grumman Corporation | Computer & electronic mfg. | 250 - 499 | 8 | 500 - 999 | 5 |
| Rmc Events | Event services | 250 - 499 | 9 | - | - |
| Atlantic Coast Athletic Club | Fitness center | 250 - 499 | 10 | - | - |
| State Farm Mutual Automobile Insurance | Insurance services | - | - | 1,000 - over | 4 |
| Athena Innovative Solutions | Business Management Consultants | - | - | 250 - 499 | 10 |
| GE Fanuc | Computer & electronic mfg. | - | - | 500-999 | 7 |

Source: Virginia Employment Commission

(1) Actual number of employees not available

Table 10

**ALBEMARLE COUNTY SERVICE AUTHORITY
FULL-TIME EMPLOYEES
LAST TEN FISCAL YEARS**

| Department | Fiscal Year | | | | | | | | | |
|---------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Administration/I.T. | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 11 | 11 | 12 |
| Finance | 15 | 16 | 16 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Engineering | 16 | 16 | 16 | 16 | 17 | 17 | 17 | 17 | 17 | 17 |
| Maintenance | 31 | 32 | 33 | 33 | 33 | 33 | 34 | 34 | 34 | 34 |
| Total | 72 | 74 | 75 | 76 | 77 | 77 | 78 | 79 | 79 | 80 |

Table 11

**ALBEMARLE COUNTY SERVICE AUTHORITY
OPERATING INDICATORS
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| New connections | 314 | 334 | 298 | 493 | 481 | 514 | 535 | 451 | 357 | 543 |
| Water meters read ¹ | 223,195 | 227,435 | 231,275 | 235,879 | 241,978 | 248,182 | 254,786 | 260,699 | 265,753 | 271,418 |
| Service orders processed ² | 11,823 | 12,116 | 12,405 | 16,988 | 12,055 | 8,179 | 11,091 | 10,640 | 8,306 | 7,988 |
| Water main breaks | 14 | 16 | 6 | 5 | 11 | 12 | 6 | 9 | 6 | 14 |
| Sewer overflows | 11 | 2 | 3 | 2 | 4 | 7 | 2 | 6 | 8 | 6 |
| Sewer blockages | 7 | 5 | 3 | 2 | 5 | 8 | 2 | 5 | 1 | 3 |

¹ Number of meters read for billing.

² Includes new service requests, requests for disconnection, meter installations & exchanges, investigations, and miscellaneous customer requests.

Table 12

**ALBEMARLE COUNTY SERVICE AUTHORITY
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|-----------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Number of water connections | 18,132 | 18,466 | 18,764 | 19,257 | 19,738 | 20,252 | 20,787 | 21,238 | 21,595 | 22,138 |
| Number of sewer connections | 15,168 | 15,508 | 15,805 | 16,299 | 16,764 | 17,273 | 17,803 | 18,257 | 18,611 | 19,146 |
| Miles of water lines | 351.76 | 355.00 | 338.52 | 344.76 | 349.40 | 353.10 | 357.81 | 363.79 | 373.97 | 374.29 |
| Miles of sewer lines | 258.40 | 261.10 | 281.67 | 288.17 | 292.70 | 297.60 | 301.12 | 316.06 | 323.52 | 315.63 |
| Fire hydrants | 2,330 | 2,375 | 2,511 | 2,590 | 2,650 | 2,747 | 2,818 | 3,023 | 3,137 | 3,146 |
| Water pumping stations | 9 | 9 | 9 | 8 | 8 | 9 | 9 | 9 | 9 | 9 |
| Sewer pumping stations | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 11 | 11 | 10 |
| Water storage tanks | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |

Table 13

**ALBEMARLE COUNTY SERVICE AUTHORITY
REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

| Fiscal Year | | Service Charges | | Connection Charges | | Rental Income | | Interest/Investment Earnings(Loss) | | Other | | Total |
|------------------------|----|----------------------------|----|-------------------------------|----|--------------------------|----|---|----|--------------|----|--------------|
| 2014 | \$ | 20,254,140 | \$ | 92,788 | \$ | 33,810 | \$ | 110,135 | \$ | 621,330 | \$ | 21,112,203 |
| 2015 | | 22,641,543 | | 96,992 | | 33,437 | | 102,469 | | 680,717 | | 23,555,158 |
| 2016 | | 23,460,681 | | 117,728 | | 27,645 | | 215,035 | | 675,878 | | 24,496,967 |
| 2017 | | 25,786,007 | | 138,553 | | 17,213 | | 59,576 | | 738,948 | | 26,740,297 |
| 2018 | | 26,453,332 | | 140,451 | | 16,603 | | 348,572 | | 843,004 | | 27,801,962 |
| 2019 | | 27,053,948 | | 135,007 | | 16,603 | | 946,599 | | 364,584 | | 28,516,741 |
| 2020 | | 29,502,041 | | 147,876 | | 16,603 | | 733,385 | | 639,080 | | 31,038,985 |
| 2021 | | 29,883,684 | | 141,043 | | 15,539 | | 82,900 | | 532,947 | | 30,656,113 |
| 2022 | | 32,825,048 | | 131,415 | | 18,357 | | (631,796) | | 363,569 | | 32,706,593 |
| 2023 | | 34,052,322 | | 178,642 | | 270 | | 1,084,854 | | 461,806 | | 35,777,894 |

Table 14

**ALBEMARLE COUNTY SERVICE AUTHORITY
EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

| Fiscal Year | Water & Sewer Costs | Departmental Operating Expenses | Bond Interest Charges | Depreciation | Other | Total |
|------------------------|--|--|--------------------------------------|---------------------|--------------|--------------|
| 2014 | 13,849,536 | 6,524,651 | 360,711 | 2,819,633 | 2,032 | 23,556,563 |
| 2015 | 13,901,732 | 6,433,114 | 414,813 | 3,026,916 | 193,203 | 23,969,778 |
| 2016 | 14,795,643 | 6,843,659 | 395,056 | 3,158,144 | 22,163 | 25,214,665 |
| 2017 | 14,928,569 | 7,501,581 | 374,726 | 3,302,779 | 4,761 | 26,112,416 |
| 2018 | 15,289,280 | 7,404,479 | 353,776 | 3,336,765 | 55,201 | 26,439,501 |
| 2019 | 18,154,657 | 8,076,009 | 332,183 | 3,625,254 | 438,731 | 30,626,834 |
| 2020 | 18,694,581 | 8,441,727 | 309,946 | 3,669,899 | 7,553 | 31,123,706 |
| 2021 | 19,858,509 | 8,845,385 | 287,044 | 3,898,244 | 161,972 | 33,051,154 |
| 2022 | 21,923,767 | 9,271,273 | 235,937 | 4,114,076 | 325,933 | 35,870,986 |
| 2023 | 24,189,739 | 10,775,280 | 102,153 | 4,305,016 | 219,564 | 39,591,752 |

Table 15

**ALBEMARLE COUNTY SERVICE AUTHORITY
SCHEDULE OF INSURANCE IN FORCE
June 30, 2023**

| Insurer | Type of Coverage | Policy Number | Policy Period | | Annual Premium |
|-----------------------------------|--|-------------------------|---------------|-----------|----------------|
| | | | From | To | |
| Virginia Risk Sharing Association | Local Government Liability Boiler & Machinery Cyber Liability General Business Policy: Auto General Liability/Excess Property Fidelity & Crime Workers' Compensation | P-2022-2023-VRSA-0107-1 | 7/1/2022 | 6/30/2023 | \$123,595 |

Table 16

**ALBEMARLE COUNTY SERVICE AUTHORITY
BILLED SERVICES AND CONNECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year | Water Connections | Water Billions Gallons | Consumption Ratio Water/Sewer | Sewer Billions Gallons | Sewer Connections |
|------------------------|------------------------------|---------------------------------------|--|---------------------------------------|------------------------------|
| 2014 | 18,132 | 1.53 | 1.2 | 1.30 | 15,168 |
| 2015 | 18,466 | 1.57 | 1.2 | 1.33 | 15,508 |
| 2016 | 18,764 | 1.61 | 1.2 | 1.35 | 15,805 |
| 2017 | 19,257 | 1.70 | 1.2 | 1.41 | 16,299 |
| 2018 | 19,738 | 1.68 | 1.2 | 1.41 | 16,764 |
| 2019 | 20,252 | 1.63 | 1.2 | 1.41 | 17,273 |
| 2020 | 20,787 | 1.68 | 1.2 | 1.45 | 17,803 |
| 2021 | 21,238 | 1.70 | 1.1 | 1.48 | 18,257 |
| 2022 | 21,595 | 1.78 | 1.1 | 1.55 | 18,611 |
| 2023 | 22,138 | 1.74 | 1.2 | 1.51 | 19,146 |

Table 17

**ALBEMARLE COUNTY SERVICE AUTHORITY
CONSTRUCTION ACTIVITY, PROPERTY VALUE, AND CASH EQUIVALENTS
LAST TEN FISCAL YEARS**

| Fiscal Year | | Construction | | Property Value | | Cash & Cash Equivalents |
|------------------------|----|---------------------|----|---------------------------|----|--|
| 2014 | \$ | 5,832,585 | \$ | 118,282,983 | \$ | 20,896,235 |
| 2015 | | 8,531,307 | | 120,017,051 | | 23,466,968 |
| 2016 | | 8,420,418 | | 125,645,948 | | 24,367,711 |
| 2017 | | 11,673,410 | | 127,628,676 | | 30,010,727 |
| 2018 | | 6,325,642 | | 140,750,579 | | 38,385,906 |
| 2019 | | 9,392,718 | | 145,137,081 | | 40,275,478 |
| 2020 | | 8,448,320 | | 154,012,341 | | 45,017,607 |
| 2021 | | 8,639,796 | | 162,344,686 | | 21,749,451 |
| 2022 | | 15,581,064 | | 161,494,661 | | 23,200,232 |
| 2023 | | 11,563,824 | | 168,443,035 | | 28,535,583 |

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Board of Directors
Albemarle County Service Authority
Charlottesville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Albemarle County Service Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 23, 2023

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 23, 2023

ALBEMARLE COUNTY SERVICE AUTHORITY

SUMMARY OF COMPLIANCE MATTERS Year Ended June 30, 2023

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Conflicts of Interest